

**STATE OF NEW MEXICO**  
**CITY OF ROSWELL**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**



**PATTILLO, BROWN & HILL, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
TABLE OF CONTENTS  
JUNE 30, 2017**

**INTRODUCTORY SECTION**

Table of Contents ..... i  
 Official Roster ..... 1

**FINANCIAL SECTION**

Independent Auditors’ Report..... 5  
 Management’s Discussion and Analysis .....9

**BASIC FINANCIAL STATEMENTS**

Government-wide Financial Statements  
 Statement of Net Position..... 18  
 Statement of Activities ..... 20  
 Fund Financial Statements  
 Balance Sheet – Governmental Funds ..... 23  
 Reconciliation of the Balance Sheet to the Statement of Net Position..... 25  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balances – Governmental Funds ..... 27  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances of Governmental Funds to the  
 Statement of Activities ..... 29  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget (Non-GAAP Budgetary Basis) and Actual –  
 General Fund ..... 31  
 Statement of Net Position - Proprietary Funds ..... 33  
 Statement of Revenues, Expenses and Changes in Net Position –  
 Proprietary Funds ..... 35  
 Statement of Cash Flows - Proprietary Funds..... 37  
 Statement of Fiduciary Assets and Liabilities - Agency Funds ..... 39  
 Notes to the Financial Statements..... 41

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of the City’s Proportionate Share of the Net Pension Liability ..... 82  
 Schedule of the City’s Contribution..... 83  
 Notes to Required Supplementary Information ..... 84

**SUPPLEMENTARY INFORMATION**

Nonmajor Governmental Fund Descriptions ..... 86  
**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**  
 Combining Balance Sheet - Nonmajor Governmental Funds..... 90  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Nonmajor Governmental Funds ..... 96

**SUPPORTING SCHEDULES**

Schedule of Deposit and Investment Accounts ..... 105  
 Schedule of Pledged Collateral ..... 106  
 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds..... 107  
 Schedule of Joint Powers Agreements and Memorandums of Understanding ..... 108

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
TABLE OF CONTENTS  
JUNE 30, 2017**

**COMPLIANCE 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  
*Government Auditing Standards*..... 112

**FEDERAL FINANCIAL ASSISTANCE**

Report on Compliance for Each Major Federal Program and Report on  
Internal Control Over Compliance ..... 116  
Schedule of Expenditures of Federal Awards ..... 119  
Schedule of Findings and Questioned Costs ..... 121  
Summary Schedule of Prior Year Findings ..... 124  
Exit Conference..... 125



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
OFFICIAL ROSTER  
JUNE 30, 2017**

**City Council**

<b><u>Name</u></b>	<b><u>Title</u></b>
Dennis J. Kintigh	Mayor
Natasha Mackey	Councilor
Juan Oropesa	Councilor
Caleb T. Grant	Councilor
Steve Henderson	Councilor
Art Sandoval	Councilor
Jeanine Best	Councilor
Savino Sanchez Jr.	Councilor
Jason Perry	Councilor
Barry Foster	Councilor
Tabitha D. Denny	Councilor

**Administration**

Joe Neeb	City Manager
Sharon Coll	City Clerk
Monica Garcia	Finance Officer
Frank Montoya	Budget Director
Aaron Holloman	City Attorney

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## **FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

To Wayne Johnson  
New Mexico State Auditor  
and  
The Mayor, City Manager, and City Council Members  
City of Roswell  
Roswell, New Mexico

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

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 (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9-16, the schedule of the City's proportionate share of the net pension liability, and the schedule of City's contributions on pages 82-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the City's financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by 2.2.2 NMAC are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting

and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in related to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
December 14, 2017

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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

As management of the City of Roswell (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, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements of the City of Roswell and additional information provided.

**Financial Highlights**

- The assets of the City of Roswell exceeded its liabilities at the close of the most recent fiscal year by \$134,978,292 (*net position*).
- The City's total net position decreased by \$4,735,001. The majority of this decrease is due to an increase in the net pension liability and the implementation of a new accounting pronouncement (GASB 69) in the prior year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$41,396,650, an increase of \$4,130,264 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was a positive \$23,952,725. This increase is due to a decrease in restricted fund balances for several projects underway in the City and for debt service payments.
- The City's total debt increased by \$25,717,315 (58 percent) during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Roswell's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Roswell's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include general government, public safety, public works, health

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

and welfare, and culture and recreation. The business-type activities of the City include an airport, solid waste, and water and sewer utility.

