

**CITY OF ROSWELL, NEW MEXICO  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010**

# CITY OF ROSWELL, NEW MEXICO

<b><u>CONTENTS</u></b>	<b><u>Page</u></b>
OFFICIAL ROSTER	i
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Required Supplementary Information)	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	31
Statement of Net Assets – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Notes to Financial Statements	35

# CITY OF ROSWELL, NEW MEXICO

## CONTENTS (Cont'd)

## Page

### SUPPLEMENTARY INFORMATION

#### Other Major Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:

Capital Improvement Fund	64
--------------------------	----

#### Non-Major Special Revenue Funds:

Combining Balance Sheet	68
-------------------------	----

Combining Statement of Revenues, Expenditures and Changes in Fund Balances	72
--	----

#### Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Library Grants Fund	77
South Park Cemetery Fund	78
Mass Transit Fund	79
Recreation Fund	80
Correction Fees Fund	81
Lodgers' Tax Fund	82
Road Fund	83
Unemployment Compensation Fund	84
NMRHCA – Buy in Payments Fund	85
Community Development Revolving Loan Fund	86
Beautification Grant Fund	87
Law Enforcement Grant Fund	88
Police Fund	89
Emergency Medical Services Fund	90
Hazardous Materials Emergency Response Fund	91
Fire Protection Fund	92
Federal Narcotic Seizure Fund	93
State Narcotic Seizure Fund	94
JAG Grant Fund	95

# CITY OF ROSWELL, NEW MEXICO

<b><u>CONTENTS (Cont'd)</u></b>	<b><u>Page</u></b>
Non-Major Capital Projects Funds:	
Combining Balance Sheet	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	97
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
2008 GO Bonds Construction	98
Community Development Block Grant	99
Non-Major Debt Service Funds:	
Combining Balance Sheet	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	102
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
GO Bonds	104
2008 GO Bonds	105
2003 Sales Tax Revenue Bonds	106
Proprietary Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Net Assets – Budget and Actual	
Airport Fund	107
Solid Waste Fund	108
Water and Sewer Fund	109
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Pledged Collateral	112
Schedule of Deposit and Investment Accounts	113

# CITY OF ROSWELL, NEW MEXICO

## **CONTENTS** (Concl'd)

## **Page**

### SINGLE AUDIT SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	117
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	119
Schedule of Expenditures of Federal Awards	121
Notes to Schedule of Expenditures of Federal Awards	122
Schedule of Findings and Questioned Costs	123
Summary Schedule of Prior Year Audit Findings	129
Exit Conference	130

**CITY OF ROSWELL, NEW MEXICO  
OFFICIAL ROSTER  
JUNE 30, 2010**

**Board of Trustees**

Del Journey  
Mayor

Bob Maples  
City Councilor

Dusty Huckabee  
City Councilor

Steve Henderson  
City Councilor

Jimmy Craig  
City Councilor

Judy Stubbs  
City Councilor

Art Sandoval  
City Councilor

Jason Perry  
City Councilor

Rob McWilliams  
City Councilor

Elena Velasquez  
City Councilor

Barry Foster  
City Councilor

**Administrative Officials**

John Capps  
City Manager

Larry Fry  
Assistant City Manager

Dave Kunko  
City Clerk

Debra Morsey  
Finance Officer

Toni Reeves  
Budget Director

Judy Pittman  
City Attorney

Barbara Patterson  
City Attorney

**CITY OF ROSWELL, NEW MEXICO  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



## INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor

Honorable Mayor, Members of the City Council  
of the City of Roswell, New Mexico

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of the City of Roswell, New Mexico (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental and the budgetary comparisons for the major capital projects funds, debt service funds, enterprise funds, and all nonmajor funds presented as Supplementary Information as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roswell, New Mexico, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City of Roswell, New Mexico, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the major capital projects funds, debt service funds, enterprise funds, 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 30, 2010, on our consideration of the City of Roswell, New Mexico'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by 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 additional schedules listed as Other Supplementary Information in the table of contents are presented for the purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and Other Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

November 30, 2010

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**(Required Supplementary Information)**

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**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

As management of the City of Roswell, New Mexico (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010.

**FINANCIAL HIGHLIGHTS**

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for the current fiscal year as follows.

- The City's total net assets of governmental activities increased \$1.5 million and business-type activities increased \$1.1 million. In total, the net change of \$2.5 million represents an increase of 2 percent from the prior year.
- General revenues from governmental activities accounted for \$35.3 million in revenue, or 80 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9.0 million, or 20 percent of total governmental activities revenues. The City had \$875,409 in general revenues and \$16.2 million of program revenues related to business-type activities.
- The City had \$43.3 million in expenses related to governmental activities, an increase of 6 percent from the prior fiscal year primarily due to increases in public safety and public works expenses. The City had \$15.6 million in expenses related to business-type activities, a 3 percent decrease from the prior fiscal year.
- The General Fund had \$37.5 million in revenues, which primarily consisted of municipal and state shared taxes. The total expenditures of the General Fund were \$30.2 million. The General Fund's fund balance increased from \$19.9 million to \$20.4 million.
- The Capital Improvement Fund had \$615,124 in revenues and \$2.5 million in expenditures. The Capital Improvement Fund's fund balance increased from \$7.0 million to \$7.6 million.
- The Airport Fund operating revenues of \$2.7 million exceeded operating expenses of \$1.9 million. The Airport Fund's net assets increased from \$9.2 million to \$11.1 million due primarily to the City receiving additional federal capital grant revenues related to the airport.
- The Solid Waste Fund operating expenses of \$4.1 million exceeded operating revenues of \$3.7 million. The Solid Waste Fund's net assets increased from \$7.6 million to \$7.7 million.
- The Water and Sewer Fund operating expenses of \$8.8 million exceeded operating revenues of \$8.4 million. The Water and Sewer Fund's net assets decreased from \$40.1 million to \$39.2 million.

**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**OVERVIEW OF FINANCIAL STATEMENTS**

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

The statement of net assets presents information on all of the City'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 is improving or deteriorating.

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

In the government-wide financial statements the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, public works, and culture and recreation. Gross receipts taxes, property taxes, and intergovernmental revenues finance most of these activities.
- **Business-type activities** – The services provided by the City included here are airport, solid waste, and water and sewer. The services are primarily financed through charges for services.

**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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)**

**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 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 the City'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 City'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.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General and Capital Improvement Funds, both of which are considered to be major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

**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.

**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 immediately following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Under New Mexico Administrative Code Section 2.2.2, governments in New Mexico must include the budgetary comparison statement for the General Fund as a component of the fund financial statements within the basic financial statements.

**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets exceeded liabilities by \$141.2 million at the current fiscal year end.

A large portion of the City's total net assets reflects its investment in capital assets (e.g., land and improvements; construction in progress; historical treasures; buildings and improvements; vehicles, furniture, and equipment; infrastructure; and zoo), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City'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.

The following table presents a summary of the City's net assets for the fiscal years ended June 30, 2010 and June 30, 2009. (Prior year tabular data has not been restated for the adjustments referenced in Note 16.)

	2010	2009	2010	2009		
	Governmental	Governmental	Business-type	Business-type	2010 Total	2009 Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 38,612,122	\$ 38,742,993	\$18,369,341	\$20,255,767	\$ 56,981,463	\$ 58,998,760
Capital assets, net	58,296,956	42,732,971	57,392,767	53,262,524	115,689,723	95,995,495
<b>Total assets, net</b>	<u>96,909,078</u>	<u>81,475,964</u>	<u>75,762,108</u>	<u>73,518,291</u>	<u>172,671,186</u>	<u>154,994,255</u>
Current and other liabilities	1,748,476	9,464,731	949,158	4,528,002	2,697,634	13,992,733
Long-term liabilities	10,992,369	8,636,735	16,783,271	16,938,182	27,775,640	25,574,917
<b>Total liabilities</b>	<u>12,740,845</u>	<u>18,101,466</u>	<u>17,732,429</u>	<u>21,466,184</u>	<u>30,473,274</u>	<u>39,567,650</u>
Invested in capital assets, net of related debt	51,869,123	37,567,121	41,501,703	36,022,631	93,370,826	73,589,752
Restricted	10,995,586	2,237,633		58,161	10,995,586	2,295,794
Unrestricted	21,303,524	23,569,744	16,527,976	15,971,315	37,831,500	39,541,059
<b>Total net assets</b>	<u>\$ 84,168,233</u>	<u>\$ 63,374,498</u>	<u>\$58,029,679</u>	<u>\$52,052,107</u>	<u>\$142,197,912</u>	<u>\$115,426,605</u>

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The addition of buildings and improvements and vehicles in governmental activities capital assets.
- The addition of land improvements and infrastructure in business-type activities capital assets.



**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

**Changes in net assets.** The City's total revenues for the current fiscal year ended were \$61.4 million. The total cost of all programs and services was \$59.2 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009. (Prior year tabular data has not been restated for the adjustments referenced in Note 16.)

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-type Activities	2009 Business-type Activities	2010 Total	2009 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,597,183	\$ 1,361,930	\$ 14,904,419	\$ 13,549,525	\$ 17,501,602	\$ 14,911,455
Operating grants and contributions	4,549,769	7,041,849		123,955	4,549,769	7,165,804
Capital grants and contributions	1,816,902	1,029,061	1,341,235		3,158,137	1,029,061
General revenues:						
Property taxes, levied for general purposes	4,239,102	3,907,167			4,239,102	3,907,167
Property taxes, levied for debt purposes	833,204	845,495			833,204	845,495
Gross receipts taxes	26,721,210	26,962,980		554,471	26,721,210	27,517,451
Franchise taxes	1,622,466	1,779,191			1,622,466	1,779,191
Unrestricted grants, aid, and state shared revenues	1,728,915	1,765,652	567,870		2,296,785	1,765,652
Investment income	227,245	392,365	222,103	333,105	449,348	725,470
Gain (loss) on sale of assets	(55,093)	(230,154)	85,436	(41,047)	30,343	(271,201)
Miscellaneous		1,152,883				1,152,883
<b>Total revenues</b>	<u>44,280,903</u>	<u>46,008,419</u>	<u>17,121,063</u>	<u>14,520,009</u>	<u>61,401,966</u>	<u>60,528,428</u>
<b>Expenses:</b>						
General government	7,588,660	7,250,961			7,588,660	7,250,961
Public safety	19,091,356	16,882,166			19,091,356	16,882,166
Public works	9,028,260	7,565,515			9,028,260	7,565,515
Culture and recreation	7,267,686	9,077,398			7,267,686	9,077,398
Interest on long-term debt	351,854	245,943			351,854	245,943
Airport			1,992,137	2,326,325	1,992,137	2,326,325
Solid waste			4,248,135	5,489,650	4,248,135	5,489,650
Water and sewer			9,322,907	8,445,657	9,322,907	8,445,657
<b>Total expenses</b>	<u>43,327,816</u>	<u>41,021,983</u>	<u>15,563,179</u>	<u>16,261,632</u>	<u>58,890,995</u>	<u>57,283,615</u>
<b>Transfers</b>	<u>504,860</u>	<u>473,687</u>	<u>(504,860)</u>	<u>(473,687)</u>		
<b>Changes in net assets</b>	<u>\$ 1,457,947</u>	<u>\$ 5,460,123</u>	<u>\$ 1,053,024</u>	<u>\$ (2,215,310)</u>	<u>\$ 2,510,971</u>	<u>\$ 3,244,813</u>

The following are significant changes that have had an impact on the changes in net assets.

- Governmental activities expenses increased primarily as a result of increases in public safety expenditures in the General Fund and public works expenditures in the Road Fund.
- Business-type activities expenses increased primarily as a result of increases in water and sewer operation costs.

**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)**

**Governmental and Business-type activities.** The following table presents the cost of the eight (8) major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2010		2009	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 7,588,660	\$ (4,841,324)	\$ 7,250,961	\$ (3,940,242)
Public safety	19,091,356	(16,637,538)	16,882,166	(15,402,725)
Public works	9,028,260	(6,674,386)	7,565,515	(5,570,045)
Culture and recreation	7,267,686	(5,858,860)	9,077,398	(6,430,188)
Interest on long-term debt	351,854	(351,854)	245,943	(245,943)
<b>Total</b>	<u>\$43,327,816</u>	<u>\$(34,363,962)</u>	<u>\$ 41,021,983</u>	<u>\$(31,589,143)</u>
<b>Business-type Activities</b>				
Airport	\$ 1,992,137	\$ 2,091,803	\$ 2,326,325	\$ 279,391
Solid Waste	4,248,135	(501,138)	5,489,650	(1,831,058)
Water and Sewer	9,322,907	(908,190)	8,445,657	(1,036,485)
<b>Total</b>	<u>\$15,563,179</u>	<u>\$ 682,475</u>	<u>\$ 16,261,632</u>	<u>\$ (2,588,152)</u>

- The cost of all governmental activities this year was \$43.3 million, an increase from the prior fiscal year.
- The cost of all business-type activities this year was \$15.6 million, an increase from the prior fiscal year.
- Charges for services, along with operating and capital grants and contributions subsidized certain governmental programs and business-type programs with revenues of \$25.2 million.
- Net cost of governmental activities of \$34.4 million was financed by general revenues, which are made up of primarily gross receipts taxes of \$26.7 million.

**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$36.6 million, an increase of \$92,876.

The General Fund is the principal operating fund of the City. The General Fund's fund balance at the end of the current fiscal year was \$20.4 million, an increase of \$516,181.

**Proprietary funds.** Net assets of the Enterprise Funds at the end of the year amounted to \$58.0 million, an increase of \$1.1 million from the prior fiscal year.

**BUDGETARY HIGHLIGHTS**

There were several amendments to the City of Roswell's fiscal year 2009-10 operating and capital budget. A statement reporting the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as a basic financial statement.

The unfavorable variance of \$1.4 million in General Fund intergovernmental revenues was primarily due to not expending, by fiscal year end, all the funds awarded to the City. The primary areas where this timing difference occurred were in Homeland Security grants by \$760,703, parks grants totaling \$158,465, legislative appropriations of \$192,187, and subsidies by \$114,240.

The favorable variance of \$7.0 million in General Fund expenditures was primarily due to not expending all the funds budgeted. Of the \$1.8 million in general government funds, \$1.7 million was not expended in the area of financial administration. Of the \$2.8 million in public safety, \$1.0 million was not expended in police, \$598,379 in fire, and \$855,389 in civil emergency preparedness. There was \$718,958 not expended in culture and recreation along with \$1.7 million in capital outlays.

**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of year end, the City had invested \$226.9 million in governmental capital assets, and \$164.0 million in business-type capital assets including land, construction in progress, historical treasures, water rights, buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase in governmental capital assets prior to depreciation of \$4.9 million from the prior fiscal year, and a net increase in business-type capital assets prior to depreciation of \$4.4 million. Total depreciation expense for the current fiscal year was \$8.5 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2010 and June 30, 2009.

<u><b>Governmental Activities</b></u>	As of <u>June 30, 2010</u>	As of <u>June 30, 2009</u>
Land	\$ 3,253,066	\$ 3,254,636
Land-right of way	5,010,623	5,010,623
Construction in progress	1,092,049	520,308
Historical treasures	437,204	329,204
Land improvements	11,143,447	10,624,426
Buildings and improvements	26,544,899	24,723,263
Machinery and equipment	10,214,967	9,889,588
Furniture and fixtures	265,135	266,435
Vehicles	11,806,511	10,907,698
Infrastructure	157,126,729	156,435,085
Zoo		38,530
Less: Accumulated depreciation	<u>(168,597,674)</u>	<u>(164,540,198)</u>
<b>Total</b>	<u>\$ 58,296,956</u>	<u>\$ 57,459,598</u>
<u><b>Business-type Activities</b></u>	As of <u>June 30, 2010</u>	As of <u>June 30, 2009</u>
Land	\$ 4,581,474	\$ 4,581,474
Construction in progress	66,926	
Water rights	11,712,900	11,671,697
Land improvements	7,365,915	5,630,314
Buildings and improvements	74,695,292	74,442,606
Machinery and equipment	16,157,668	15,841,799
Furniture and fixtures	120,275	120,275
Vehicles	7,075,330	6,562,287
Infrastructure	42,211,571	40,771,189
Less: Accumulated depreciation	<u>(106,594,584)</u>	<u>(103,901,782)</u>
<b>Total</b>	<u>\$ 57,392,767</u>	<u>\$ 55,719,859</u>

Additional information on the City's capital assets can be found in Note 6.

**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Cont'd)**

**Debt Administration.** At year-end, the City had \$22.4 million in long-term debt outstanding, \$2.2 due within one year. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2010 and June 30, 2009.

	Governmental Activities	
	2010	2009
Capital lease payable	\$ 510,654	\$ 701,380
Loans payable	386,544	530,478
Bonds payable	5,902,000	6,525,000
<b>Total</b>	<b>\$ 6,799,198</b>	<b>\$ 7,756,858</b>
	Business-type Activities	
	2010	2009
Capital lease payable	\$ 1,723,525	\$ 2,014,216
Loans payable		203,966
Bonds payable	13,885,000	14,720,000
<b>Total</b>	<b>\$ 15,608,525</b>	<b>\$ 16,938,182</b>

State statutes currently limit the amount of general obligation debt a City may issue to 4 percent of its total assessed valuation for general purposes. The current debt limitation for general purposes for the City is \$20.0 million. State statute currently does not limit the amount of general obligation debt a City may issue for a water and sewer system.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Roswell is located in Chaves County with a diversified economy including agriculture, oil and gas, tourism and manufacturing. Like the rest of urban New Mexico, it has a fairly strong and balanced economy. Employment in the area has held fairly stable in the recent nationwide economic down turn.

The City is the commercial hub and largest city in eastern New Mexico. It receives approximately 62% of its annual operating budget for governmental funds from gross receipts taxes. While the amount decreased slightly from fiscal year 2009 to 2010, the percentage decrease is less than most other municipalities in the state.