The government-wide financial statements can be found on pages 18-21 of this report.

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

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

The City of Roswell maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, road fund, and capital improvements fund, which are considered to be major governmental funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Roswell adopts an annual appropriated budget for its general fund and all other governmental funds. A budgetary comparison statement has been provided for the general fund, road fund, and capital improvement fund to demonstrate compliance with this budget. In addition, the individual financial statements of the nonmajor governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found on pages 23-27 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements,



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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

The basic proprietary fund financial statements can be found on pages 33-37 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-79 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 90-101 of this report.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Roswell, assets exceeded liabilities by \$134,978,292 at the close of the most recent fiscal year.

The largest portion of the City of Roswell's net position, \$105,184,932, reflects its net investment in capital assets (e.g., land, improvements, buildings, machinery and equipment, furniture, vehicles, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to 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 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 table presents a summary of the City's net position for the fiscal years ended June 30, 2017 and June 30, 2016.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**CITY OF ROSWELL'S NET POSITION**  
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 43,950	\$ 40,426	\$ 41,275	\$ 25,053	\$ 85,225	\$ 64,611
Noncurrent assets other than capital assets	20,532	4,957	791	177	5,134	21,323
Capital assets, net	58,329	60,818	91,909	82,846	144,531	150,238
Total assets	<u>122,811</u>	<u>106,201</u>	<u>133,975</u>	<u>108,075</u>	<u>256,786</u>	<u>214,276</u>
Current liabilities	9,515	9,103	3,764	4,185	13,279	18,028
Noncurrent liabilities	73,979	47,071	33,680	12,960	107,659	60,031
Total liabilities	<u>83,494</u>	<u>56,174</u>	<u>37,444</u>	<u>17,145</u>	<u>120,938</u>	<u>78,059</u>
Net investment in capital assets	44,436	53,547	60,749	70,736	105,185	124,283
Restricted	16,941	19,016	-	-	16,941	19,016
Unrestricted	(22,897)	(23,662)	35,749	20,037	12,852	(4,493)
Total net position	<u>\$ 38,480</u>	<u>\$ 48,940</u>	<u>\$ 96,498</u>	<u>\$ 90,773</u>	<u>\$ 134,978</u>	<u>\$ 139,714</u>

A portion of the City of Roswell's net position of \$16,941,065 (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$22,896,828) may be used to meet the City's ongoing obligations to citizens and creditors.

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

**Governmental Activities.** Governmental activities decreased the City of Roswell's net position by \$10,460,346. Key element of this decrease is as follows:

- An increase in non-current liabilities due to issuance of revenue bonds and an increase in workmen's compensation liability.

**Business-type Activities.** Business-type activities increased the City's net position by \$5,725. The key element of this increase is as follows:

- An increase in water, sewer, and other infrastructure of approximately \$10M.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**CITY OF ROSWELL'S CHANGES IN NET POSITION**  
(In Thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Revenues						
Taxes	\$ 34,846	\$ 33,894	\$ 902	\$ 859	\$ 35,748	\$ 34,753
Intergovernmental	-	-	-	-	-	-
Charges for services	3,983	4,380	-	-	3,983	4,380
Other	405	(2,089)	722	285	1,127	(1,804)
Total revenues	39,234	36,185	1,624	1,144	40,858	37,329
Expenses						
General government	7,241	(2,068)	-	-	7,241	(2,068)
Public safety	29,868	25,374	-	-	29,868	25,374
Public works	4,331	5,312	-	-	4,331	5,312
Culture and recreation	9,390	8,690	-	-	9,390	8,690
Health and welfare	2	-	-	-	2	-
Interest on long term debt	130	96	793	343	923	439
Other	-	-	-	-	-	-
Airport	-	-	(4,601)	(6,430)	(4,601)	(6,430)
Solid waste	-	-	(955)	(714)	(955)	(714)
Water and sewer	-	-	(606)	(2,852)	(606)	(2,852)
Total expenses	50,962	37,404	(5,369)	(9,653)	45,593	27,751
Transfers	1,268	638	(1,268)	(638)	-	-
Changes in net position	\$ (10,460)	\$ (582)	\$ 5,725	\$ 10,159	\$ (4,735)	\$ 9,577

**Financial Analysis of the Government's Funds**

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

**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, *unassigned fund* balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Roswell's governmental funds reported combined ending fund balances of \$41,396,650, an increase of \$4,130,264 in comparison with the prior year. All balances are either restricted or unassigned as of June 30, 2017.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance totaled \$24,024,281. \$71,556 of this balance is in non-spendable form and the remainder is unassigned balance for discretionary purposes as of June 30, 2017.

The fund balance of the City's general fund increased by \$5,773,290 during the current fiscal year.

**Proprietary Funds.** The City of Roswell's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the three Enterprise Funds at the end of the year amounted to \$96,498,336, an increase of \$5,725,345 from the prior fiscal year.

**General Fund Budgetary Highlights**

There were several amendments to the City of Roswell's fiscal year 2017 operating and capital budget. A statement reporting the original and final budget amount compared to the City's actual financial activity for the general fund is provided in this report on page 21.

The net favorable variance of \$150,361 in general fund expenditures was primarily due to not expending all the funds budgeted. There was \$133,745 over expended in general government, \$596,146 not expended in culture and recreation, \$176,101 not expended for public safety, and \$488,141 over expended for capital outlay.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Capital Asset and Debt Administration**

**Capital Assets.** The City of Roswell's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to \$150,238 (in thousands, net of accumulated depreciation). This investment in capital assets includes land, land-right of ways, land improvements, library collection, historical treasures, buildings and improvements, computers, machinery and equipment, furniture and fixtures, vehicles, and infrastructure.

The significant additions to capital assets, which increased \$6,574 (in thousands) during the year, were as follows:

- \$3,428,996 for Infrastructure, net of depreciation
- \$6,551,412 for construction in progress

**CITY OF ROSWELL'S CAPITAL ASSETS**

(In thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,575	\$ 3,575	\$ 4,609	\$ 4,609	\$ 8,184	\$ 8,184
Land-right of way	5,149	5,149	-	-	5,149	5,149
Construction in progress	701	692	6,883	341	7,584	1,033
Library collection	3,060	3,000	-	-	3,060	3,000
Historical treasures	437	437	-	-	437	437
Water rights- intangible assets	-	-	12,145	12,145	12,145	12,145
Land improvements	18,314	15,943	10,905	12,583	29,219	28,526
Buildings and improvements	33,395	33,363	85,826	85,030	119,221	118,393
Machinery and equipment	12,673	12,129	17,253	16,868	29,926	28,997
Furniture and fixtures	135	134	116	118	251	252
Vehicles	15,845	16,023	8,467	8,445	24,312	24,468
Infrastructure	167,394	167,727	78,308	70,534	245,702	238,261
Total capital assets	260,678	258,172	224,512	210,673	485,190	468,784
Less: accumulated depreciation	202,348	197,295	132,604	127,827	334,952	325,121
Capital assets, net	\$ 58,330	\$ 60,877	\$ 91,908	\$ 82,846	\$ 150,238	\$ 143,664

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Debt Administration.** At the end of the current fiscal year, the City of Roswell had total debt from outstanding bonds and capital leases (see schedule below), all of which is secured by pledged ad valorem (property) tax, gross receipts tax, or operating revenues.

**CITY OF ROSWELL'S DEBT**  
(In thousands)

	Governmental		Business-type		Total	
	2017	2016	2017	2016	2017	2016
Bonds	\$ 12,791	\$ 5,970	\$ 31,159	\$ 10,175	\$ 43,950	\$ 16,145
Loans	-	-	-	-	-	-
Capital Leases	1,103	1,301	-	-	1,103	1,301
Total debt outstanding	\$ 13,894	\$ 7,271	\$ 31,159	\$ 10,175	\$ 45,053	\$ 17,446

State statutes currently limit the amount of general obligation debt the 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 approximately \$20.0 million. State statute currently does not limit the amount of revenue bond debt a City may issue for business-type activities, such as a water and sewer system. Additional information on the City of Roswell's debt can be found in Note 8 on pages 58-65 of this report.