The adopted combined operating and capital expenditure budget for fiscal year 2010 total \$86.8 million, a decrease of \$3.0 million or 3% less than fiscal year 2009-10. This net decrease is attributed to the following factors: revenues to expend down \$3.7 million mainly due to reduced state and federal grant funding; while personal services expenses are up \$1.7 million the City is having to cut operating expenses \$1.6 million and capital outlay \$3.2 million. The City has appropriated \$8.2 million of its unreserved fund balance for spending in the 2011 fiscal year budget.

**CITY OF ROSWELL, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Department, City of Roswell, 425 North Richardson Avenue, or P. O. Box 1838, Roswell, New Mexico 88202-1838.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF ROSWELL, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 30,591,238	\$ 14,677,284	\$ 45,268,522
Taxes receivable	4,834,416		4,834,416
Accounts receivable	957,682	1,143,501	2,101,183
Due from governmental entities	1,371,831		1,371,831
Inventory	119,737	1,058,264	1,178,001
Notes receivable	53,222	68,841	122,063
Total current assets	37,928,126	16,947,890	54,876,016
Noncurrent assets:			
Notes receivable	642,350	1,221,133	1,863,483
Deferred charges	41,646	200,318	241,964
Capital assets, non-depreciable	9,792,942	16,361,300	26,154,242
Capital assets, depreciable	217,101,688	147,626,051	364,727,739
Accumulated depreciation	(168,597,674)	(106,594,584)	(275,192,258)
Total noncurrent assets	58,980,952	58,814,218	117,795,170
<b>Total assets</b>	96,909,078	75,762,108	172,671,186
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	761,956	205,438	967,394
Accrued payroll	624,977	113,771	738,748
Accrued interest payable	98,468	48,536	147,004
Due to governmental entities	32,041		32,041
Compensated absences payable	820,556	177,133	997,689
Unearned revenue	30,652	96,663	127,315
Customer deposits	200,382	484,750	685,132
Workers' compensation liability	290,000		290,000
Capital leases payable	199,262	304,483	503,745
Loans payable	152,766		152,766
Bonds payable	676,000	860,000	1,536,000
Claims and judgment	350,000		350,000
Total current liabilities	4,237,060	2,290,774	6,527,834
Noncurrent liabilities:			
Compensated absences payable	70,547		70,547
Workers' compensation liability	2,646,889		2,646,889
Capital leases payable	311,392	1,419,042	1,730,434
Loans payable	233,778		233,778
Bonds payable	5,226,000	13,025,000	18,251,000
Bond premium	15,179	282,539	297,718
Landfill closure and postclosure cost		715,074	715,074
Total non-current liabilities	8,503,785	15,441,655	23,945,440
<b>Total liabilities</b>	12,740,845	17,732,429	30,473,274
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	51,869,123	41,501,703	93,370,826
Restricted for:			
Capital outlay	10,222,970		10,222,970
Debt service	772,616		772,616
Unrestricted	21,303,524	16,527,976	37,831,500
<b>Total net assets</b>	\$ 84,168,233	\$ 58,029,679	\$ 142,197,912

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

**CITY OF ROSWELL, NEW MEXICO  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 7,588,660	\$ 55,341	\$ 2,691,995	\$	\$ (4,841,324)
Public safety	19,091,356	1,261,549	688,771	503,498	(16,637,538)
Public works	9,028,260	423,245	867,550	1,063,079	(6,674,386)
Culture and recreation	7,267,686	857,048	301,453	250,325	(5,858,860)
Interest on long-term debt	351,854				(351,854)
Total governmental activities	<u>43,327,816</u>	<u>2,597,183</u>	<u>4,549,769</u>	<u>1,816,902</u>	<u>(34,363,962)</u>
Business-type activities:					
Airport	1,992,137	2,742,705		1,341,235	
Solid waste	4,248,135	3,746,997			
Water and sewer	9,322,907	8,414,717			
Total business-type activities	<u>15,563,179</u>	<u>14,904,419</u>		<u>1,341,235</u>	
<b>Total primary government</b>	<u>\$ 58,890,995</u>	<u>\$ 17,501,602</u>	<u>\$ 4,549,769</u>	<u>\$ 3,158,137</u>	<u>(34,363,962)</u>

**General revenues:**

Taxes:

Property taxes, levied for general purposes	4,239,102
Property taxes, levied for debt purposes	833,204
Gross receipts taxes	26,721,210
Franchise taxes	1,622,466
Unrestricted grants, aid and state shared revenues	1,728,915
Investment income	227,245
Gain (loss) on sale of assets	(55,093)

**Transfers** 504,860

**Total general revenues and transfers** 35,821,909

**Changes in net assets** 1,457,947

**Net assets, beginning of year, as restated** 82,710,286

**Net assets, end of year** \$ 84,168,233

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

Net (Expense) Revenue  
and Changes in Net Assets

Business-type Activities	Totals
\$	\$ (4,841,324)
	(16,637,538)
	(6,674,386)
	(5,858,860)
	(351,854)
	(34,363,962)
2,091,803	2,091,803
(501,138)	(501,138)
(908,190)	(908,190)
682,475	682,475
682,475	(33,681,487)
	4,239,102
	833,204
	26,721,210
	1,622,466
567,870	2,296,785
222,103	449,348
85,436	30,343
(504,860)	
370,549	36,192,458
1,053,024	2,510,971
56,976,655	139,686,941
\$ 58,029,679	\$142,197,912

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**FUND FINANCIAL STATEMENTS**

**CITY OF ROSWELL, NEW MEXICO  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General Fund	Capital Improvement Fund	Non-Major Governmental Funds
<b><u>ASSETS</u></b>			
Cash and investments	\$ 15,401,567	\$ 7,640,987	\$ 7,548,684
Taxes receivable	4,624,753		209,663
Accounts receivable	935,287	652	21,743
Due from governmental entities	527,613	223,751	620,467
Due from other funds	101,570		
Inventory	119,737		
Notes receivable			695,572
<b>Total assets</b>	<b>\$ 21,710,527</b>	<b>\$ 7,865,390</b>	<b>\$ 9,096,129</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 273,398	\$ 273,103	\$ 215,455
Accrued payroll	506,358	20,919	97,700
Due to governmental entities	32,041		
Due to other funds			101,570
Deferred revenue	262,093	652	44,374
Customer deposits	200,382		
<b>Total liabilities</b>	<b>1,274,272</b>	<b>294,674</b>	<b>459,099</b>
Fund balances:			
Reserved for notes receivable			695,572
Unreserved:			
Undesignated	20,436,255	7,570,716	
Unreserved reported in:			
Special revenue funds			4,561,614
Debt service funds			728,242
Capital projects funds			2,651,602
<b>Total fund balances</b>	<b>20,436,255</b>	<b>7,570,716</b>	<b>8,637,030</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,710,527</b>	<b>\$ 7,865,390</b>	<b>\$ 9,096,129</b>

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



Total  
Governmental  
Funds

---

\$ 30,591,238  
4,834,416  
957,682  
1,371,831  
101,570  
119,737  
695,572  

---

\$ 38,672,046

\$ 761,956  
624,977  
32,041  
101,570  
307,119  
200,382  

---

2,028,045

695,572

28,006,971

4,561,614  
728,242  
2,651,602  

---

36,644,001

\$ 38,672,046

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**CITY OF ROSWELL, NEW MEXICO**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

**Total governmental fund balances** **\$ 36,644,001**

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	226,894,630	
Less accumulated depreciation	<u>(168,597,674)</u>	58,296,956

Property tax revenues will not be available to pay for current period expenditures and, therefore, are deferred in the funds.		276,467
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Deferred items related to the net cost of issuance of bonds are amortized over the life of the associated bond issue in the government-wide statements but not reported in the funds.		26,467
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Interest payable for long-term liabilities is related to debt not due and payable in the current period and, therefore, not reported in the funds.		(98,468)
--	--	----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Claims and judgment	(350,000)	
Compensated absences payable	(891,103)	
Capital lease payable	(510,654)	
Loans payable	(386,544)	
Bonds payable	(5,902,000)	
Workers' compensation liability	<u>(2,936,889)</u>	<u>(10,977,190)</u>

**Net assets of governmental activities** **\$ 84,168,233**

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

**CITY OF ROSWELL, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	General Fund	Capital Improvement Fund	Non-Major Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 4,220,566	\$	\$ 788,830
Municipal and state shared taxes	26,967,215		1,482,910
Intergovernmental	2,691,965	560,380	2,850,717
Charges for services	403,142		804,548
Licenses and permits	366,606		
Fines and forfeits	506,521		85,169
Franchise fees	1,622,466		
Investment income	96,886	52,045	78,314
Miscellaneous	643,041	2,699	49,066
<b>Total revenues</b>	37,518,408	615,124	6,139,554
<b>Expenditures:</b>			
Current -			
General government	4,303,352		262,784
Public safety	18,184,154		824,719
Public works			5,698,287
Culture and recreation	5,469,427		1,599,726
Capital outlay	2,104,000	2,493,109	2,461,519
Debt service -			
Principal	94,507		863,153
Interest and fiscal charges	27,050		299,283
<b>Total expenditures</b>	30,182,490	2,493,109	12,009,471
<b>Excess (deficiency) of revenues over expenditures</b>	7,335,918	(1,877,985)	(5,869,917)
<b>Other financing sources (uses):</b>			
Transfer in	1,476,079	2,468,376	6,304,345
Transfer out	(8,295,816)	(29,100)	(1,419,024)
<b>Total other financing sources (uses)</b>	(6,819,737)	2,439,276	4,885,321
<b>Changes in fund balances</b>	516,181	561,291	(984,596)
<b>Fund balances, beginning of year, as restated</b>	19,920,074	7,009,425	9,621,626
<b>Fund balances, end of year</b>	\$ 20,436,255	\$ 7,570,716	\$ 8,637,030

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

Total  
Governmental  
Funds

---

\$ 5,009,396  
28,450,125  
6,103,062  
1,207,690  
366,606  
591,690  
1,622,466  
227,245  

---

694,806  

---

44,273,086

4,566,136  
19,008,873  
5,698,287  
7,069,153  
7,058,628

957,660  

---

326,333  

---

44,685,070

---

(411,984)

10,248,800  

---

(9,743,940)  

---

504,860

---

92,876

36,551,125

---

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\$ 36,644,001

**CITY OF ROSWELL, NEW MEXICO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

**Net changes in fund balances - total governmental funds** **\$ 92,876**

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

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	5,934,372	
Less current year depreciation	(5,044,690)	889,682

Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		62,910
---	--	--------

Repayment of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Capital lease principal retirement	190,726	
Loan principal retirement	143,934	
Bond principal retirement	623,000	957,660

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Claims and judgment	(350,000)	
Deferred charges on issuance of debt	(3,203)	
Loss on disposal of capital assets	(55,093)	
Accrued interest on long-term debt	(26,113)	
Amortization of deferred bond items	3,795	
Compensated absences	(11,226)	
Workers' compensation liability	(103,341)	(545,181)

**Change in net assets in governmental activities** **\$ 1,457,947**

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

**CITY OF ROSWELL, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 3,833,083	\$ 3,833,083	\$ 4,192,075	\$ 358,992
Municipal and state shared taxes	25,792,562	25,785,562	27,141,513	1,355,951
Intergovernmental	3,830,576	4,295,884	2,929,690	(1,366,194)
Charges for services	692,520	676,465	658,053	(18,412)
Licenses and permits	444,100	381,100	366,563	(14,537)
Fines and forfeits	280,200	280,200	336,646	56,446
Franchise fees	1,644,000	1,567,000	1,616,763	49,763
Investment income	70,325	70,410	96,886	26,476
Miscellaneous	189,100	656,791	812,873	156,082
<b>Total revenues</b>	<u>36,776,466</u>	<u>37,546,495</u>	<u>38,151,062</u>	<u>604,567</u>
<b>Expenditures:</b>				
Current -				
General government	6,186,323	6,147,809	4,334,080	1,813,729
Public safety	20,732,539	21,121,395	18,315,773	2,805,622
Culture and recreation	6,154,346	6,226,944	5,507,986	718,958
Capital outlay	3,373,114	3,993,919	2,297,575	1,696,344
Debt service -				
Principal	62,866	62,866	62,866	
Interest and fiscal charges	11,816	11,816	11,815	1
<b>Total expenditures</b>	<u>36,521,004</u>	<u>37,564,749</u>	<u>30,530,095</u>	<u>7,034,654</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>255,462</u>	<u>(18,254)</u>	<u>7,620,967</u>	<u>7,639,221</u>
<b>Other financing sources (uses):</b>				
Transfer in	1,476,079	1,476,079	1,476,079	
Transfer out	(8,292,794)	(7,923,447)	(8,295,816)	(372,369)
<b>Total other financing sources (uses)</b>	<u>(6,816,715)</u>	<u>(6,447,368)</u>	<u>(6,819,737)</u>	<u>(372,369)</u>
<b>Change in fund balances</b>	<u>(6,561,253)</u>	<u>(6,465,622)</u>	<u>801,230</u>	<u>7,266,852</u>
<b>Fund balances, July 1, 2009, as restated</b>			19,920,074	19,920,074
<b>Fund balances (deficits), June 30, 2010</b>	<u>\$ (6,561,253)</u>	<u>\$ (6,465,622)</u>	<u>\$ 20,721,304</u>	<u>\$ 27,186,926</u>
<b>Reconciliation to GAAP</b>				
Adjustments:				
Taxes receivable			86,286	
Accounts receivable			(418,069)	
Due from governmental entities			(237,725)	
Accounts payable			369,898	
Accrued payroll			113,794	
Due to governmental entities			(32,041)	
Customer deposits			(111,054)	
Deferred revenue			(56,138)	
<i>Net change in fund balance (GAAP basis)</i>			<u>516,181</u>	

**CITY OF ROSWELL, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

Enterprise Funds

	Airport	Solid Waste	Water and Sewer	Total
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments	\$ 4,040,859	\$ 3,283,569	\$ 7,352,856	\$ 14,677,284
Accounts receivable	259,450	236,689	647,362	1,143,501
Due from other funds			6,000	6,000
Inventory			1,058,264	1,058,264
Notes receivable	68,841			68,841
<b>Total current assets</b>	<b>4,369,150</b>	<b>3,520,258</b>	<b>9,064,482</b>	<b>16,953,890</b>
Noncurrent assets:				
Notes receivable	1,221,133			1,221,133
Advance to other funds			778,899	778,899
Deferred charges		29,164	171,154	200,318
Capital assets, non-depreciable	29,690	247,496	16,084,114	16,361,300
Capital assets, depreciable	46,593,441	14,398,043	86,634,567	147,626,051
Accumulated depreciation	(38,630,437)	(6,534,462)	(61,429,685)	(106,594,584)
<b>Total noncurrent assets</b>	<b>9,213,827</b>	<b>8,140,241</b>	<b>42,239,049</b>	<b>59,593,117</b>
<b>Total assets</b>	<b>13,582,977</b>	<b>11,660,499</b>	<b>51,303,531</b>	<b>76,547,007</b>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	23,882	46,368	135,188	205,438
Accrued payroll	13,610	30,936	69,225	113,771
Accrued interest payable		8,468	40,068	48,536
Due to other funds	6,000			6,000
Compensated absences payable	21,387	50,877	104,869	177,133
Unearned revenue	52,217		44,446	96,663
Customer deposits	190,791	2,000	291,959	484,750
Capital leases payable	203,678	100,805		304,483
Bonds payable		305,000	555,000	860,000
<b>Total current liabilities</b>	<b>511,565</b>	<b>544,454</b>	<b>1,240,755</b>	<b>2,296,774</b>
Noncurrent liabilities:				
Advance from other funds	778,899			778,899
Capital leases payable	1,166,817	252,225		1,419,042
Bonds payable		2,460,000	10,565,000	13,025,000
Bond premium		2,782	279,757	282,539
Landfill closure and postclosure cost		715,074		715,074
<b>Total non-current liabilities</b>	<b>1,945,716</b>	<b>3,430,081</b>	<b>10,844,757</b>	<b>16,220,554</b>
<b>Total liabilities</b>	<b>2,457,281</b>	<b>3,974,535</b>	<b>12,085,512</b>	<b>18,517,328</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	6,622,199	4,990,265	29,889,239	41,501,703
Unrestricted	4,503,497	2,695,699	9,328,780	16,527,976
<b>Total net assets</b>	<b>\$ 11,125,696</b>	<b>\$ 7,685,964</b>	<b>\$ 39,218,019</b>	<b>\$ 58,029,679</b>

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



**CITY OF ROSWELL, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			
	Airport	Solid Waste	Water and Sewer	Total
<b>Operating revenues:</b>				
Charges for services	\$ 1,198,914	\$ 3,709,244	\$ 8,224,226	\$ 13,132,384
Rental income	1,483,710		164,807	1,648,517
Miscellaneous	60,081	37,753	25,684	123,518
<b>Total operating revenues</b>	<u>2,742,705</u>	<u>3,746,997</u>	<u>8,414,717</u>	<u>14,904,419</u>
<b>Operating expenses:</b>				
Payroll and benefits	545,433	1,420,808	3,287,430	5,253,671
Supplies and services	634,945	2,023,780	3,635,682	6,294,407
Depreciation	688,453	929,595	1,851,454	3,469,502
Landfill closure and postclosure		(274,497)		(274,497)
<b>Total operating expenses</b>	<u>1,868,831</u>	<u>4,099,686</u>	<u>8,774,566</u>	<u>14,743,083</u>
<b>Operating income (loss)</b>	<u>873,874</u>	<u>(352,689)</u>	<u>(359,849)</u>	<u>161,336</u>
<b>Nonoperating revenues (expenses):</b>				
Municipal and state shared taxes	16,580	184,824	366,466	567,870
Investment income	95,859	23,288	102,956	222,103
Gain (loss) on sale of assets	10,008	64,172	11,256	85,436
Interest expense	(123,306)	(148,449)	(548,341)	(820,096)
<b>Total nonoperating revenues (expenses)</b>	<u>(859)</u>	<u>123,835</u>	<u>(67,663)</u>	<u>55,313</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>873,015</u>	<u>(228,854)</u>	<u>(427,512)</u>	<u>216,649</u>
<b>Capital contributions</b>	1,341,235			1,341,235
<b>Transfer in</b>	14,100	631,240		645,340
<b>Transfer out</b>	(329,100)	(329,100)	(492,000)	(1,150,200)
<b>Changes in net assets</b>	<u>1,899,250</u>	<u>73,286</u>	<u>(919,512)</u>	<u>1,053,024</u>
<b>Total net assets, beginning of year, as restated</b>	9,226,446	7,612,678	40,137,531	56,976,655
<b>Total net assets, end of year</b>	<u>\$ 11,125,696</u>	<u>\$ 7,685,964</u>	<u>\$ 39,218,019</u>	<u>\$ 58,029,679</u>