**Economic Factors and Next Year's Budget**

The City of Roswell, located in Chaves County, is the commercial hub for the region and maintains a comparatively strong and balanced economy. Roswell serves as the county seat, and is the largest city in Eastern New Mexico. The area has a diversified economy encompassing agriculture, medical, dairy, oil and gas, aviation, tourism, service industry, government, and manufacturing. Chaves County, like the rest of urban New Mexico, has a fairly strong and balanced economy. Employment in the area has held fairly stable in the current nationwide economic down turn.

Approximately 60% of the City of Roswell's annual operating budget for governmental funds is received from gross receipts taxes. Roswell has been one of few municipalities in the state that has maintained a positive level of gross receipts revenues over the past five years. Diversity within the area job market bodes well for the city's ability to weather future financial challenges. However, conservative approaches in operations, budgeting and financial forecasting remain key components to the long term viability of the city's financial success. The city is poised for moderate to potentially strong economic growth in the foreseeable future.

The adopted combined operating and capital budgets for fiscal year 2017 total \$117,064,885 which is a decrease of \$14,757,946 or 11% less than fiscal year 2016, due in large part to capital construction relating to airport and general infrastructure enhancements which occurred in fiscal year 2016.

**Request for Information**

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, City of Roswell, 425 N. Richardson Ave., or P.O. Box 1838, Roswell, New Mexico 88202-1838.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
STATEMENT OF NET POSITION  
June 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets			
Cash, cash equivalents and investments	\$ 28,395,326	38,138,865	66,534,191
Cash, restricted	7,319,229	-	7,319,229
Receivables:			
Property taxes receivable	375,160	-	375,160
Other taxes receivable	6,967,049	-	6,967,049
Grants Receivable	821,749	-	821,749
Customer receivables, net of allowance of \$0 and \$395,591, respectively	-	1,955,678	1,955,678
Inventory	71,556	1,180,302	1,251,858
Total current assets	<u>43,950,069</u>	<u>41,274,845</u>	<u>85,224,914</u>
Noncurrent assets			
Capital assets	260,676,833	224,512,494	485,189,327
Less: accumulated depreciation	<u>(202,347,553)</u>	<u>(132,603,818)</u>	<u>(334,951,371)</u>
Total noncurrent assets	<u>58,329,280</u>	<u>91,908,676</u>	<u>150,237,956</u>
Total Assets	<u>102,279,349</u>	<u>133,183,521</u>	<u>235,462,870</u>
<b>Deferred Outflows</b>			
Pension Related	<u>20,532,067</u>	<u>790,700</u>	<u>21,322,767</u>

See Notes to Financial Statements.



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
STATEMENT OF NET POSITION  
June 30, 2017**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Liabilities</b>			
Current liabilities			
Accounts payable	1,315,070	1,814,451	3,129,521
Accrued payroll expenses	723,369	185,331	908,700
Accrued compensated absences	1,397,391	216,700	1,614,091
Accrued interest	79,173	97,319	176,492
Meter and other deposits	252,829	179,309	432,138
Workers' compensation liability	4,211,539	-	4,211,539
Current portion of bonds and notes payable	1,535,539	1,270,776	2,806,315
Total current liabilities	<u>9,514,910</u>	<u>3,763,886</u>	<u>13,278,796</u>
Noncurrent liabilities			
Landfill closure	-	1,417,999	1,417,999
Bonds and notes payable	12,358,022	27,054,643	39,412,665
Net pension liability	61,621,176	2,373,066	63,994,242
Total noncurrent liabilities	<u>73,979,198</u>	<u>30,845,708</u>	<u>104,824,906</u>
Total liabilities	<u>83,494,108</u>	<u>34,609,594</u>	<u>118,103,702</u>
<b>Deferred Inflows</b>			
Debt reacquisition price in excess of carrying value	-	2,834,044	2,834,044
Pension Related	837,352	32,247	869,599
Total Deferred Inflows	<u>837,352</u>	<u>2,866,291</u>	<u>3,703,643</u>
<b>Net Position</b>			
Net investment in capital assets	44,435,719	60,749,213	105,184,932
Restricted for			
Debt service	1,737,416	-	1,737,416
Capital projects	10,039,683	-	10,039,683
Other purposes - special revenue	5,163,966	-	5,163,966
Unrestricted	(22,896,828)	35,749,123	12,852,295
Total Net Position	<u>\$ 38,479,956</u>	<u>96,498,336</u>	<u>134,978,292</u>

STATE OF NEW MEXICO  
CITY OF ROSWELL  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 13,019,816	1,924,491	3,854,550	-
Public safety	29,868,023			-
Public works	7,992,302		986,992	2,674,097
Culture and recreation	9,389,777			-
Health and welfare	2,230	-		-
Interest on long-term debt	130,489	-	-	-
<i>Total government Activities</i>	<u>60,402,637</u>	<u>1,924,491</u>	<u>4,841,542</u>	<u>2,674,097</u>
<b>Business-type Activities</b>				
Airport	4,432,685	3,387,092	-	5,646,809
Solid Waste	4,966,104	5,921,214	-	-
Water and sewer	12,584,242	13,190,530	-	-
<i>Total business-type activities</i>	<u>21,983,031</u>	<u>22,498,836</u>	<u>-</u>	<u>5,646,809</u>
<i>Total primary government</i>	<u>\$ 82,385,668</u>	<u>24,423,327</u>	<u>4,841,542</u>	<u>8,320,906</u>
<b>General Revenues</b>				
Taxes:				
Property taxes, levied				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Other taxes				
Investment Income				
Fines, forfeitures, and penalties				
Miscellaneous income				
(Loss) gain on sale of capital assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

Primary Government

Governmental Activities	Business-Type Activities	Total
(7,240,775)	-	(7,240,775)
(29,868,023)	-	(29,868,023)
(4,331,213)	-	(4,331,213)
(9,389,777)	-	(9,389,777)
(2,230)	-	(2,230)
<u>(130,489)</u>	<u>(792,701)</u>	<u>(923,190)</u>
<u>(50,962,507)</u>	<u>(792,701)</u>	<u>(51,755,208)</u>
-	4,601,216	4,601,216
-	955,110	955,110
-	606,288	606,288
-	<u>6,162,614</u>	<u>6,162,614</u>
<u>(50,962,507)</u>	<u>5,369,913</u>	<u>(45,592,594)</u>
5,528,031	-	5,528,031
29,317,813	901,813	30,219,626
201,109	-	201,109
3,243,590	-	3,243,590
92,208	78,433	170,641
538,324	-	538,324
451,160	342,495	793,655
(138,172)	300,789	162,617
<u>1,268,098</u>	<u>(1,268,098)</u>	<u>-</u>
<u>40,502,161</u>	<u>355,432</u>	<u>40,857,593</u>
<u>(10,460,346)</u>	<u>5,725,345</u>	<u>(4,735,001)</u>
48,940,302	90,772,991	139,713,293
\$ <u><u>38,479,956</u></u>	<u><u>96,498,336</u></u>	<u><u>134,978,292</u></u>

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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

	General Fund 101	Capital Improvement Fund 301	Other Governmental Funds	Total Governmental Funds
<i>Assets</i>				
Cash, cash equivalents and investments	\$ 11,029,582	9,955,282	7,410,462	28,395,326
Cash, restricted	7,319,229	-	-	7,319,229
Receivables:				
Property taxes	369,905	-	5,255	375,160
Other taxes receivable	6,967,049	-	-	6,967,049
Grants Receivable- State	312,182	155,200	354,367	821,749
Inventory	71,556	-	-	71,556
Due from other funds	18,464	-	-	18,464
<i>Total assets</i>	<u>\$ 26,087,967</u>	<u>10,110,482</u>	<u>7,770,084</u>	<u>43,968,533</u>
<i>Liabilities and Fund Balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 935,129	40,492	339,449	1,315,070
Accrued payroll expenses	613,577	30,307	79,485	723,369
Deposits payable	252,829	-	-	252,829
Due to other funds	-	-	18,464	18,464
<i>Total liabilities</i>	<u>1,801,535</u>	<u>70,799</u>	<u>437,398</u>	<u>2,309,732</u>
<i>Deferred Inflows</i>				
Unearned revenue - property taxes	262,151	-	-	262,151
<i>Total Deferred Inflows</i>	<u>262,151</u>	<u>-</u>	<u>-</u>	<u>262,151</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>2,063,686</u>	<u>70,799</u>	<u>437,398</u>	<u>2,571,883</u>
<i>Fund balances</i>				
Nonspendable	71,556	-	431,304	502,860
Spendable				
Restricted	-	10,039,683	6,901,382	16,941,065
Unassigned	23,952,725	-	-	23,952,725
<i>Total fund balances</i>	<u>24,024,281</u>	<u>10,039,683</u>	<u>7,332,686</u>	<u>41,396,650</u>
<i>Total liabilities and fund balances</i>	<u>\$ 26,087,967</u>	<u>10,110,482</u>	<u>7,770,084</u>	<u>43,968,533</u>