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

**CITY OF ROSWELL, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<b>Enterprise Funds</b>			
	<b>Airport</b>	<b>Solid Waste</b>	<b>Water and Sewer</b>	
<b><u>Increase (Decrease) In Cash and Cash Equivalents</u></b>				
Cash flows from operating activities:				
Cash received from customers	\$ 2,628,149	\$ 3,773,337	\$ 8,426,133	\$ 14,827,619
Cash payments to suppliers for goods and services	(664,775)	(2,131,475)	(3,570,330)	(6,366,580)
Cash payments to employees for services	(541,953)	(1,424,239)	(3,346,392)	(5,312,584)
<b>Net cash provided by operating activities</b>	<b>1,421,421</b>	<b>217,623</b>	<b>1,509,411</b>	<b>3,148,455</b>
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	16,580	184,824	366,466	567,870
Interfund borrowing	(6,523)		6,523	
Interfund transfers	(315,000)	302,140	(492,000)	(504,860)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(304,943)</b>	<b>486,964</b>	<b>(119,011)</b>	<b>63,010</b>
Cash flows from capital and related financing activities:				
Capital grants received	1,296,733			1,296,733
Principal paid on long-term debt	(194,776)	(599,881)	(535,000)	(1,329,657)
Interest on long-term debt	(123,306)	(142,891)	(501,032)	(767,229)
Gain on sale of assets	10,008	64,172	11,256	85,436
Acquisition and construction of capital assets	(1,447,949)	(2,760,412)	(479,069)	(4,687,430)
<b>Net cash used for capital and related financing activities</b>	<b>(459,290)</b>	<b>(3,439,012)</b>	<b>(1,503,845)</b>	<b>(5,402,147)</b>
Cash flows from investing activities:				
Notes receivable	40,839			40,839
Interest on investments	95,859	23,288	102,956	222,103
<b>Net cash provided by investing activities</b>	<b>136,698</b>	<b>23,288</b>	<b>102,956</b>	<b>262,942</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>793,886</b>	<b>(2,711,137)</b>	<b>(10,489)</b>	<b>(1,927,740)</b>
<b>Cash and cash equivalents, July 1, 2009</b>	<b>3,246,973</b>	<b>5,994,706</b>	<b>7,363,345</b>	<b>16,605,024</b>
<b>Cash and cash equivalents, June 30, 2010</b>	<b>\$ 4,040,859</b>	<b>\$ 3,283,569</b>	<b>\$ 7,352,856</b>	<b>\$ 14,677,284</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u></b>				
<b>Operating income (loss)</b>	<b>\$ 873,874</b>	<b>\$ (352,689)</b>	<b>\$ (359,849)</b>	<b>\$ 161,336</b>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	688,453	929,595	1,851,454	3,469,502
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(77,221)	26,340	(39,550)	(90,431)
Increase in inventory			(6,563)	(6,563)
Increase (decrease) in accounts payable	(29,830)	(107,695)	71,915	(65,610)
Decrease in accrued payroll and employee benefits	(17,907)	(54,308)	(163,831)	(236,046)
Increase in compensated absences payable	21,387	50,877	104,869	177,133
Increase (decrease) in deposits held for others	(18,910)		6,520	(12,390)
Increase (decrease) in unearned revenues	(18,425)		44,446	26,021
Decrease in landfill closure and postclosure costs		(274,497)		(274,497)
<b>Total adjustments</b>	<b>547,547</b>	<b>570,312</b>	<b>1,869,260</b>	<b>2,987,119</b>
<b>Net cash provided by operating activities</b>	<b>\$ 1,421,421</b>	<b>\$ 217,623</b>	<b>\$ 1,509,411</b>	<b>\$ 3,148,455</b>

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

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Roswell (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.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America 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 City's significant accounting policies are described below.

**A. Reporting Entity**

The City's major operations include police and fire protection, library and recreation, certain community and social services, and general administrative services. In addition, the City operates three enterprise funds, which include an Airport Fund, Solid Waste Fund, and a Water and Sewer Fund.

The financial reporting entity consists of a primary government and its component units. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the City for financial statement presentation purposes, and the City is not included in any other governmental reporting entity. Consequently, the City's financial statements include only the financial activity of those organizational entities for which its elected governing body is financially accountable.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City and its component units. For the most part, the effect of internal activity has been removed from these statements. These statements distinguish between governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the government-wide financial statements, however the effect of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their exchange value. The City does not allocate indirect expenses to functions in the statement of activities.

**Fund Financial Statements** – 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, derived tax revenues, such as gross receipts and gasoline taxes, are recognized as revenues when the underlying exchange transaction has occurred. 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.

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Property taxes, gross receipts taxes, state shared taxes, franchise fees, charges for services, and investment income 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. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received.

Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Property taxes recognized are net of estimated refunds and uncollectible amounts. Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

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

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The City reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

Capital Improvement Fund – This fund accounts for the construction of street, sidewalks and curbs, parking lot paving, ADA improvements to intersections, channel reconstruction and related activities for the City of Roswell. Overall administration and construction as well as all other activities necessary to manage and complete these projects are accounted for in this fund.

The City reports the following major proprietary funds.

Airport Fund – This enterprise fund is used to account 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.

Solid Waste Fund – This enterprise fund is used to account for 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.

Water and Sewer Fund – This enterprise 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.

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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

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 City's enterprise funds are charges to customers for sales and services. Operating expenses for this fund include production costs, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Cash and Investments**

New Mexico Statutes Annotated (NMSA) authorizes the City to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of New Mexico, counties, cities, towns, school districts, and special districts as specified by statute.

The State of New Mexico local government investment pool is a pool that is not registered with the United States Securities Exchange Commission. Section 6-10-101, NMSA 1978, empowers the State Treasurer, with the advise and consent of the State Board of Finance, to invest money held in the short-term investment in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary. The investment in the State of New Mexico local government investment pool approximates the value of the participant's pool share.

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

A significant portion of the cash and investments of funds of the City is pooled for investment purposes. The balance reported for each participating fund as “Cash and Investments” represents the equity of that fund in the pooled cash and investments. Interest earnings on pooled investments are allocated to the participating funds based on average daily balances.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

**E. Inventory**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements.

**F. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” All trade receivables are shown net of allowance for uncollectibles.

Property taxes attach as a lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located within the City as of the preceding January 1. The taxable valuation for the various classes of property are determined by the Chaves County Assessor and the State of New Mexico Department of Finance and Administration (DFA), Local Government Division at one-third of assessed valuation. Property taxes are payable in two equal installments due on November 10 of the current year and April 10 of the following year and become delinquent after 30 days.

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**G. Capital Assets**

Capital assets, which include land and improvements; land-right of way; construction in progress; historical treasures; library collection; water rights; buildings and improvements; machinery and equipment; furniture and fixtures; vehicles; zoo; 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. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Software is capitalized when acquired. Donated capital assets are recorded at estimated fair market value at the date of donation. General government infrastructure assets acquired prior to July 1, 2006, consist of road network assets that were acquired or that received substantial improvements subsequent.

Certain capital assets of the City 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 and fixtures	7
Vehicles	5
Zoo	7



**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**H. Compensated Absences**

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. With minor exceptions, the City allows 40 hour week employees to accumulate unused sick leave to a maximum of 1,040 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. The current and long-term liabilities for accumulated vacation leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Resources from the General Fund are typically used to pay for compensated absences.

**I. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**J. Net Assets Restriction and Fund Balance Reservations**

In the government-wide financial statements only restrictions imposed by external sources or enabling legislation are identified as restricted net assets.

In the fund financial statements, governmental funds report reservations or designations of fund balance for amounts that are not available for expenditures or identified for use of a specific purpose by the City.

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**K. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

**L. Budgets**

The General, Special Revenue, and Proprietary Fund budgets are subject to approval by the New Mexico Department of Finance and Administration (DFA), Local Government Division.

During the month of May, public hearings are conducted to obtain taxpayer comments. Prior to June 1, the City submits to the DFA a proposed operating budget for the fiscal year commencing the following July 1. The budget is prepared by fund and function and includes proposed expenditures, which include carryover encumbrances and accounts payable, and the means of financing them. Prior to July 1, DFA grants interim approval for the City to operate on the proposed budget subject to adjustments and/or revisions prior to final subsequent approval before the first Monday in September. Such approval is contingent upon the City Council adopting the proposed budget in accordance with applicable state statutes, and sufficient funds being available for anticipated fiscal year expenditures. Prior to July 31, the City Council adopts by resolution a formal budget and such budget is presented to DFA for final approval.

Section 6-6-6, NMSA, 1978 Compilation prohibits municipalities from making expenditures in excess of the approved budget. For these purposes the budget referred to is the fund's total budget.

**M. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)**

**N. Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2010 were cash in bank and investments held by the City.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Individual Deficit Fund Balances** – At year end, the Police Fund, a non-major governmental fund, reported a deficit of \$966 in fund balance.

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2010-11 are expected to eliminate the deficits.

**NOTE 3 – CASH AND INVESTMENTS**

At year end, the carrying amount of the City's deposits was \$30,963,250 and the bank balance was \$31,572,629. The difference represents outstanding checks, deposits, and other reconciling items.

***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. The City does not have a specific deposit policy for custodial credit risk; however, under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance. The City's agreement with its sole depository requires pledged collateral of 102% of the public money in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC).

The pledged collateral by bank at year end consists of the following.

Deposits	\$31,572,629
Less: FDIC Coverage	<u>8,944,088</u>
Uninsured public funds	22,628,541
Pledged collateral	<u>13,112,406</u>
Uninsured and uncollateralized	(9,516,135)
50% collateral requirement	11,314,271
Pledged securities, fair value	<u>13,112,406</u>
Pledged in excess of requirement	<u>\$ 1,798,135</u>

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 – CASH AND INVESTMENTS (Concl'd)**

At year end the City's investments consisted of the following.

Investment Type	Fair Value	Investment Maturities (in Years) <u>Less than 1</u>
State Treasurer's Investment Pool	\$ 14,222,869	\$14,222,869
State Treasurer's Reserve Contingency Fund	65,785	65,785
Total	\$ 14,288,654	\$14,288,654

**Interest Rate Risk.** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** The City has no investment policy that would further limit its investment choices. The *New MexiGROW* Local Government Investment Pool (LGIP), a government investment pool is rated AAAM by Standard & Poor's and is authorized by the New Mexico State statute. The weighted average maturity of the State Treasurer's local government pool was 50 days at year end.

**Custodial Credit Risk - Investments.** To control custody risk State law and the City adopted Investment Policy requires all securities and all collateral for time and demand deposits as well as repurchase agreement collateral be transferred delivery versus payment and held by an independent party required to provide original safekeeping receipts. Repurchase agreements must be collateralized to 102%.

The City's investment in the New Mexico State Treasurer's Investment Pool represents a proportionate interest in the Pool's portfolio. The City's portion is not identified with specific investments and is not subject to custodial risk; however, separately issued financial statements of the Office of the State Treasurer disclose the collateral pledged to secure the State Treasurer's cash and investments. The most recent report may be obtained by contacting the Office of the State Treasurer, P.O. Box 608, Santa Fe, New Mexico 87504-0608.

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 4 – RECEIVABLES**

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the City’s individual major funds and non-major governmental funds in the aggregate, were as follows.

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Non-Major Governmental Funds</u>
Due from Federal government	\$ 237,695	\$ 223,751	\$ 296,029
Due from State government	178,382		324,438
Due from County government	111,536		
Net due from governmental entities	<u>\$ 527,613</u>	<u>\$ 223,751</u>	<u>\$ 620,467</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows.

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 232,093	\$
Cable franchise fees (General Fund)		30,000
Paving assessments (Capital Improvement Fund)		652
Delinquent property taxes receivable (Non-major Funds)	44,374	
Total deferred revenue for governmental funds	<u>\$ 276,467</u>	<u>\$ 30,652</u>

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 – NOTES RECEIVABLES**

At year end, the City had the following long-term notes receivables.

	Original Amount	Interest Rates	Term	Outstanding Receivable June 30, 2010	Due Within One Year
<b>Governmental activities:</b>					
H.P. Performance, Inc.	\$ 250,000	3.00%	2011-14	\$ 186,824	\$ 53,222
Millenium Transit Services, LLC	724,993	prime +2.25%	None	508,748	
				<u>\$ 695,572</u>	<u>\$ 53,222</u>
<b>Business-type activities:</b>					
Dean Baldwin Painting	\$ 528,406	4.00%	2011-16	\$ 346,145	\$ 68,841
Millennium Transit Services, LLC	1,345,007	prime +2.25%	None	943,829	
				<u>\$ 1,289,974</u>	<u>\$ 68,841</u>

Principal and interest revenues for the governmental and business-type activities notes receivable at year end are summarized as follows.

		Governmental Activities	
Year ending June 30:		Principal	Interest
	2011	\$ 53,222	\$ 5,278
	2012	101,560	59,578
	2013	103,102	58,036
	2014	81,565	56,567
	2015	50,875	56,263
	2016-20	254,373	281,315
	2021-25	50,875	56,263
Total		<u>\$ 695,572</u>	<u>\$ 573,300</u>

		Business-type Activities	
Year ending June 30:		Principal	Interest
	2011	\$ 68,841	\$ 16,756
	2012	148,474	114,486
	2013	150,677	112,282
	2014	152,971	109,988
	2015	155,358	107,601
	2016-20	519,270	522,683
	2021-25	94,383	104,378
Total		<u>\$ 1,289,974</u>	<u>\$ 1,088,174</u>

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 6 – CAPITAL ASSETS**

A summary of capital asset activity for the current fiscal year follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,254,636	\$	\$ 1,570	\$ 3,253,066
Land-right of way	5,010,623			5,010,623
Construction in progress	520,308	571,741		1,092,049
Historical treasures	329,204	108,000		437,204
Total capital assets, not being depreciated	<u>9,114,771</u>	<u>679,741</u>	<u>1,570</u>	<u>9,792,942</u>
Capital assets, being depreciated:				
Land improvements	10,624,426	519,021		11,143,447
Buildings and improvements	24,723,263	2,043,494	221,858	26,544,899
Machinery and equipment	9,889,588	655,536	330,157	10,214,967
Furniture and fixtures	266,435		1,300	265,135
Vehicles	10,907,698	1,298,629	399,816	11,806,511
Infrastructure	156,435,085	740,767	49,123	157,126,729
Zoo	38,530		38,530	
Total capital assets being depreciated	<u>212,885,025</u>	<u>5,257,447</u>	<u>1,040,784</u>	<u>217,101,688</u>
Total capital assets	<u>221,999,796</u>	<u>5,937,188</u>	<u>1,042,354</u>	<u>226,894,630</u>
Less accumulated depreciation for:				
Land improvements	4,632,636	399,550		5,032,186
Buildings and improvements	14,016,832	976,117	196,181	14,796,768
Machinery and equipment	7,101,420	824,214	318,826	7,606,808
Furniture and fixtures	258,348	4,832	1,300	261,880
Vehicles	8,321,153	956,889	388,502	8,889,540
Infrastructure	130,173,709	1,883,088	46,305	132,010,492
Zoo	36,100		36,100	
Total accumulated depreciation	<u>164,540,198</u>	<u>5,044,690</u>	<u>987,214</u>	<u>168,597,674</u>
Governmental activities capital assets, net	<u>\$ 57,459,598</u>	<u>\$ 892,498</u>	<u>\$ 55,140</u>	<u>\$ 58,296,956</u>

**Construction Commitments** – At year end, the City had contractual commitments related to various capital projects for the construction of the West College extension, the West Brasher Road reclamation, and Fire Station 3. At year end the City had spent \$1.0 million on the projects and had estimated remaining contractual commitments of \$7.9 million. These projects are being funded with capital outlay, stimulus grants, and bond proceeds, respectively.

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 6 – CAPITAL ASSETS (Cont'd)**

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 4,581,474	\$	\$	\$ 4,581,474
Construction in process		66,926		66,926
Water rights	11,671,697	41,203		11,712,900
Total capital assets, not being depreciated	<u>16,253,171</u>	<u>108,129</u>		<u>16,361,300</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	5,630,314	1,735,601		7,365,915
Buildings and improvements	74,442,606	252,686		74,695,292
Machinery and Equipment	15,841,799	879,226	563,357	16,157,668
Furniture and fixtures	120,275			120,275
Vehicles	6,562,287	728,706	215,663	7,075,330
Infrastructure	40,771,189	1,440,382		42,211,571
Total capital assets being depreciated	<u>143,368,470</u>	<u>5,036,601</u>	<u>779,020</u>	<u>147,626,051</u>
Total capital assets	<u>159,621,641</u>	<u>5,144,730</u>	<u>779,020</u>	<u>163,987,351</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	1,047,483	289,672		1,337,155
Buildings and improvements	52,083,629	1,368,987		53,452,616
Machinery and Equipment	14,307,660	474,785	561,037	14,221,408
Furniture and fixtures	83,591	7,126		90,717
Vehicles	4,725,090	691,164	215,663	5,200,591
Infrastructure	31,654,329	637,768		32,292,097
Total accumulated depreciation	<u>103,901,782</u>	<u>3,469,502</u>	<u>776,700</u>	<u>106,594,584</u>
Business-type activities capital assets, net	<u>\$ 55,719,859</u>	<u>\$ 1,675,228</u>	<u>\$ 2,320</u>	<u>\$ 57,392,767</u>

**Construction Commitments** – At year end, the City had contractual commitments related to capital projects for the construction of the recycle center at the landfill. At year end the City had spent \$53,267 on the projects and had estimated remaining contractual commitments of \$546,733. These projects are being funded with bond proceeds.