See Notes to Financial Statements.

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**STATE OF NEW MEXICO**  
**CITY OF ROSWELL**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2017**

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

Fund balances - total governmental funds	\$	41,396,650
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds		20,532,067
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		58,329,280
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered unearned revenue in the fund financial statements, but are considered revenue in the Statement of Activities		262,151
Defined benefit pension plan deferred inflows are not payable in the current period and, therefore, not reported in the funds.		(837,352)
Certain liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds		
Net pension liability		(61,621,176)
Accrued interest		(79,173)
Worker's comp liability		(4,211,539)
Accrued compensated absences		(1,397,391)
Bonds and notes payable		(13,893,561)
Net position of governmental activities	\$	<u>38,479,956</u>

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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	General Fund 101	Capital Improvement Fund 301	Other Governmental Funds	Total Governmental Funds
<i>Revenues</i>				
<i>Taxes:</i>				
Property	\$ 5,038,512	-	380,579	5,419,091
Gross receipts	28,667,785	-	650,028	29,317,813
Gasoline and motor vehicle	201,109	-	-	201,109
Other taxes	1,985,385	-	1,258,205	3,243,590
<i>Intergovernmental</i>				
Federal operating grants	1,124,381	345,029	641,963	2,111,373
State operating grants	703,827	-	2,026,342	2,730,169
State capital grants	-	2,674,097	-	2,674,097
Charges for services	649,506	-	1,274,985	1,924,491
Licenses and fees	538,324	-	-	538,324
Investment income	42,963	33,911	15,334	92,208
Miscellaneous	179,082	153,512	118,566	451,160
<i>Total revenues</i>	<u>39,130,874</u>	<u>3,206,549</u>	<u>6,366,002</u>	<u>48,703,425</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	5,913,740	3,507,818	1,187,332	10,608,890
Public safety	23,406,707	-	740,359	24,147,066
Public works	-	1,709,134	4,691,600	6,400,734
Culture and recreation	5,699,647	-	1,872,116	7,571,763
Health and welfare	-	-	2,230	2,230
Capital outlay	476,303	801,377	2,358,797	3,636,477
Debt service	-	-	-	-
Principal	-	-	722,510	722,510
Interest and other charges	-	-	184,857	184,857
<i>Total expenditures</i>	<u>35,496,397</u>	<u>6,018,329</u>	<u>11,759,801</u>	<u>53,274,527</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>3,634,477</u>	<u>(2,811,780)</u>	<u>(5,393,799)</u>	<u>(4,571,102)</u>
<i>Other Financing Sources (Uses)</i>				
Proceeds from loans	7,430,000	-	-	7,430,000
Transfers, in	1,244,758	2,640,824	4,232,304	8,117,886
Transfers, out	(6,539,213)	(8,333)	(302,242)	(6,849,788)
Proceeds from sale of capital assets	3,268	-	-	3,268
<i>Total other financing sources (uses)</i>	<u>2,138,813</u>	<u>2,632,491</u>	<u>3,930,062</u>	<u>8,701,366</u>
<i>Net change in fund balances</i>	5,773,290	(179,289)	(1,463,737)	4,130,264
<i>Fund balances - beginning of year</i>	<u>18,250,991</u>	<u>10,218,972</u>	<u>8,796,423</u>	<u>37,266,386</u>
<i>Fund balances, end of year</i>	<u>\$ 24,024,281</u>	<u>10,039,683</u>	<u>7,332,686</u>	<u>41,396,650</u>

See Notes to Financial Statements.