**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 – CAPITAL ASSETS (Concl'd)**

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$2,548,811
Public works	2,323,970
Culture and recreation	<u>171,909</u>
Total depreciation expense – governmental activities	<u>\$5,044,690</u>
Business-Type Activities:	
Airport	\$ 688,453
Solid waste	929,595
Water and sewer	<u>1,851,454</u>
Total depreciation expense – business-type activities	<u>\$3,469,502</u>

**NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES**

The City has acquired fire equipment and a fire pumper truck under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund and Fire Protection Fund are used to pay the capital lease obligations.

The assets acquired through capital leases that meet the City's capitalization threshold are as follows.

	<u>Governmental Activities</u>
Asset:	
Vehicles	\$ 1,724,260
Less: Accumulated depreciation	<u>1,511,730</u>
Total	<u>\$ 212,530</u>

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES (Cont'd)**

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows.

Year Ending June 30:	<u>Governmental Activities</u>
2011	\$ 222,696
2012	46,876
2013	46,876
2014	46,876
2015	46,876
2016-20	<u>187,502</u>
Total minimum lease payments	597,702
Less: amount representing interest	<u>87,048</u>
Present value of minimum lease payments	<u>\$ 510,654</u>
Due within one year	<u>\$ 199,262</u>

The City has acquired fire suppression equipment and a caterpillar scraper under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the Airport Fund and Solid Waste Fund are used to pay the capital lease obligations.

The assets acquired through capital leases that meet the City's capitalization threshold are as follows.

Asset:	<u>Business-type Activities</u>
Building improvements	\$ 2,100,000
Vehicles	643,641
Less: Accumulated depreciation	<u>677,274</u>
Total	<u>\$ 2,066,367</u>

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)**

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows.

Year Ending June 30:	Business-type Activities
2011	\$ 382,426
2012	528,076
2013	266,310
2014	266,310
2015	266,310
2016-20	266,308
Total minimum lease payments	1,975,740
Less: amount representing interest	252,215
Present value of minimum lease payments	\$ 1,723,525
Due within one year	\$ 304,483

**NOTE 8 – LOANS PAYABLE**

The City has received loans to fund the purchase of a fire truck and for the employer's surplus contribution. The loans will be repaid by the General Fund and the NMRHCA – Buy in Payments Fund. The loans payable at June 30, 2010, are presented below.

Purpose	Original Amount Issued	Interest Rates (Including Fees)	Maturity	Outstanding Principal June 30, 2010	Due Within One Year
<b>Governmental activities:</b>					
NMRHCA Loan (employer's surplus contribution)	\$ 532,501	7.50%	2012	\$ 181,505	\$ 87,361
NMFA Loan (fire truck)	296,026	4.86%-5.20%	2013	205,039	65,405
Total				\$ 386,544	\$ 152,766

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 8 – LOANS PAYABLE (Concl'd)**

Principal and interest payments on the governmental loans payable at year end are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2011	\$ 152,766	\$ 19,926
2012	162,418	10,276
2013	71,360	3,322
Total	\$ 386,544	\$ 33,524

**NOTE 9 – BONDS PAYABLE**

**Governmental Activities.** The General Obligation Bonds, Series August 1, 1999, were issued to provide funds to defray, in part (i) the cost of constructing, rehabilitating, and remodeling the Roswell Public Library, including additions and improvements thereto, (ii) the cost of constructing, purchasing, rehabilitating, 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 Bonds. The Bonds were issued pursuant to Sections 3-3 1-1 through 3-3 1-12 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.

The Sales Tax Revenue Refunding Bonds, Series May 14, 2003, were issued to provide funds to defray the cost of refunding, refinancing, discharging, and paying the City's outstanding City of Roswell Sales Tax Revenue Bonds, Series February 1, 1993 and all costs incidental to the foregoing and the issuance of the Bonds. The Bonds were issued pursuant to Sections 3-3 1-1 through 3-3 1-12 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 3-3 8-13 through 3-3 8-34 NMSA 1978, as amended.

The General Obligation Bonds, Series July 17, 2008, were issued to provide funds, in part to (i) replace, construct, equip, and improve an animal control shelter and (ii) to replace, construct, equip, and improve fire stations in the City of Roswell. The Bonds were issued pursuant to Sections 3-30-1 through 3-30-9 NMSA 1978, the provisions of Sections 6-15-1 through 6-1 5-22 NMSA 1978, and acts amendatory and supplemental thereto. In order to pay the 2008 Bonds and all payments of principal and interest thereon whether at maturity or on a redemption date, there shall be an annual assessment and levy upon all the taxable property of the City subject to taxation.

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 9 – BONDS PAYABLE (Cont'd)**

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Obligation Series 1999 Sales Tax Revenue Refunding Bonds Series 2003	\$ 6,600,000	4.85-4.90%	2015	\$ 1,850,000	\$ 350,000
General Obligation Series 2008	773,000	3.77%	2012	152,000	106,000
	4,100,000	3.05-5.00%	2023	<u>3,900,000</u>	<u>220,000</u>
Total				<u>\$ 5,902,000</u>	<u>\$ 676,000</u>

**Pledged revenues – governmental activities.** The City has pledged future state tax revenues to repay outstanding revenue bonds of \$152,000 as of June 30, 2010. Proceeds from the original bond issuance provided refunding financing for prior bonds. The bonds are paid solely from the City's state tax revenues and are payable through 2012. Total annual principal and interest payments for all state tax revenue bonds are expected to require less than 1% of gross revenues. Total principal and interest to be paid on the bonds is \$159,464. The current total state tax revenues were \$28.5 million and the total principal and interest paid on the bonds was \$107,425, or less than 1% of gross revenues.

***Business-type activities.*** The Joint Water and Sewer Improvement Revenue Bonds, Series July 14, 2005, were issued to provide funds to extend, enlarge, better, repair, and otherwise improve the City's Joint Water and Sewer System and all costs incidental to the foregoing and the issuance of the Bonds. The Bonds were issued pursuant to Sections 3-3 1-1 through 3-3 1-12 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.

The Gross Receipts Tax Improvement Revenue Bonds, Series December 30, 2008, were issued to provide funds to defray the cost of acquiring, constructing, and improving solid waste disposal and recycling facilities and all costs incidental to the foregoing and the issuance of the Bonds. The Bonds were issued pursuant to Sections 3-3 1-1 through 3-3 1-12 NMSA 1978, as amended. The 2008 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.

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 9 – BONDS PAYABLE (Cont'd)**

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2010	Due Within One Year
<b>Business-type activities:</b>					
Joint Utility System Revenue Bond - Series 2005	\$ 13,710,000	3.125-5.00%	2025	\$ 11,120,000	\$ 555,000
Gross Receipts Tax Improvement Revenue Bond - Series 2008	3,190,000	3.00-4.10%	2018	2,765,000	305,000
Total				<u>\$ 13,885,000</u>	<u>\$ 860,000</u>

**Pledged revenues – business-type activities.** The City has pledged future user fee revenues to repay outstanding revenue bonds of \$11.1 million as of June 30, 2010. Proceeds from the original bond issuances provided financing for the acquisition and construction of major capital facilities and water systems. The bonds are paid solely from the City’s user fee and are payable through 2025. Total annual principal and interest payments for all user fee revenue bonds are expected to require less than 15% of gross revenues. Total principal and interest to be paid on the bonds is \$15.5 million. The current total user fee revenues were \$8.2 million and the total principal and interest paid on the bonds was \$1.0 million, or 12.5% of gross revenues.

**Pledged revenues – business-type activities.** The City has pledged future state tax revenues to repay outstanding revenue bonds of \$2.8 million as of June 30, 2010. Proceeds from the original bond issuances provided financing for the acquisition and construction of major capital facilities and water systems. The bonds are paid solely from the City’s state tax and are payable through 2018. Total annual principal and interest payments for all state tax revenue bonds are expected to require less than 75% of gross revenues. Total principal and interest to be paid on the bonds is \$3.3 million. The current total state tax revenues were \$567,870 and the total principal and interest paid on the bonds was \$410,615, or 72% of gross revenues.

Annual debt service requirements to maturity on the bonds for governmental and business-type activities at year end are summarized as follows.

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 676,000	\$ 226,919
2012	631,000	194,530
2013	615,000	165,587
2014	655,000	138,971
2015	645,000	111,648
2016-20	1,550,000	362,863
2021-25	1,130,000	68,188
Total	<u>\$ 5,902,000</u>	<u>\$ 1,268,706</u>

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 9 – BONDS PAYABLE (Concl'd)**

Year ending June 30:	Business-type Activities	
	Principal	Interest
2011	\$ 860,000	\$ 582,428
2012	885,000	555,171
2013	915,000	524,984
2014	950,000	492,959
2015	985,000	458,184
2016-20	4,745,000	1,649,776
2021-25	4,545,000	626,013
Total	<u>\$ 13,885,000</u>	<u>\$ 4,889,515</u>

**NOTE 10 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the current fiscal year was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 879,877	\$ 848,342	\$ 837,116	\$ 891,103	\$ 820,556
Capital leases	701,380		190,726	510,654	199,262
Loans payable	530,478		143,934	386,544	152,766
Bonds payable	6,525,000		623,000	5,902,000	676,000
Workers' compensation liability	2,833,548	396,545	293,204	2,936,889	290,000
Claims and judgment		350,000		350,000	350,000
Total	<u>\$ 11,470,283</u>	<u>\$ 1,594,887</u>	<u>\$ 2,087,980</u>	<u>\$ 10,977,190</u>	<u>\$ 2,488,584</u>
<b>Business-type Activities:</b>					
Compensated absences	\$ 182,643	\$ 190,340	\$ 195,850	\$ 177,133	\$ 177,133
Capital leases	2,014,216		290,691	1,723,525	304,483
Loans payable	203,966		203,966		
Bonds payable	14,720,000		835,000	13,885,000	860,000
Landfill closure and postclosure	989,571		274,497	715,074	
Total	<u>\$ 18,110,396</u>	<u>\$ 190,340</u>	<u>\$ 1,800,004</u>	<u>\$ 16,500,732</u>	<u>\$ 1,341,616</u>

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 11 – INTERFUND RECEIVABLES AND PAYABLES**

At year end, interfund balances were as follows.

**Due to/from other funds** – At year end, several non-major governmental funds were involved in borrowing arrangements due to the existence of a negative cash balance in the General Fund of \$101,570. All interfund balances are expected to be paid within one year.

**Advances to/from other funds** – At year end, an advance balance from a previous fiscal year from the Water and Sewer Fund to the Airport Fund was still outstanding. It is expected that \$6,000 of the \$784,889 will be repaid within a year.

**Interfund transfers:**

Transfers out	Transfers in					Total
	General Fund	Capital Improvement Fund	Non-Major Governmental Funds	Airport Fund	Solid Waste Fund	
General Fund	\$	\$ 2,468,376	\$ 5,195,000	\$ 1,200	\$ 631,240	\$ 8,295,816
Capital Improvements Fund			29,100			29,100
Non-Major Governmental Funds	526,079		892,945			1,419,024
Airport Fund	300,000		29,100			329,100
Solid Waste Fund	300,000		29,100			329,100
Water and Sewer Fund	350,000		129,100	12,900		492,000
Total	<u>\$ 1,476,079</u>	<u>\$ 2,468,376</u>	<u>\$ 6,304,345</u>	<u>\$ 14,100</u>	<u>\$ 631,240</u>	<u>\$10,894,140</u>

**NOTE 12 – CONTINGENT LIABILITIES**

**Federal and State grants and loans** – The City has received a number of grants and loans from both the Federal and State governments. Although the programs have been audited, not all audits have been approved as of June 30, 2010; however, the City expects no material disallowance of expenditures.

**Lawsuits** – The City is a defendant in a number of lawsuits as of June 30, 2010. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2010, would not be material to the financial position of the City.



**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 13 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Therefore, the City joined the New Mexico Self-Insurers' Fund Risk Pool (Pool), together with other cities and towns in the State for its property and liability insurance. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for member cities and towns. The City pays an annual premium to the Pool for its general insurance coverage. The agreement provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the annual aggregate per policy for general liability and property claims.

The City also 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 risks 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 (Fund) charges a "premium" to the City to cover expenses of the Fund (including, but not limited to, reinsurance expenses, claims adjusting, rating, 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 of \$2,936,889 is recorded on the government-wide financial statements. These liabilities are based on actuarial information provided by the Fund.

The City's employees have health and accident insurance coverage with the Risk Management Division of the New Mexico General Services Department (RMD). RMD is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The City pays a monthly premium to RMD for employees' health and accident insurance coverage. The agreement provides that RMD will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

The City carries commercial insurance for all other risks of loss including some property and liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 14 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*Plan Description* – Substantially all of the full-time employees of the City participate in a public employee retirement system authorized under the Public Employees’ Retirement Act (Chapter 10, Article II NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit public employee 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. The report is also available on PERA’s website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy* – Plan members (other than police and fire) are required to contribute 9.15% of their gross salary; police and fire are required to contribute 16.3% and 16.2%, respectively, of their gross salary. The City is required to contribute 18.5% for police, 21.25% for fire, and 9.15% for all other plan members. The contribution requirements of the plan members and the City are established under State statute under Chapter 10, Article II, NMSA 1978. The requirements may be amended by acts of the legislature. The City’s contributions to PERA for the years ended 2010, 2009, and 2008, were \$2,556,806, \$2,467,086, and \$2,419,152, respectively, which were equal to the amount of the required contributions for each year.

**NOTE 15 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN**

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

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

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 15 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN (Concl'd)**

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute 0.65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2011	1.666%	0.833%
2012	1.834	0.917
2013	2.000	1.000

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

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The City's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$238,164, \$231,003 and \$235,554, respectively, which equal the required contributions for each year.

**CITY OF ROSWELL, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 16 – LANDFILL CLOSURE AND POSTCLOSURE COSTS**

State and federal laws and regulations require the City to place a final cover on the City-operated landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be incurred after the date the landfill stops accepting waste, the City reports these closure and postclosure care costs as a liability as of each balance sheet date. The \$715,074 reported as landfill closure and postclosure care liability at year end represents management's estimate based on an expert hired to estimate the costs for standard monitoring and compliance through the remaining life of 97 years.

**NOTE 17 – PRIOR PERIOD ADJUSTMENTS**

The July 1, 2010, government-wide net assets and the fund balances/net assets do not agree to the prior year financial statements due to the correction of various errors consisting primarily of the following items.

- 1) The reclassification of fund balance related to the General Fund.
- 2) The prior year financial statements consisted of several expenditure/expense posting errors.
- 3) The prior year financial statements included long-term liabilities for Workers' Compensation in the General Fund.
- 4) The City had several capital asset adjustments due to a year-end inventory.

	June 30, 2009, as previously reported	Reclassification of funds	Prior Year Account Payable	Workers' compensation liability	Capital assets	July 1, 2009, as restated
Governmental activities	\$ 63,374,498	\$	\$ 4,494,671	\$	\$ 14,841,117	\$ 82,710,286
Business-type activities	52,052,107		2,048,073		2,876,475	56,976,655
<b>Governmental Funds:</b>						
General Fund	23,133,594	(7,435,970)	1,388,902	2,833,548		19,920,074
Capital Improvement		6,419,451	589,974			7,009,425
Mass Transit		231,840	(19,125)			212,715
Recreation	(455,319)		253,216			(202,103)
Correction Fees		484,949				484,949
Lodgers' Tax	558,243		19,974			578,217
Road	978,026		983,568			1,961,594
Unemployment Compensation	13,024		(8,124)			4,900
NMRHCA - Buy in Payments		144				144
Law Enforcement Grant		(83)				(83)
Fire Protection		299,669	54,077			353,746
2008 GO Bonds Construction	2,381,818		1,343,930			3,725,748
<b>Proprietary Funds:</b>						
Airport	8,939,236		238,055		49,155	9,226,446
Solid Waste	6,048,164		1,411,738		152,776	7,612,678
Water and Sewer	37,064,707		398,280		2,674,544	40,137,531

**SUPPLEMENTARY INFORMATION**

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**OTHER MAJOR GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**CITY OF ROSWELL, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 1,239,903	\$ 3,010,359	\$ 336,629	\$ (2,673,730)
Investment income	59,660	48,660	52,045	3,385
Miscellaneous	600	2,800	2,699	(101)
<b>Total revenues</b>	1,300,163	3,061,819	391,373	(2,670,446)
<b>Expenditures:</b>				
Capital outlay	7,907,412	9,555,789	2,361,071	7,194,718
<b>Total expenditures</b>	7,907,412	9,555,789	2,361,071	7,194,718
<b>Excess (deficiency) of revenues over expenditures</b>	(6,607,249)	(6,493,970)	(1,969,698)	4,524,272
<b>Other financing sources (uses):</b>				
Transfer in	2,298,110	2,298,110	2,468,376	170,266
Transfer out	(29,100)	(29,100)	(29,100)	
<b>Total other financing sources (uses)</b>	2,269,010	2,269,010	2,439,276	170,266
<b>Change in fund balances</b>	(4,338,239)	(4,224,960)	469,578	4,694,538
<b>Fund balances, July 1, 2009, as restated</b>			7,009,425	7,009,425
<b>Fund balances (deficits), June 30, 2010</b>	\$ (4,338,239)	\$ (4,224,960)	\$ 7,479,003	\$ 11,703,963

**Reconciliation to GAAP**

Adjustments:

Due from governmental entities	224,403
Accounts payable	(133,013)
Accrued payroll	975
Deferred revenue	(652)
<i>Net change in fund balance (GAAP basis)</i>	561,291



## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

**Library Grants** – to account for grant proceeds from the New Mexico State Library Division. The funds may be used for library collections, library staff salaries, library staff training, library equipment, or other operational expenditures associated with delivery of library services. Authority for creation of this fund is Section 18-2-4B NMSA 1978; Section 4.5.2 NMAC.

**South Park Cemetery** – to account for the operation and maintenance of the City's cemetery. Financing is provided through lot sales, fees for services, and a transfer from the General Fund. Authority for creation of this fund was executed by the City of Roswell Finance and Budget Directors.

**Mass Transit** – to account for the operation and maintenance of the Pecos Trails Transit Service. Financing is provided through federal and state grants, rider fares, advertising, and transfers from the General Fund and Road Fund. Authority for creation of this fund is Section 67-3-69 NMSA 1978; 49 U.S.C. Section 5311.

**Recreation** – to account for the operation and maintenance of all City owned recreation facilities. Financing is provided by a specific annual cigarette tax levy, miscellaneous revenues (primary use fees), grants, and a transfer from the General Fund. Authority for creation of this fund is Section 7-12-15 NMSA 1978.

**Correction Fee** – to account for the collection of correction fees by the municipal judge, which shall be deposited in a specials fund in the municipal treasury and shall be used for paying the cost of housing municipal prisoners in a county jail or detention facility or housing juveniles in a detention facility. Authority for creation of this fund is Section 35-14-11 NMSA 1978; City Ordinance #09-08.

**Lodgers' Tax** – to account for the operations of the Civic Center and other promotional activities for the City of Roswell. Financing is provided primarily by a specific tax levy on area motels and hotels. Authority for creation of this fund is Section 3-38-1 NMSA 1978.

**Road** – to account for the operations of the City Road Fund as it is related to the receipt of the motor vehicle tax -10%, which is to be used only for additions and improvements to the City's streets and highways. Authority for creation of this fund is Section 7-24-1 to 7-24A-21 NMSA 1978.

**Unemployment Compensation Fund** – to account for unemployment claims filed by City employees. Financing is provided through transfers from the General, Airport, Road, Capital Improvements, and Water and Sewer Funds. Authority for the creation of this fund was executed by the City of Roswell Finance and Budget Directors.

## **Special Revenue Funds (Cont'd)**

**NMRHCA Buy in Payments** – to account for the accumulation of City funds to make monthly payments to the New Mexico Retiree Health Care Authority as a buy-in to the Plan to provide for future benefits for retired and current employees. Funding consists of transfers from the General, Airport, Road, Capital Improvement, and Water and Sewer Funds. Authority for creation of this fund is Section 10-7C-1 NMSA 1978; City Ordinance #001-1 and City Resolution #2457.

**Community Development Revolving Loan** – to account for the disposition of program income received from the Community Development Block Grant Economic Development set aside program from the State of New Mexico. Authority for creation of this fund is City Resolution #2070, August 9, 1988.

**Beautification Grant** – to account for the grant proceeds from the New Mexico Cooperative Marketing Grant Program. The funds may be used for beautification and recycling education and promotion, weed eradication, graffiti removal, litter control, and other related expenditures. Authority for creation of this fund is Section 67-16-1 through 14 NMSA 1978.

**Law Enforcement Grant** – to account for the state treasurer funds distributed through the New Mexico finance authority to the City pursuant to the passing of a resolution. The funds may be used for the maintenance and improvement of the police department in order to enhance the efficiency and effectiveness of law enforcement services. Authority for creation of this fund is Section 29-13-1 through 9 NMSA 1978.

**Police** – to account for grant proceeds from state and federal agencies, with special accounting and control procedures as stipulated by the grant agreements for confidential expenditures and to assure fiscal control, property management, and effective disbursement of funds received. Authority for creation of this fund is State of New Mexico Department of Public Safety Grant #18PSNP564Z and Sub-Grant Agreement #09-State Appropriation-DPS-Region VI.

**Emergency Medical Services** – to account for emergency medical training, supplies, and equipment purchased for the fire department and contract ambulance service. Financing is provided through state grants. Authority for creation of this fund is Section 24-1 OA-26 NMSA 1978.

**Hazardous Materials Emergency Response** – 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. Authority for creation of this fund was executed by the City of Roswell Finance and Budget Directors.

**Fire Protection** – to account for the state treasurer funds distributed through the New Mexico finance authority to the City pursuant to the passing of a resolution. The funds may be used for the operating maintenance and betterment of the local fire department, to the end that the hazard of loss by fire and fire insurance rates may be reduced and the public safety thereby promoted. Authority for creation of this fund is Section 59A-53-1 through 19 NMSA 1978.

## **Special Revenue Funds (Concl'd)**

**Federal Narcotic Seizure** – to account for the Federal share of seized monies or monies derived from sale of seized property, which must not be commingled with other funds as stipulated by the grant agreement. The money may be used to supplement project costs or may be refunded to the Federal government. Authority for creation of this fund is U.S. Departments of Justice and the Treasury Federal Equitable Sharing Agreement #NM0030 102.

**State Narcotic Seizure** – to account for the State share of seized monies or monies derived from sale of seized property, which must not be commingled with other fund sources as specified in individual court case documentation. Authority for creation of this fund is the State of New Mexico District Court.

**JAG Grant** – to account for, track, and report the funds from the JAG grant receipts for the police department to ensure that these funds are not comingled with funds from any other source as stipulated by the grant agreement. Authority for creation of this fund is U.S. Department of Justice Project Grant Agreement #2009-SB-B9-0 104.

## **Capital Projects Funds**

**2008 GO Bonds Construction** – to account for the receipt of bond proceeds, and the replacement, construction, improvement, and equipping of an animal control shelter. Also for the replacement, expansion, construction, improvement, and equipping of fire stations.

**Community Development Block Grant** – to account for the receipt of grant proceeds to help fund neighborhood improvement projects to provide adequate services to the community. Authority for creation of this fund is Section 9-14-4 NMSA 1978; City Resolution #06-23 and CBDG agreement #07-C-NR-1-03-G-34; City Resolution #09-28.

## **Debt Service Funds**

**GO Bonds** – to account for 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.

**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.

**2003 Sales Tax Revenue 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 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.

**CITY OF ROSWELL, NEW MEXICO**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2010**

	<u>Library Grants</u>	<u>South Park Cemetery</u>	<u>Mass Transit</u>	<u>Recreation Fund</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 162	\$ 483,615	\$ 446,360	\$
Taxes receivable				3,414
Accounts receivable				19,647
Due from governmental entities			220,026	301,289
Notes receivable				
<b>Total assets</b>	<u>\$ 162</u>	<u>\$ 483,615</u>	<u>\$ 666,386</u>	<u>\$ 324,350</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 136	\$ 6,908	\$ 98,959	\$ 17,533
Accrued payroll		9,942	20,117	44,058
Due to other funds				13,882
<b>Total liabilities</b>	<u>136</u>	<u>16,850</u>	<u>119,076</u>	<u>75,473</u>
Fund balances (deficits):				
Reserved for notes receivable				
Unreserved:				
Undesignated	<u>26</u>	<u>466,765</u>	<u>547,310</u>	<u>248,877</u>
<b>Total fund balances</b>	<u>26</u>	<u>466,765</u>	<u>547,310</u>	<u>248,877</u>
<b>Total liabilities and fund balances</b>	<u>\$ 162</u>	<u>\$ 483,615</u>	<u>\$ 666,386</u>	<u>\$ 324,350</u>

Correction Fees Fund	Lodgers' Tax Fund	Road Fund	Unemployment Compensation Fund	NMRHCA - Buy in Payments Fund	Community Development Revolving Loan Fund
\$ 486,168	\$ 558,779 73,552	\$ 1,270,144 70,236 2,096	\$ 25,600	\$ 1,733	\$ 483,534
<u>\$ 486,168</u>	<u>\$ 632,331</u>	<u>\$ 1,342,476</u>	<u>\$ 25,600</u>	<u>\$ 1,733</u>	<u>695,572</u> <u>\$ 1,179,106</u>
\$ 19,435	\$ 32,282	\$ 12,309 22,741	\$ 11,781	\$	\$
<u>19,435</u>	<u>32,282</u>	<u>35,050</u>	<u>11,781</u>		
					695,572
<u>466,733</u>	<u>600,049</u>	<u>1,307,426</u>	<u>13,819</u>	<u>1,733</u>	<u>483,534</u>
<u>466,733</u>	<u>600,049</u>	<u>1,307,426</u>	<u>13,819</u>	<u>1,733</u>	<u>1,179,106</u>
<u>\$ 486,168</u>	<u>\$ 632,331</u>	<u>\$ 1,342,476</u>	<u>\$ 25,600</u>	<u>\$ 1,733</u>	<u>\$ 1,179,106</u>

(Continued)

**CITY OF ROSWELL, NEW MEXICO**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2010**  
**(Concluded)**

	<u>Beautification Grant</u>	<u>Law Enforcement Grant Fund</u>	<u>Police Fund</u>	<u>Emergency Medical Services Fund</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$	\$ 11,788	\$	\$ 7,823
Taxes receivable				
Accounts receivable				
Due from governmental entities	23,149		76,003	
Notes receivable				
<b>Total assets</b>	<u>\$ 23,149</u>	<u>\$ 11,788</u>	<u>\$ 76,003</u>	<u>\$ 7,823</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$	\$ 1,286	\$ 934	\$ 4,794
Accrued payroll			842	
Due to other funds	12,495		75,193	
<b>Total liabilities</b>	<u>12,495</u>	<u>1,286</u>	<u>76,969</u>	<u>4,794</u>
Fund balances (deficits):				
Reserved for notes receivable				
Unreserved:				
Undesignated	10,654	10,502	(966)	3,029
<b>Total fund balances</b>	<u>10,654</u>	<u>10,502</u>	<u>(966)</u>	<u>3,029</u>
<b>Total liabilities and fund balances</b>	<u>\$ 23,149</u>	<u>\$ 11,788</u>	<u>\$ 76,003</u>	<u>\$ 7,823</u>

<u>Hazardous Materials Emergency Response</u>	<u>Fire Protection Fund</u>	<u>Federal Narcotic Seizure Fund</u>	<u>State Narcotic Seizure Fund</u>	<u>JAG Grant</u>	<u>Totals</u>
\$ 19,327	\$ 258,791	\$ 39,356	\$ 6,163	\$ 87,584	\$ 4,186,927
					147,202
					21,743
					620,467
					695,572
<u>\$ 19,327</u>	<u>\$ 258,791</u>	<u>\$ 39,356</u>	<u>\$ 6,163</u>	<u>\$ 87,584</u>	<u>\$ 5,671,911</u>
\$	\$ 4,425	\$ 3,653	\$ 1,020	\$	\$ 215,455
					97,700
					101,570
	<u>4,425</u>	<u>3,653</u>	<u>1,020</u>		<u>414,725</u>
					695,572
<u>19,327</u>	<u>254,366</u>	<u>35,703</u>	<u>5,143</u>	<u>87,584</u>	<u>4,561,614</u>
<u>19,327</u>	<u>254,366</u>	<u>35,703</u>	<u>5,143</u>	<u>87,584</u>	<u>5,257,186</u>
<u>\$ 19,327</u>	<u>\$ 258,791</u>	<u>\$ 39,356</u>	<u>\$ 6,163</u>	<u>\$ 87,584</u>	<u>\$ 5,671,911</u>

**CITY OF ROSWELL, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Library Grants</u>	<u>South Park Cemetery</u>	<u>Mass Transit</u>
<b>Revenues:</b>			
Municipal and state shared taxes	\$	\$	\$ 286
Intergovernmental	6,683		1,112,156
Charges for services		328,545	89,464
Fines and forfeits			
Investment income	10	4,818	2,659
Miscellaneous			5,719
<b>Total revenues</b>	<u>6,693</u>	<u>333,363</u>	<u>1,210,284</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Public works		487,526	1,209,785
Culture and recreation	3,243		
Capital outlay	3,424	73	250,325
Debt service -			
Principal			
Interest and fiscal charges			
<b>Total expenditures</b>	<u>6,667</u>	<u>487,599</u>	<u>1,460,110</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>26</u>	<u>(154,236)</u>	<u>(249,826)</u>
<b>Other financing sources (uses):</b>			
Transfer in		112,492	584,421
Transfer out			
<b>Total other financing sources (uses)</b>		<u>112,492</u>	<u>584,421</u>
<b>Change in fund balances</b>	<u>26</u>	<u>(41,744)</u>	<u>334,595</u>
<b>Fund balances (deficits), beginning of year, as restated</b>		508,509	212,715
<b>Fund balances (deficits), end of year</b>	<u>\$ 26</u>	<u>\$ 466,765</u>	<u>\$ 547,310</u>



Recreation Fund	Correction Fees Fund	Lodgers' Tax Fund	Road Fund	Unemployment Compensation Fund	NMRHCA - Buy in Payments Fund
\$ 37,942	\$	\$ 835,141	\$ 609,541	\$	\$
4,955					
186,624	187,123	12,792			
272		4,004	9,132	102	
38,111			5,236		
<u>267,904</u>	<u>187,123</u>	<u>851,937</u>	<u>623,909</u>	<u>102</u>	
		196,601		66,183	
	205,339		4,000,976		
1,572,483			216,498		
344,931					81,068
					<u>16,943</u>
<u>1,917,414</u>	<u>205,339</u>	<u>196,601</u>	<u>4,217,474</u>	<u>66,183</u>	<u>98,011</u>
<u>(1,649,510)</u>	<u>(18,216)</u>	<u>655,336</u>	<u>(3,593,565)</u>	<u>(66,081)</u>	<u>(98,011)</u>
2,100,490			3,224,917	75,000	99,600
		(633,504)	(285,520)		
<u>2,100,490</u>		<u>(633,504)</u>	<u>2,939,397</u>	<u>75,000</u>	<u>99,600</u>
450,980	(18,216)	21,832	(654,168)	8,919	1,589
(202,103)	484,949	578,217	1,961,594	4,900	144
<u>\$ 248,877</u>	<u>\$ 466,733</u>	<u>\$ 600,049</u>	<u>\$ 1,307,426</u>	<u>\$ 13,819</u>	<u>\$ 1,733</u>

(Continued)

**CITY OF ROSWELL, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2010**  
**(Continued)**

	Community Development Revolving Loan Fund	Beautification Grant	Law Enforcement Grant Fund
<b>Revenues:</b>			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental		34,654	74,910
Charges for services			
Fines and forfeits			
Investment income	41,851		
Miscellaneous			
<b>Total revenues</b>	<u>41,851</u>	<u>34,654</u>	<u>74,910</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			50,191
Public works			
Culture and recreation		24,000	
Capital outlay			14,134
Debt service -			
Principal			
Interest and fiscal charges			
<b>Total expenditures</b>		<u>24,000</u>	<u>64,325</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>41,851</u>	<u>10,654</u>	<u>10,585</u>
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses)</b>			
<b>Change in fund balances</b>	<u>41,851</u>	<u>10,654</u>	<u>10,585</u>
<b>Fund balances (deficits), beginning of year, as restated</b>	1,137,255		(83)
<b>Fund balances (deficits), end of year</b>	<u>\$ 1,179,106</u>	<u>\$ 10,654</u>	<u>\$ 10,502</u>

<u>Police Fund</u>	<u>Emergency Medical Services Fund</u>	<u>Hazardous Materials Emergency Response</u>	<u>Fire Protection Fund</u>	<u>Federal Narcotic Seizure Fund</u>	<u>State Narcotic Seizure Fund</u>
\$ 143,698	\$ 52,154	\$ 7,000	\$ 597,878	\$	\$
				81,181	3,988
			4,826		3,368
<u>143,698</u>	<u>52,154</u>	<u>7,000</u>	<u>602,704</u>	<u>81,181</u>	<u>7,356</u>
141,552	71,183	835	223,544	1,364	13,790
			302,720	63,132	
			159,085		
			16,735		
<u>141,552</u>	<u>71,183</u>	<u>835</u>	<u>702,084</u>	<u>64,496</u>	<u>13,790</u>
<u>2,146</u>	<u>(19,029)</u>	<u>6,165</u>	<u>(99,380)</u>	<u>16,685</u>	<u>(6,434)</u>
<u>2,146</u>	<u>(19,029)</u>	<u>6,165</u>	<u>(99,380)</u>	<u>16,685</u>	<u>(6,434)</u>
(3,112)	22,058	13,162	353,746	19,018	11,577
<u>\$ (966)</u>	<u>\$ 3,029</u>	<u>\$ 19,327</u>	<u>\$ 254,366</u>	<u>\$ 35,703</u>	<u>\$ 5,143</u>

(Continued)

**CITY OF ROSWELL, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2010**  
**(Concluded)**

	JAG Grant	Totals
<b>Revenues:</b>		
Municipal and state shared taxes	\$	\$ 1,482,910
Intergovernmental	316,629	2,350,717
Charges for services		804,548
Fines and forfeits		85,169
Investment income	178	71,220
Miscellaneous		49,066
<b>Total revenues</b>	316,807	4,843,630
<b>Expenditures:</b>		
Current -		
General government		262,784
Public safety	116,921	824,719
Public works		5,698,287
Culture and recreation		1,599,726
Capital outlay	186,644	1,381,881
Debt service -		
Principal		240,153
Interest and fiscal charges		33,678
<b>Total expenditures</b>	303,565	10,041,228
<b>Excess (deficiency) of revenues over expenditures</b>	13,242	(5,197,598)
<b>Other financing sources (uses):</b>		
Transfer in		6,196,920
Transfer out		(919,024)
<b>Total other financing sources (uses)</b>		5,277,896
<b>Change in fund balances</b>	13,242	80,298
<b>Fund balances (deficits), beginning of year, as restated</b>	74,342	5,176,888
<b>Fund balances (deficits), end of year</b>	\$ 87,584	\$ 5,257,186

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LIBRARY GRANTS  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 3,376	\$ 6,682	\$ 6,683	\$ 1
Investment income			10	10
<b>Total revenues</b>	3,376	6,682	6,693	11
<b>Expenditures:</b>				
Current -				
Culture and recreation	3,416	3,298	3,136	162
Capital outlay		3,424	3,424	
<b>Total expenditures</b>	3,416	6,722	6,560	162
<b>Change in fund balances</b>	(40)	(40)	133	173
<b>Fund balances, July 1, 2009</b>				
<b>Fund balances (deficits), June 30, 2010</b>	\$ (40)	\$ (40)	\$ 133	\$ 173

**Reconciliation to GAAP**

Adjustments:

Accounts payable

(107)

*Net change in fund balance (GAAP basis)*

26

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SOUTH PARK CEMETERY**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Charges for services	\$ 300,000	\$ 300,000	\$ 380,481	\$ 80,481
Investment income	7,825	5,185	4,818	(367)
Miscellaneous		1,000		(1,000)
<b>Total revenues</b>	307,825	306,185	385,299	79,114
<b>Expenditures:</b>				
Current -				
Public works	532,286	538,742	482,916	55,826
Capital outlay	219	219	146	73
<b>Total expenditures</b>	532,505	538,961	483,062	55,899
<b>Excess (deficiency) of revenues over expenditures</b>	(224,680)	(232,776)	(97,763)	135,013
<b>Other financing sources (uses):</b>				
Transfer in	106,150	112,492	112,492	
<b>Total other financing sources (uses)</b>	106,150	112,492	112,492	
<b>Change in fund balances</b>	(118,530)	(120,284)	14,729	135,013
<b>Fund balances, July 1, 2009</b>			508,509	508,509
<b>Fund balances (deficits), June 30, 2010</b>	\$ (118,530)	\$ (120,284)	\$ 523,238	\$ 643,522
<b>Reconciliation to GAAP</b>				
Adjustments:				
Accounts receivable			(51,936)	
Accounts payable			(5,189)	
Accrued payroll			652	
<i>Net change in fund balance (GAAP basis)</i>			(41,744)	

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Municipal and state shared taxes	\$	\$	\$ 286	\$ 286
Intergovernmental	605,000	1,317,000	948,613	(368,387)
Charges for services	97,950	83,850	89,464	5,614
Investment income	915	1,500	2,659	1,159
Miscellaneous			5,719	5,719
<b>Total revenues</b>	703,865	1,402,350	1,046,741	(355,609)
<b>Expenditures:</b>				
Current -				
Public works	1,484,875	1,370,958	1,222,448	148,510
Capital outlay	305,649	783,589	161,550	622,039
<b>Total expenditures</b>	1,790,524	2,154,547	1,383,998	770,549
<b>Excess (deficiency) of revenues over expenditures</b>	(1,086,659)	(752,197)	(337,257)	414,940
<b>Other financing sources (uses):</b>				
Transfer in	887,462	553,001	584,421	31,420
<b>Total other financing sources (uses)</b>	887,462	553,001	584,421	31,420
<b>Change in fund balances</b>	(199,197)	(199,196)	247,164	446,360
<b>Fund balances, July 1, 2009, as restated</b>			212,715	212,715
<b>Fund balances (deficits), June 30, 2010</b>	\$ (199,197)	\$ (199,196)	\$ 459,879	\$ 659,075

**Reconciliation to GAAP**

Adjustments:

Due from governmental entities

163,543

Accounts payable

(77,668)

Accrued payroll

1,556

*Net change in fund balance (GAAP basis)*

334,595

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RECREATION FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 41,000	\$ 37,000	\$ 38,795	\$ 1,795
Intergovernmental	300,000	305,000	3,666	(301,334)
Charges for services	166,500	173,490	193,538	20,048
Investment income	1,355		272	272
Miscellaneous	100	16,924	18,464	1,540
<b>Total revenues</b>	508,955	532,414	254,735	(277,679)
<b>Expenditures:</b>				
Current -				
Culture and recreation	1,615,991	1,671,659	1,576,247	95,412
Capital outlay	528,325	602,531	491,537	110,994
<b>Total expenditures</b>	2,144,316	2,274,190	2,067,784	206,406
<b>Excess (deficiency) of revenues over expenditures</b>	(1,635,361)	(1,741,776)	(1,813,049)	(71,273)
<b>Other financing sources (uses):</b>				
Transfer in	1,959,275	2,100,490	2,100,490	
<b>Total other financing sources (uses)</b>	1,959,275	2,100,490	2,100,490	
<b>Change in fund balances</b>	323,914	358,714	287,441	(71,273)
<b>Fund balances (deficits), July 1, 2009, as restated</b>			(202,103)	(202,103)
<b>Fund balances (deficits), June 30, 2010</b>	\$ 323,914	\$ 358,714	\$ 85,338	\$ (273,376)
<b>Reconciliation to GAAP</b>				
Adjustments:				
Taxes receivable			(853)	
Accounts receivable			(287,267)	
Due from governmental entities			301,289	
Accounts payable			146,720	
Accrued payroll			3,650	
<i>Net change in fund balance (GAAP basis)</i>			450,980	



**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CORRECTION FEES FUND  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services	\$ 140,000	\$ 150,000	\$ 187,123	\$ 37,123
<b>Total revenues</b>	<u>140,000</u>	<u>150,000</u>	<u>187,123</u>	<u>37,123</u>
<b>Expenditures:</b>				
Current -				
Public safety	524,949	500,000	186,606	313,394
<b>Total expenditures</b>	<u>524,949</u>	<u>500,000</u>	<u>186,606</u>	<u>313,394</u>
<b>Change in fund balances</b>	<u>(384,949)</u>	<u>(350,000)</u>	<u>517</u>	<u>350,517</u>
<b>Fund balances, July 1, 2009, as restated</b>			484,949	484,949
<b>Fund balances (deficits), June 30, 2010</b>	<u><u>\$ (384,949)</u></u>	<u><u>\$ (350,000)</u></u>	<u><u>\$ 485,466</u></u>	<u><u>\$ 835,466</u></u>
<b>Reconciliation to GAAP</b>				
Adjustments:				
Accounts payable			<u>(18,733)</u>	
<i>Net change in fund balance (GAAP basis)</i>			<u><u>(18,216)</u></u>	

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LODGERS' TAX FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 851,500	\$ 818,428	\$ 836,733	\$ 18,305
Charges for services	6,000	12,372	19,672	7,300
Investment income	4,170	4,170	4,004	(166)
<b>Total revenues</b>	861,670	834,970	860,409	25,439
<b>Expenditures:</b>				
Current -				
General government	265,959	267,681	194,624	73,057
<b>Total expenditures</b>	265,959	267,681	194,624	73,057
<b>Excess (deficiency) of revenues over expenditures</b>	595,711	567,289	665,785	98,496
<b>Other financing sources (uses):</b>				
Transfer out	(633,504)	(633,504)	(633,504)	
<b>Total other financing sources (uses)</b>	(633,504)	(633,504)	(633,504)	
<b>Change in fund balances</b>	(37,793)	(66,215)	32,281	98,496
<b>Fund balances, July 1, 2009, as restated</b>			578,217	578,217
<b>Fund balances (deficits), June 30, 2010</b>	\$ (37,793)	\$ (66,215)	\$ 610,498	\$ 676,713
<b>Reconciliation to GAAP</b>				
Adjustments:				
Taxes receivable			(1,592)	
Accounts receivable			(6,880)	
Accounts payable			(1,977)	
<i>Net change in fund balance (GAAP basis)</i>			21,832	

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ROAD FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 595,000	\$ 595,000	\$ 648,501	\$ 53,501
Investment income	20,110	9,000	9,132	132
Miscellaneous	3,000	5,675	3,775	(1,900)
<b>Total revenues</b>	618,110	609,675	661,408	51,733
<b>Expenditures:</b>				
Current -				
Public works	5,150,636	4,619,757	4,001,290	618,467
Capital outlay	343,219	683,219	222,122	461,097
<b>Total expenditures</b>	5,493,855	5,302,976	4,223,412	1,079,564
<b>Excess (deficiency) of revenues over expenditures</b>	(4,875,745)	(4,693,301)	(3,562,004)	1,131,297
<b>Other financing sources (uses):</b>				
Transfer in	3,237,094	3,054,651	3,224,917	170,266
Transfer out	(254,100)	(254,100)	(285,520)	(31,420)
<b>Total other financing sources (uses)</b>	2,982,994	2,800,551	2,939,397	138,846
<b>Change in fund balances</b>	(1,892,751)	(1,892,750)	(622,607)	1,270,143
<b>Fund balances, July 1, 2009, as restated</b>			1,961,594	1,961,594
<b>Fund balances (deficits), June 30, 2010</b>	\$ (1,892,751)	\$ (1,892,750)	\$ 1,338,987	\$ 3,231,737
<b>Reconciliation to GAAP</b>				
Adjustments:				
Taxes receivable			(38,941)	
Accounts receivable			1,442	
Accounts payable			1,802	
Accrued payroll			4,136	
<i>Net change in fund balance (GAAP basis)</i>			(654,168)	

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - UNEMPLOYMENT COMPENSATION FUND**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Investment income	\$ 235	\$ 400	\$ 102	\$ (298)
<b>Total revenues</b>	<u>235</u>	<u>400</u>	<u>102</u>	<u>(298)</u>
<b>Expenditures:</b>				
Current -				
General government	72,497	72,497	62,526	9,971
<b>Total expenditures</b>	<u>72,497</u>	<u>72,497</u>	<u>62,526</u>	<u>9,971</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(72,262)</u>	<u>(72,097)</u>	<u>(62,424)</u>	<u>9,673</u>
<b>Other financing sources (uses):</b>				
Transfer in	75,000	75,000	75,000	
<b>Total other financing sources (uses)</b>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	
<b>Change in fund balances</b>	<u>2,738</u>	<u>2,903</u>	<u>12,576</u>	<u>9,673</u>
<b>Fund balances, July 1, 2009, as restated</b>			4,900	4,900
<b>Fund balances, June 30, 2010</b>	<u>\$ 2,738</u>	<u>\$ 2,903</u>	<u>\$ 17,476</u>	<u>\$ 14,573</u>
<b>Reconciliation to GAAP</b>				
Adjustments:				
Accounts payable			<u>(3,657)</u>	
<i>Net change in fund balance (GAAP basis)</i>			<u>8,919</u>	

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMRHCA - BUY IN PAYMENTS FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Expenditures:</b>			
Debt service -			
Principal	\$ 81,068	\$ 81,068	\$
Interest	16,944	16,943	1
<b>Total expenditures</b>	<u>98,012</u>	<u>98,011</u>	<u>1</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(98,012)</u>	<u>(98,011)</u>	<u>1</u>
<b>Other financing sources (uses):</b>			
Transfer in	99,600	99,600	
<b>Total other financing sources (uses)</b>	<u>99,600</u>	<u>99,600</u>	
<b>Change in fund balances</b>	<u>1,588</u>	<u>1,589</u>	<u>1</u>
<b>Fund balances, July 1, 2009, as restated</b>		144	144
<b>Fund balances, June 30, 2010</b>	<u>\$ 1,588</u>	<u>\$ 1,733</u>	<u>\$ 145</u>

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT REVOLVING**  
**LOAN FUND**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Investment income	\$ 41,996	\$ 42,246	\$ 41,851	\$ (395)
Miscellaneous	105,106	106,406	97,891	(8,515)
<b>Total revenues</b>	<u>147,102</u>	<u>148,652</u>	<u>139,742</u>	<u>(8,910)</u>
<b>Change in fund balances</b>	<u>147,102</u>	<u>148,652</u>	<u>139,742</u>	<u>(8,910)</u>
<b>Fund balances, July 1, 2009</b>			1,137,255	1,137,255
<b>Fund balances, June 30, 2010</b>	<u>\$ 147,102</u>	<u>\$ 148,652</u>	<u>\$ 1,276,997</u>	<u>\$ 1,128,345</u>

**Reconciliation to GAAP**

Adjustments:

Notes receivable

(97,891)

*Net change in fund balance (GAAP basis)*

41,851

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BEAUTIFICATION GRANT**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental	\$ 31,575	\$ 31,575	\$ 19,080	\$ (12,495)
<b>Total revenues</b>	<u>31,575</u>	<u>31,575</u>	<u>19,080</u>	<u>(12,495)</u>
<b>Expenditures:</b>				
Current -				
Culture and recreation	24,000	24,000	24,000	
<b>Total expenditures</b>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	
<b>Change in fund balances</b>	<u>7,575</u>	<u>7,575</u>	<u>(4,920)</u>	<u>(12,495)</u>
<b>Fund balances, July 1, 2009</b>				
<b>Fund balances, June 30, 2010</b>	<u>\$ 7,575</u>	<u>\$ 7,575</u>	<u>\$ (4,920)</u>	<u>\$ (12,495)</u>
<b>Reconciliation to GAAP</b>				
Adjustments:				
Due from governmental entities			15,574	
<i>Net change in fund balance (GAAP basis)</i>			<u>10,654</u>	

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LAW ENFORCEMENT GRANT FUND  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 73,039	\$ 75,000	\$ 74,910	\$ (90)
<b>Total revenues</b>	73,039	75,000	74,910	(90)
<b>Expenditures:</b>				
Current -				
Public safety	73,000	57,961	49,079	8,882
Capital outlay		17,000	14,134	2,866
<b>Total expenditures</b>	73,000	74,961	63,213	11,748
<b>Change in fund balances</b>	39	39	11,697	11,658
<b>Fund balances (deficits), July 1, 2009, as restated</b>			(83)	(83)
<b>Fund balances, June 30, 2010</b>	\$ 39	\$ 39	\$ 11,614	\$ 11,575
<b>Reconciliation to GAAP</b>				
Adjustments:				
Accounts payable			(1,112)	
<i>Net change in fund balance (GAAP basis)</i>			10,585	



**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - POLICE FUND  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Intergovernmental	\$ 231,975	\$ 144,852	\$ (87,123)
<b>Total revenues</b>	<u>231,975</u>	<u>144,852</u>	<u>(87,123)</u>
<b>Expenditures:</b>			
Current -			
Public safety	154,818	143,322	11,496
<b>Total expenditures</b>	<u>154,818</u>	<u>143,322</u>	<u>11,496</u>
<b>Change in fund balances</b>	<u>77,157</u>	<u>1,530</u>	<u>(75,627)</u>
<b>Fund balances (deficits), July 1, 2009</b>		(3,112)	(3,112)
<b>Fund balances (deficits), June 30, 2010</b>	<u>\$ 77,157</u>	<u>\$ (1,582)</u>	<u>\$ (78,739)</u>
 <b>Reconciliation to GAAP</b>			
Adjustments:			
Due from governmental entities		(1,154)	
Accounts payable		1,787	
Accrued payroll		<u>(17)</u>	
<i>Net change in fund balance (GAAP basis)</i>		<u>2,146</u>	

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - EMERGENCY MEDICAL SERVICES FUND**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental	\$ 54,903	\$ 54,912	\$ 52,154	\$ (2,758)
<b>Total revenues</b>	<u>54,903</u>	<u>54,912</u>	<u>52,154</u>	<u>(2,758)</u>
<b>Expenditures:</b>				
Current -				
Public safety	86,812	86,821	79,000	7,821
<b>Total expenditures</b>	<u>86,812</u>	<u>86,821</u>	<u>79,000</u>	<u>7,821</u>
<b>Change in fund balances</b>	<u>(31,909)</u>	<u>(31,909)</u>	<u>(26,846)</u>	<u>5,063</u>
<b>Fund balances, July 1, 2009</b>			22,058	22,058
<b>Fund balances (deficits), June 30, 2010</b>	<u>\$ (31,909)</u>	<u>\$ (31,909)</u>	<u>\$ (4,788)</u>	<u>\$ 27,121</u>
<b>Reconciliation to GAAP</b>				
Adjustments:				
Accounts payable			7,817	
<i>Net change in fund balance (GAAP basis)</i>			<u>(19,029)</u>	

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - HAZARDOUS MATERIALS EMERGENCY**  
**RESPONSE**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Intergovernmental	\$ 7,000	\$ 7,000	\$
<b>Total revenues</b>	<u>7,000</u>	<u>7,000</u>	
<b>Expenditures:</b>			
Current -			
Public safety	20,162	835	19,327
<b>Total expenditures</b>	<u>20,162</u>	<u>835</u>	<u>19,327</u>
<b>Change in fund balances</b>	<u>(13,162)</u>	<u>6,165</u>	<u>19,327</u>
<b>Fund balances, July 1, 2009</b>		13,162	13,162
<b>Fund balances (deficits), June 30, 2010</b>	<u>\$ (13,162)</u>	<u>\$ 19,327</u>	<u>\$ 32,489</u>

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIRE PROTECTION FUND**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental	\$ 597,878	\$ 597,878	\$ 597,878	\$
Investment income	6,175	5,000	4,826	(174)
<b>Total revenues</b>	<u>604,053</u>	<u>602,878</u>	<u>602,704</u>	<u>(174)</u>
<b>Expenditures:</b>				
Current -				
Public safety	722,709	380,272	219,488	160,784
Capital outlay	59,639	400,901	302,720	98,181
Debt service -				
Principal	159,085	159,085	159,085	
Interest and fiscal charges	16,735	16,735	16,735	
<b>Total expenditures</b>	<u>958,168</u>	<u>956,993</u>	<u>698,028</u>	<u>258,965</u>
<b>Change in fund balances</b>	<u>(354,115)</u>	<u>(354,115)</u>	<u>(95,324)</u>	<u>258,791</u>
<b>Fund balances, July 1, 2009, as restated</b>			353,746	353,746
<b>Fund balances (deficits), June 30, 2010</b>	<u>\$ (354,115)</u>	<u>\$ (354,115)</u>	<u>\$ 258,422</u>	<u>\$ 612,537</u>
<b>Reconciliation to GAAP</b>				
Adjustments:				
Accounts payable			(4,056)	
<i>Net change in fund balance (GAAP basis)</i>			<u>(99,380)</u>	

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FEDERAL NARCOTIC SEIZURE FUND  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Fines and forfeits	\$	\$ 81,327	\$ 81,181	\$ (146)
Investment income	30	30		(30)
<b>Total revenues</b>	<u>30</u>	<u>81,357</u>	<u>81,181</u>	<u>(176)</u>
<b>Expenditures:</b>				
Current -				
Public safety	20,942	11,523	3,883	7,640
Capital outlay	533	91,279	59,567	31,712
<b>Total expenditures</b>	<u>21,475</u>	<u>102,802</u>	<u>63,450</u>	<u>39,352</u>
<b>Change in fund balances</b>	<u>(21,445)</u>	<u>(21,445)</u>	<u>17,731</u>	<u>39,176</u>
<b>Fund balances, July 1, 2009</b>			19,018	19,018
<b>Fund balances (deficits), June 30, 2010</b>	<u>\$ (21,445)</u>	<u>\$ (21,445)</u>	<u>\$ 36,749</u>	<u>\$ 58,194</u>

**Reconciliation to GAAP**

Adjustments:

Accounts payable

(1,046)

*Net change in fund balance (GAAP basis)*

16,685

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - STATE NARCOTIC SEIZURE FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Fines and forfeits	\$	\$ 3,909	\$ 3,988	\$ 79
Investment income	35	20	3,368	3,348
<b>Total revenues</b>	35	3,929	7,356	3,427
<b>Expenditures:</b>				
Current -				
Public safety	18,208	22,102	16,010	6,092
<b>Total expenditures</b>	18,208	22,102	16,010	6,092
<b>Change in fund balances</b>	(18,173)	(18,173)	(8,654)	9,519
<b>Fund balances, July 1, 2009</b>			11,577	11,577
<b>Fund balances (deficits), June 30, 2010</b>	\$ (18,173)	\$ (18,173)	\$ 2,923	\$ 21,096
<b>Reconciliation to GAAP</b>				
Adjustments:				
Accounts payable			2,220	
<i>Net change in fund balance (GAAP basis)</i>			(6,434)	

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - JAG GRANT  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 261,489	\$ 322,143	\$ 316,629	\$ (5,514)
Investment income	100	150	178	28
<b>Total revenues</b>	261,589	322,293	316,807	(5,486)
<b>Expenditures:</b>				
Current -				
Public safety	152,831	154,419	116,921	37,498
Capital outlay	183,100	242,216	186,644	55,572
<b>Total expenditures</b>	335,931	396,635	303,565	93,070
<b>Change in fund balances</b>	(74,342)	(74,342)	13,242	87,584
<b>Fund balances, July 1, 2009</b>			74,342	74,342
<b>Fund balances (deficits), June 30, 2010</b>	\$ (74,342)	\$ (74,342)	\$ 87,584	\$ 161,926

**CITY OF ROSWELL, NEW MEXICO**  
**COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2010**

	<u>2008 GO Bonds</u> <u>Construction</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 2,651,602
<b>Total assets</b>	<b><u>\$ 2,651,602</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>	
Fund balances:	
Unreserved:	
Undesignated	<u>2,651,602</u>
<b>Total fund balances</b>	<b><u>2,651,602</u></b>
 <b>Total liabilities and fund balances</b>	 <b><u>\$ 2,651,602</u></b>



**CITY OF ROSWELL, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	2008 GO Bonds Construction	Community Development Block Grant	Totals
<b>Revenues:</b>			
Intergovernmental	\$	\$ 500,000	\$ 500,000
Investment income	5,492		5,492
<b>Total revenues</b>	5,492	500,000	505,492
<b>Expenditures:</b>			
Capital outlay	1,079,638		1,079,638
<b>Total expenditures</b>	1,079,638		1,079,638
<b>Excess (deficiency) of revenues over expenditures</b>	(1,074,146)	500,000	(574,146)
<b>Other financing sources (uses):</b>			
Transfer out		(500,000)	(500,000)
<b>Total other financing sources (uses)</b>		(500,000)	(500,000)
<b>Change in fund balances</b>	(1,074,146)		(1,074,146)
<b>Fund balances, beginning of year, as restated</b>	3,725,748		3,725,748
<b>Fund balances, end of year</b>	\$ 2,651,602	\$	\$ 2,651,602

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - 2008 GO BONDS CONSTRUCTION  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Investment income	\$ 5,300	\$ 5,492	\$ 192
<b>Total revenues</b>	<u>5,300</u>	<u>5,492</u>	<u>192</u>
<b>Expenditures:</b>			
Capital outlay	3,731,048	1,079,638	2,651,410
<b>Total expenditures</b>	<u>3,731,048</u>	<u>1,079,638</u>	<u>2,651,410</u>
<b>Change in fund balances</b>	<u>(3,725,748)</u>	<u>(1,074,146)</u>	<u>2,651,602</u>
<b>Fund balances, July 1, 2009, as restated</b>		3,725,748	3,725,748
<b>Fund balances (deficits), June 30, 2010</b>	<u><u>\$ (3,725,748)</u></u>	<u><u>\$ 2,651,602</u></u>	<u><u>\$ 6,377,350</u></u>

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT BLOCK**  
**GRANT**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Intergovernmental	\$ 1,000,000	\$ 500,000	\$ (500,000)
<b>Total revenues</b>	<u>1,000,000</u>	<u>500,000</u>	<u>(500,000)</u>
<b>Expenditures:</b>			
Capital outlay	500,000		500,000
<b>Total expenditures</b>	<u>500,000</u>		<u>500,000</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>500,000</u>	<u>500,000</u>	
<b>Other financing sources (uses):</b>			
Transfer out	(500,000)	(500,000)	
<b>Total other financing sources (uses)</b>	<u>(500,000)</u>	<u>(500,000)</u>	
<b>Change in fund balances</b>			
<b>Fund balances, July 1, 2009</b>			
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**CITY OF ROSWELL, NEW MEXICO**  
**COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2010**

	GO Bonds	2008 GO Bonds	2003 Sales Tax Revenue Bonds	Totals
<b><u>ASSETS</u></b>				
Cash and investments	\$ 388,386	\$ 297,501	\$ 24,268	\$ 710,155
Taxes receivable	33,729	28,732		62,461
<b>Total assets</b>	<b>\$ 422,115</b>	<b>\$ 326,233</b>	<b>\$ 24,268</b>	<b>\$ 772,616</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Deferred revenue	\$ 22,150	\$ 22,224	\$	\$ 44,374
<b>Total liabilities</b>	<b>22,150</b>	<b>22,224</b>		<b>44,374</b>
Fund balances:				
Unreserved:				
Undesignated	399,965	304,009	24,268	728,242
<b>Total fund balances</b>	<b>399,965</b>	<b>304,009</b>	<b>24,268</b>	<b>728,242</b>
<b>Total liabilities and fund balances</b>	<b>\$ 422,115</b>	<b>\$ 326,233</b>	<b>\$ 24,268</b>	<b>\$ 772,616</b>

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**CITY OF ROSWELL, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<u>GO Bonds</u>	<u>2008 GO Bonds</u>	<u>2003 Sales Tax Revenue Bonds</u>
<b>Revenues:</b>			
Property taxes	\$ 423,875	\$ 364,955	\$
Investment income	697	582	323
<b>Total revenues</b>	<u>424,572</u>	<u>365,537</u>	<u>323</u>
<b>Expenditures:</b>			
Debt service -			
Principal	325,000	200,000	98,000
Interest and fiscal charges	102,271	153,862	9,472
<b>Total expenditures</b>	<u>427,271</u>	<u>353,862</u>	<u>107,472</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,699)</u>	<u>11,675</u>	<u>(107,149)</u>
<b>Other financing sources (uses):</b>			
Transfer in			107,425
<b>Total other financing sources (uses)</b>			<u>107,425</u>
<b>Change in fund balances</b>	<u>(2,699)</u>	<u>11,675</u>	<u>276</u>
<b>Fund balances, beginning of year</b>	402,664	292,334	23,992
<b>Fund balances, end of year</b>	<u>\$ 399,965</u>	<u>\$ 304,009</u>	<u>\$ 24,268</u>

Totals

\$ 788,830  
1,602  
790,432

623,000  
265,605  
888,605

(98,173)

107,425  
107,425

9,252

718,990

\$ 728,242

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GO BONDS  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 428,742	\$ 458,742	\$ 426,931	\$ (31,811)
Investment income	1,100	750	697	(53)
<b>Total revenues</b>	<u>429,842</u>	<u>459,492</u>	<u>427,628</u>	<u>(31,864)</u>
<b>Expenditures:</b>				
Debt service -				
Principal	325,000	325,000	325,000	
Interest and fiscal charges	102,031	102,302	102,271	31
<b>Total expenditures</b>	<u>427,031</u>	<u>427,302</u>	<u>427,271</u>	<u>31</u>
<b>Change in fund balances</b>	<u>2,811</u>	<u>32,190</u>	<u>357</u>	<u>(31,833)</u>
<b>Fund balances, July 1, 2009</b>			402,664	402,664
<b>Fund balances, June 30, 2010</b>	<u>\$ 2,811</u>	<u>\$ 32,190</u>	<u>\$ 403,021</u>	<u>\$ 370,831</u>

**Reconciliation to GAAP**

Adjustments:	
Taxes receivable	(16,981)
Deferred revenue	13,925
<i>Net change in fund balance (GAAP basis)</i>	<u>(2,699)</u>



**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - 2008 GO BONDS  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes	\$ 365,225	\$ 385,225	\$ 358,447	\$ (26,778)
Investment income	1,000	600	582	(18)
<b>Total revenues</b>	366,225	385,825	359,029	(26,796)
<b>Expenditures:</b>				
Debt service -				
Principal	200,000	200,000	200,000	
Interest and fiscal charges	154,214	154,214	153,862	352
<b>Total expenditures</b>	354,214	354,214	353,862	352
<b>Change in fund balances</b>	12,011	31,611	5,167	(26,444)
<b>Fund balances, July 1, 2009</b>			292,334	292,334
<b>Fund balances, June 30, 2010</b>	\$ 12,011	\$ 31,611	\$ 297,501	\$ 265,890

**Reconciliation to GAAP**

Adjustments:

Taxes receivable

28,732

Deferred revenue

(22,224)

*Net change in fund balance (GAAP basis)*

11,675

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - 2003 SALES TAX REVENUE BONDS**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Investment income	\$ 785	\$ 385	\$ 323	\$ (62)
<b>Total revenues</b>	785	385	323	(62)
<b>Expenditures:</b>				
Debt service -				
Principal	98,000	98,000	98,000	
Interest and fiscal charges	9,475	9,475	9,472	3
<b>Total expenditures</b>	107,475	107,475	107,472	3
<b>Excess (deficiency) of revenues over expenditures</b>	(106,690)	(107,090)	(107,149)	(59)
<b>Other financing sources (uses):</b>				
Transfer in	107,425	107,425	107,425	
<b>Total other financing sources (uses)</b>	107,425	107,425	107,425	
<b>Change in fund balances</b>	735	335	276	(59)
<b>Fund balances, July 1, 2009</b>			23,992	23,992
<b>Fund balances, June 30, 2010</b>	\$ 735	\$ 335	\$ 24,268	\$ 23,933

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - AIRPORT**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 15,000	\$ 15,000	\$ 16,580	\$ 1,580
Intergovernmental	1,570,979	2,424,461	1,296,733	(1,127,728)
Charges for services	1,074,000	1,130,000	1,198,914	68,914
Rental income	1,245,000	1,245,000	1,380,904	135,904
Investment income	93,675	93,510	95,857	2,347
Miscellaneous	77,739	94,955	110,927	15,972
<b>Total revenues</b>	<u>4,076,393</u>	<u>5,002,926</u>	<u>4,099,915</u>	<u>(903,011)</u>
<b>Expenses:</b>				
Operations	1,666,818	1,583,113	1,206,728	376,385
Capital outlay	3,024,365	3,403,965	1,500,683	1,903,282
Debt service -				
Principal	195,857	201,238	201,238	
Interest and fiscal charges	123,133	123,306	123,306	
<b>Total expenses</b>	<u>5,010,173</u>	<u>5,311,622</u>	<u>3,031,955</u>	<u>2,279,667</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>(933,780)</u>	<u>(308,696)</u>	<u>1,067,960</u>	<u>1,376,656</u>
<b>Other financing sources (uses):</b>				
Transfer in	38,680	39,100	14,100	(25,000)
Transfer out	(354,100)	(354,100)	(329,100)	25,000
<b>Total other financing sources (uses)</b>	<u>(315,420)</u>	<u>(315,000)</u>	<u>(315,000)</u>	
<b>Change in net assets</b>	<u>(1,249,200)</u>	<u>(623,696)</u>	<u>752,960</u>	<u>1,376,656</u>
<b>Net assets, July 1, 2009, as restated</b>			9,226,446	9,226,446
<b>Net assets (deficits), June 30, 2010</b>	<u>\$ (1,249,200)</u>	<u>\$ (623,696)</u>	<u>\$ 9,979,406</u>	<u>\$ 10,603,102</u>

**Reconciliation to GAAP**

Adjustments:	
Accounts receivable	102,806
Notes receivable	(40,839)
Accounts payable	29,830
Accrued payroll	(271)
Compensated absences	(3,209)
Capital contributions	44,505
Capital outlay	1,500,683
Principal payments	201,238
Depreciation expense	(688,453)
<i>Net change in net assets (GAAP basis)</i>	<u>1,899,250</u>

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SOLID WASTE**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 185,000	\$ 185,000	\$ 184,824	\$ (176)
Charges for services	3,918,000	3,785,000	3,733,078	(51,922)
Investment income	44,465	23,805	23,291	(514)
Miscellaneous	16,000	16,000	101,925	85,925
<b>Total revenues</b>	<u>4,163,465</u>	<u>4,009,805</u>	<u>4,043,118</u>	<u>33,313</u>
<b>Expenses:</b>				
Operations	3,881,557	3,979,536	3,585,080	394,456
Capital outlay	4,317,791	4,201,413	3,217,315	984,098
Debt service -				
Principal	300,000	300,000	300,000	
Interest and fiscal charges	110,616	110,616	110,615	1
<b>Total expenses</b>	<u>8,609,964</u>	<u>8,591,565</u>	<u>7,213,010</u>	<u>1,378,555</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>(4,446,499)</u>	<u>(4,581,760)</u>	<u>(3,169,892)</u>	<u>1,411,868</u>
<b>Other financing sources (uses):</b>				
Transfer in	1,010,033	1,010,033	631,240	(378,793)
Transfer out	(739,730)	(739,730)	(329,100)	410,630
<b>Total other financing sources (uses)</b>	<u>270,303</u>	<u>270,303</u>	<u>302,140</u>	<u>31,837</u>
<b>Change in net assets</b>	<u>(4,176,196)</u>	<u>(4,311,457)</u>	<u>(2,867,752)</u>	<u>1,443,705</u>
<b>Net assets, July 1, 2009, as restated</b>			7,612,678	7,612,678
<b>Net assets (deficits), June 30, 2010</b>	<u>\$ (4,176,196)</u>	<u>\$ (4,311,457)</u>	<u>\$ 4,744,926</u>	<u>\$ 9,056,383</u>
<b>Reconciliation to GAAP</b>				
Adjustments:				
Accounts receivable			(23,837)	
Accounts payable			107,695	
Accrued payroll			1,612	
Accrued interest payable			(8,468)	
Compensated absences			1,819	
Landfill closure and postclosure costs			274,497	
Capital outlay			3,217,315	
Principal repayments			300,000	
Depreciation expense			(929,595)	
<i>Net change in net assets (GAAP basis)</i>			<u>73,286</u>	

**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - WATER AND SEWER**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Municipal and state shared taxes	\$ 360,000	\$ 360,000	\$ 367,146	\$ 7,146
Charges for services	8,783,593	8,344,236	8,218,930	(125,306)
Rental income	148,847	148,847	164,807	15,960
Investment income	111,045	101,340	102,946	1,606
Miscellaneous	79,000	44,600	59,228	14,628
<b>Total revenues</b>	<u>9,482,485</u>	<u>8,999,023</u>	<u>8,913,057</u>	<u>(85,966)</u>
<b>Expenses:</b>				
Operations	8,563,439	8,239,543	6,881,886	1,357,657
Capital outlay	2,639,722	1,356,331	564,579	791,752
Debt service -				
Principal	535,000	535,000	535,000	
Interest and fiscal charges	496,862	496,863	496,863	
<b>Total expenses</b>	<u>12,235,023</u>	<u>10,627,737</u>	<u>8,478,328</u>	<u>2,149,409</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>(2,752,538)</u>	<u>(1,628,714)</u>	<u>434,729</u>	<u>2,063,443</u>
<b>Other financing sources (uses):</b>				
Transfer in	1,031,862	1,031,862		(1,031,862)
Transfer out	(1,523,442)	(1,523,862)	(492,000)	1,031,862
<b>Total other financing sources (uses)</b>	<u>(491,580)</u>	<u>(492,000)</u>	<u>(492,000)</u>	
<b>Change in net assets</b>	<u>(3,244,118)</u>	<u>(2,120,714)</u>	<u>(57,271)</u>	<u>2,063,443</u>
<b>Net assets, July 1, 2009, as restated</b>			40,137,531	40,137,531
<b>Net assets (deficits), June 30, 2010</b>	<u>\$ (3,244,118)</u>	<u>\$ (2,120,714)</u>	<u>\$ 40,080,260</u>	<u>\$ 42,200,974</u>

**Reconciliation to GAAP**

Adjustments:	
Accounts receivable	(17,672)
Accounts payable	(71,528)
Accrued payroll	11,992
Accrued interest payable	(40,068)
Compensated absences	6,910
Capital outlay	564,579
Principal repayments	535,000
Depreciation expense	(1,851,454)
<i>Net change in net assets (GAAP basis)</i>	<u>(919,512)</u>

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**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2010**

	<b>Pioneer Bank</b>	<b>First Federal Bank</b>	<b>Bank of the Southwest</b>	<b>Bank of Albuquerque</b>
Bank Accounts:				
Checking/Demand Accounts	\$ 8,894,007	\$	\$	\$
Certificate of deposit	6,050,000	15,594,594	1,000,000	34,028
Total amount of deposits in bank	<u>14,944,007</u>	<u>15,594,594</u>	<u>1,000,000</u>	<u>34,028</u>
Less: FDIC Coverage	8,410,060	250,000	250,000	34,028
Total uninsured public funds	<u>6,533,947</u>	<u>15,344,594</u>	<u>750,000</u>	<u></u>
Collateral requirement (Per 6-10-10 & 6-10-17, NMSA 1978)				
50% of uninsured time and demand accounts	3,266,974	7,672,297	375,000	
Pledged collateral				
FLHMC 1 YR TR, matures December , 2033, CUSIP 31349SF32	872,362			
FNMA 1 YR LIBOR, matures December 1, 2035, CUSIP 31408ALJ7	2,790,044			
FNMA 3 12/19 11 (12-29-09), matures December 17, 2019 CUSIP 3136FJCZ1		9,000,000		
FHLB Letter of Credit, matures June 4, 2010, CUSIP 7432001027			450,000	
Total collateral	<u>3,662,406</u>	<u>9,000,000</u>	<u>450,000</u>	<u></u>
Over / (under) secured	<u>\$ 395,433</u>	<u>\$ 1,327,703</u>	<u>\$ 75,000</u>	<u>\$</u>
Custodial Credit Risk:				
Insured	\$ 8,410,060	\$ 250,000	\$ 250,000	\$ 34,028
Collateralized with securities held by pledging financial institutions trust department	3,662,406	9,000,000	450,000	
Uninsured and uncollateralized	2,871,541	6,344,594	300,000	
Total deposits	<u>\$ 14,944,007</u>	<u>\$ 15,594,594</u>	<u>\$ 1,000,000</u>	<u>\$ 34,028</u>



**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
**JUNE 30, 2010**

<u>Account</u>	<u>Account Type</u>	<u>Pioneer Bank</u>	<u>First Federal Bank</u>	<u>Bank of the Southwest</u>	<u>Bank of Albuquerque</u>	<u>New Mexico State Treasurer</u>	<u>Total</u>
Operating Fund	Municipal Checking	\$ 7,332,067	\$	\$	\$	\$	\$ 7,332,067
Airport PFC	Municipal Checking	72,689					72,689
Payroll Account	Commercial Checking	12,819					12,819
Federal Narcotic Seizure Fund	Commercial Checking	39,356					39,356
Municipal Court Trust Account	Commercial Checking	60,324					60,324
State Forfeiture Account	NOW Checking	6,433					6,433
Local Law Enforcement Block Grant	NOW Checking	87,584					87,584
GRT Improve Rev Bond Series 2008	Business Checking	268,573					268,573
GO Bond Proceeds Series 2008	Business Free Checking	153,610					153,610
Series 2005 WWTP Debt Service Reserve	NOW Checking	146,225					146,225
GO Bond Debt Service Series 1999	Money Market	388,386					388,386
GO Bond Debt Service Series 2008	Money Market	297,501					297,501
GRT Bond Debt Service Series 2008	Money Market	4,172					4,172
Industrial Revenue Bond Series 1993	Money Market	24,268					24,268
City of Roswell	Certificate of Deposit	50,000	500,000	1,000,000			1,550,000
City of Roswell	Certificate of Deposit	1,000,000	600,000				1,600,000
City of Roswell	Certificate of Deposit	1,000,000	500,000				1,500,000
City of Roswell	Certificate of Deposit	1,000,000	500,000				1,500,000
City of Roswell	Certificate of Deposit	1,000,000	500,000				1,500,000
City of Roswell	Certificate of Deposit	1,000,000	30,000				1,030,000
City of Roswell	Certificate of Deposit	1,000,000	600,000				1,600,000
City of Roswell	Certificate of Deposit		135,000				135,000
City of Roswell	Certificate of Deposit		450,000				450,000
City of Roswell	Certificate of Deposit		45,000				45,000
City of Roswell	Certificate of Deposit		250,000				250,000
City of Roswell	Certificate of Deposit		1,000,000				1,000,000
City of Roswell	Certificate of Deposit		1,600,000				1,600,000
City of Roswell	Certificate of Deposit		500,000				500,000
City of Roswell	Certificate of Deposit		500,000				500,000
City of Roswell	Certificate of Deposit		500,000				500,000
City of Roswell	Certificate of Deposit		500,000				500,000
City of Roswell	Certificate of Deposit		605,000				605,000
City of Roswell	Certificate of Deposit		160,000				160,000
City of Roswell	Certificate of Deposit		1,500,000				1,500,000
City of Roswell	Certificate of Deposit		1,525,000				1,525,000
City of Roswell	Certificate of Deposit		100,000				100,000
City of Roswell	Certificate of Deposit		250,000				250,000
City of Roswell	Certificate of Deposit		500,000				500,000
City of Roswell	Certificate of Deposit		300,000				300,000
City of Roswell	Certificate of Deposit		405,000				405,000
City of Roswell	Certificate of Deposit		500,000				500,000
City of Roswell	Certificate of Deposit		1,036,181				1,036,181
City of Roswell	Certificate of Deposit		3,413				3,413
Debt Service - Processing Fee	In Trust				4,374		4,374
Debt Service - Reserve Funds Payable	In Trust				29,654		29,654
Cash - State Treasurer Debt Service	In Trust					12,609	12,609
New MexiGROW LGIP Pooled	Investment					14,222,869	14,222,869
Reserved Contingencies Fund	Investment					65,785	65,785
Total on deposit		14,944,007	15,594,594	1,000,000	34,028	14,301,263	45,873,892
Reconciling Items		(609,379)					(609,379)
Reconciled balance, June 30, 2010		14,334,628	15,594,594	1,000,000	34,028	14,301,263	45,264,513
Total deposits and investments		\$ 14,334,628	\$ 15,594,594	\$ 1,000,000	\$ 34,028	\$ 14,301,263	\$ 45,264,513

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**SINGLE AUDIT 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**

Mr. Hector H. Balderas  
New Mexico State Auditor

Honorable Mayor, Members of the City Council  
of the City of Roswell, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and combining and individual funds and related budgetary comparisons presented as supplementary information of City of Roswell, New Mexico as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. 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 City of Roswell, New Mexico's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Roswell, New Mexico's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Roswell, New Mexico's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-2, 2010-2, and 2010-3, to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Roswell, New Mexico'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 of Roswell, New Mexico's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Roswell, New Mexico's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the City, the City Council, the State Auditor, the New Mexico Legislature, and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.

Certified Public Accountants

November 30, 2010



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

Independent Auditors' Report

Mr. Hector H. Balderas  
New Mexico State Auditor

Honorable Mayor, Members of the City Council  
of the City of Roswell, New Mexico

Compliance

We have audited the City of Roswell, New Mexico's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Roswell, New Mexico's major federal programs for the year ended June 30, 2010. City of Roswell, New Mexico's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Roswell, New Mexico's management. Our responsibility is to express an opinion on City of Roswell, New Mexico'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. 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 City of Roswell, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Roswell, New Mexico's compliance with those requirements.

In our opinion, the City of Roswell, New Mexico complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item FA 2010-1.

### Internal Control Over Compliance

Management of City of Roswell, New Mexico is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Roswell, New Mexico's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Roswell, New Mexico's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item FA 2010-1. A significant deficiency in internal control over compliance with a type of compliance requirement of a federal program is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, others within the City, the City Council, the State Auditor, the New Mexico Legislature, and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

November 30, 2010



**CITY OF ROSWELL, NEW MEXICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/Pass-Through Grantor/Program Title Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Expenditures and Transfers</b>
<b><u>U.S. Department of Transportation</u></b>			
Passed through NM Highway and Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	M00802	\$ 142,181
Formula Grants for Other than Urbanized Areas	20.509	M00915	467,928
Formula Grant Program for Other than Urbanized Areas, Recovery Act	20.509-ARRA	M00874	162,150
Job Access-Reverse Commute	20.516	M00843	9,922
Highway Planning and Construction, Recovery Act	20.205-ARRA	ES21200	403,808
Direct Programs:			
Airport Improvement Program	20.106	N/A	34,405
Airport Improvement Program	20.106	N/A	79,369
Airport Improvement Program	20.106	N/A	42,252
Airport Improvement Program	20.106	N/A	972,268
Job Access-Reverse Commute	20.516	GSA#10-630-9000-0011(A)	1,877
Job Access-Reverse Commute	20.516	GSA#10-630-9000-0011(B)	956
<b>Total U.S. Department of Transportation</b>			<b>2,317,116</b>
<b><u>U.S. Department of Justice</u></b>			
Pass through Office of Justice Programs:			
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2004-LB-BX-0167	20,010
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX0780	13,016
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX0569	0
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1384	16,542
Edward Bryne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Governments, Recovery Act	16.804-ARRA	2009-SB-B9-0104	261,569
Pass through NM Department of Public Safety:			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories, Recovery Act	16.803-ARRA	RA-JAG-Roswell-SFY10	224,572
Passed through NM Department of Finance and Administration:			
Law Enforcement Assistance-Narcotics and Dangerous Drugs Training	16.004	08-JAG-PPA-02 REG-VI	12,967
Law Enforcement Assistance-Narcotics and Dangerous Drugs Training	16.004	09-JAG-PPA-02 REG-VI	10,975
Law Enforcement Assistance-Narcotics and Dangerous Drugs-Laboratory Analysis	16.001	18PSNP564Z	8,075
Law Enforcement Assistance-Narcotics and Dangerous Drugs-Laboratory Analysis	16.001	G09SN0007A	64,325
Law Enforcement Assistance-Narcotics and Dangerous Drugs-Laboratory Analysis	16.001	G09SN0017A	56,542
<b>Total U.S. Department of Justice</b>			<b>688,593</b>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through NM Department of Homeland Security and Emergency Management:			
Homeland Security Grant Program	97.067	2007-GE-T7-0023-Chaves	115,065
Emergency Management Performance Grants	97.042	2009-EMPG-Chaves/Roswell	33,343
<b>Total U.S. Department of Homeland Security</b>			<b>148,408</b>
<b><u>U.S. Department of Energy</u></b>			
Direct Program:			
Energy Efficiency and Conservation Block Grant Program, Recovery Act	81.128-ARRA	DE-RW0000080	195,500
<b><u>U.S. Department of Health and Human Services-</u></b>			
Passed through NM Department of Health:			
Public Health Emergency Preparedness	93.069	13-1-98A	3,561
<b><u>U.S. Department of Housing and Urban Development -</u></b>			
Passed through NM Department of Finance and Administration:			
Community Development Block Grants/Entitlement Grants	14.218	07-C-NR-I-03-G-34	109,446
<b>Total U.S. Department of Housing and Urban Development</b>			<b>109,446</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,462,624</b>

**CITY OF ROSWELL, NEW MEXICO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 1 - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Roswell, New Mexico 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*.

**NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2010 *Catalog of Federal Domestic Assistance*.

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  X  yes   no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  X  yes   none reported

Noncompliance material to financial statements noted?   yes  X  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?   yes  X  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  X  yes   none reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.803 – ARRA	Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories, Recovery Act
16.804 – ARRA	Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments, Recovery Act
20.205 – ARRA	Highway Planning and Construction

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

Auditee qualified as low-risk auditee?  X  yes   no

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**2006-2 Late Budget Filing**

CONDITION

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

CRITERIA

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

EFFECT

The City is not in compliance with New Mexico legal requirements for reporting which could result in decreased funding.

CAUSE

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

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

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. The proposed budget for the fiscal year ended June 30, 2011, was filed on time as required, and should alleviate this situation and finding completely.

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**2010-1 Insufficient Controls for Capital Contributions from Developers**

CONDITION

Various instances were noted where capital contributions from developers were not recorded on the City's financial statements when contributed.

CRITERIA

Internal controls for capital assets should require developer contributions to be properly recorded in the City's financial statements in accordance with generally accepted accounting principles, GASB Statement No. 34, and Section 6-6-3 and Section 12-6-10 NMSA 1978.

EFFECT

The City is at risk of misstatements to the financial statements. In addition, the City is not in compliance with Section 6-6-3 NMSA 1978.

CAUSE

The City does not have a clear set of procedures in place that would facilitate the identification and financial statement reporting of capital contributions from developers.

RECOMMENDATION

The City should improve communication between departments and implement specific procedures for the recording and valuing of capital contributions from developers.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

This was the first year auditors requested information on developer contributions. As soon as the request was made, a list was obtained from the engineering department and all contributions were added to fixed assets, reflecting in the current financial statements. We agree with the need to add these items annually and will do so in the future.

As to the valuation of these assets, we used the same formula approved by the engineering department, as all other streets, right of ways, and water lines. This formula was created during the implementation of GASB Statement No. 34 and allows all assets to be valued consistently. As this value is adjusted by the CPI, we do not believe that it will result in a misstatement of the financial statements.

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

**2010-2    *Insufficient Controls over the Financial Statement Process***

**CONDITION**

The City's management did not have adequate internal control procedures in place over the financial statements issued by the City using the basis of accounting required by generally accepted accounting principles (GAAP). Additionally, the City did not have adequate internal control procedures in place over the Schedule of Expenditures of Federal Awards (SEFA). A number of adjusting journal entries were identified during the audit of the financial statements. While the City's management and staff have an understanding of New Mexico statutes, budgetary controls, general ledger controls, and compliance requirements, sufficient internal controls are not in place for the fund-based and government-wide financial statements and related notes to the financial statements.

**CRITERIA**

City management is responsible for establishing and maintaining internal controls that include controls for the generally accepted accounting principles (GAAP) basis financial statements issued by the City, as well as the SEFA. The City's system of internal controls must extend beyond the cash basis general ledger and the supporting schedules prepared by the City; rather it must also include controls over the GAAP basis financial statements and the SEFA.

**EFFECT**

The City's internal controls over financial reporting at the financial statement level and the SEFA are not adequate to ensure that a misstatement would be prevented and/or detected.

**CAUSE**

The City does not have adequate procedures and controls in place over financial reporting at the financial statement level and the preparation of the SEFA.

**RECOMMENDATION**

The City must design and implement effective internal control procedures to ensure the financial statements and related notes are free from material misstatements. Additionally, the City should design and implement effective internal control procedures to ensure the SEFA is accurately and completely prepared.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

This is the first time the City received this finding. We do have internal controls procedures in place and our financial statements are on the modified accrual basis in accordance with generally accepted accounting principles (GAAP). The City is developing a more sophisticated centralized accumulation of the City wide federal funding to ensure a tighter control over expenditures. This will ensure a more accurate and complete preparation of the SEFA schedule. The majority of the adjusting journal entries identified seem to be to the prior year auditor's work papers rather than the City provided financial statements.

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Concl'd)**

**2010-3 Taxable Fringe Benefits**

CONDITION

For five employees, the City provides car allowances for which require no substantiation. The City does not account for these car allowances as taxable employee fringe benefits and the benefits are not reported on the employees W-2.

CRITERIA

The City must ensure that it is in compliance with Federal tax requirements relating to taxable employee fringe benefits.

EFFECT

The City did not comply with Federal tax laws regarding taxable fringe benefits.

CAUSE

The City does not have adequate procedures for monitoring employee fringe benefits in accordance with Federal tax laws.

RECOMMENDATION

The City should allocate the resources necessary to properly monitor employee fringe benefits and to ensure compliance with Federal tax laws.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City will take steps to ensure compliance with IRS requirements of taxable fringe benefits.

**CITY OF ROSWELL, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

**FA 2010-1 Subrecipient Monitoring**

Program Name: Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments, Recovery Act

Funding Agency: U.S. Department of Justice

Questioned Costs: None identified

Pass-Through Agency: New Mexico Department of Public Safety

CFDA Numbers: 16.804-ARRA

Grantor Numbers: 2009-SB-B9-0104

**CONDITION**

The City did not perform monitoring procedures over a subrecipient of a federal grant.

**CRITERIA**

Special Consideration Item #18 of the grant award requires the City to conduct oversight of subrecipients spending and to monitor Recovery Act funds to ensure adherence to all applicable conditions of the grant award.

**EFFECT**

The City could not demonstrate that the subrecipient adhered to the following compliance aspects: allowable expenditures, cash management, or Section 1512 reporting requirement.

**CAUSE**

The City does not have a monitoring procedure in place for grant funds passed-through to other entities to ensure compliance with applicable grant conditions.

**RECOMMENDATION**

The City should develop procedures to ensure grant subrecipient activities are monitored to ensure grant compliance.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

The City was not aware of the requirement to act as an oversight for federal pass-through monies to subrecipients. We infrequently receive this type of funding and were not informed of this process or initially given guidance from our federal grant manager. The City assumed since the agency the funds were passed to had their own federal grant manager, which they directly submitted their own budget and reports to, we did not need to monitor them. The City understands that the oversight of the subrecipient is necessary to ensure the allowability of the expenditures, to monitor their timely spending of the funds, to track the assets for proper tagging and inventory, along with monitoring their timely submission of accurate reports to the federal government or if it is necessary for the City to report the subrecipient's activities and expenditures with our reports. The individual City grant coordinators will from this point forward make inquiries of the federal grant manager on their specific grants and request that they response in writing exactly what they expect the City to oversee.

Contact Person: Commander Allen Stevenson

Anticipated Completion Date: October 5, 2010



**CITY OF ROSWELL, NEW MEXICO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010**

**Status of Prior Year Findings**

Finding No. 2006-2  
Status: Not corrected.  
See current year finding 2006-2

Finding No. 2009-1  
Status: Corrected.

Finding No. 2009-2  
Status: Corrected.

Finding No. 2009-3  
Status: Corrected.

Finding No. 2009-4  
Status: Corrected.

**FINANCIAL STATEMENT PREPARATION**

These financial statements were prepared by Heinfeld, Meech & Co., P.C. from the original books and records of the City of Roswell, New Mexico.

**CITY OF ROSWELL, NEW MEXICO  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2010**

An exit conference will be held on Tuesday, November 23, 2010, in a closed meeting, in which the contents of this report were discussed with the following.

**City of Roswell, New Mexico**

Jimmy Craig, City Councilor

Larry Fry, City Manager

Debra Morsey, Finance Officer

**Heinfeld, Meech & Co., P.C.**

Melissa Spangler, Partner

Corey Arvizu, Partner (via conference call)

Christopher Heinfeld, Audit Senior (via conference call)