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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017**

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

Net change in fund balances - total governmental funds	\$ 4,130,264
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds	
Increase in Pension expense	(5,338,311)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital expenditures recorded in capital outlay	3,636,477
Depreciation expense	(5,983,923)
Loss on disposal of assets	(141,440)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds:	
Increase in deferred revenue	108,940
Expenses reported in the statement of activities that do require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Increase in accrued compensated absences	(110,692)
Decrease in accrued interest	54,368
Increase in worker's comp liability	(193,459)
The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Net payments on leases	84,920
Principal payments on bonds and notes payable	722,510
Proceeds from bond issuance	(7,430,000)
Change in net position of governmental activities	<u>\$ (10,460,346)</u>

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STATE OF NEW MEXICO  
CITY OF ROSWELL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
General Fund-101  
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	
<b>Revenues:</b>				
Taxes:				
Property	\$ 4,908,025	4,908,025	4,823,078	(84,947)
Gross Receipts	28,500,000	29,369,999	31,115,260	1,745,261
Other Taxes	2,039,500	1,915,984	2,137,718	221,734
Intergovernmental				
Federal Operating Grants	892,893	1,603,429	1,157,986	(445,443)
State Operating Grants	1,926,593	1,594,330	737,432	(856,898)
Charges for Services	670,278	797,217	695,191	(102,026)
Licenses and Fees	428,362	429,230	549,818	120,588
Fines, Forfeitures, and Penalties	401,968	361,749	350,536	(11,213)
Investment Income	16,000	26,221	37,453	11,232
Miscellaneous	486,000	302,014	225,613	(76,401)
<b>Total Revenues</b>	<u>40,269,619</u>	<u>41,308,198</u>	<u>41,830,085</u>	<u>521,887</u>
<b>Expenditures:</b>				
Current:				
General Government	12,958,260	8,914,112	9,047,857	(133,745)
Public Safety	22,894,227	23,353,982	23,177,881	176,101
Culture and Recreation	5,944,889	6,098,043	5,501,897	596,146
Capital Outlay	-	-	488,141	(488,141)
<b>Total Expenditures</b>	<u>41,797,376</u>	<u>38,366,137</u>	<u>38,215,776</u>	<u>150,361</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,527,757)</u>	<u>2,942,061</u>	<u>3,614,309</u>	<u>672,248</u>
<b>Other Financing Sources (Uses):</b>				
Transfers, In	1,244,758	1,244,758	1,244,758	-
Transfers, Out	(6,845,128)	(6,609,677)	(6,539,213)	70,464
Proceeds from sale of Capital Assets	-	-	3,268	3,268
<b>Total Other Financing sources (Uses):</b>	<u>(5,600,370)</u>	<u>(5,364,919)</u>	<u>(5,291,187)</u>	<u>73,732</u>
<b>Net Change in Fund Balances</b>	<u>\$ (7,128,127)</u>	<u>(2,422,858)</u>	<u>(1,676,878)</u>	<u>745,980</u>
<b>Reconciliation to GAAP Basis:</b>				
Adjustments to Revenues			4,730,789	
Adjustments to Expenditures			<u>2,719,379</u>	
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ 5,773,290</u>	

See Notes to Financial Statements.

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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2017**

	Airport	Solid Waste	Water and Sewer	Total
<b>Assets</b>				
Current Assets				
Cash, cash equivalents and investments	\$ 3,749,446	6,526,140	27,863,279	38,138,865
Customer receivables, net of allowance	457,832	443,877	1,053,969	1,955,678
Inventory	39,582	53,983	1,086,737	1,180,302
Total current assets	<u>4,246,860</u>	<u>7,024,000</u>	<u>30,003,985</u>	<u>41,274,845</u>
Noncurrent assets				
Capital assets	80,810,966	17,284,848	126,416,680	224,512,494
Less: accumulated depreciation	(44,331,462)	(11,245,810)	(77,026,546)	(132,603,818)
Total noncurrent assets	<u>36,479,504</u>	<u>6,039,038</u>	<u>49,390,134</u>	<u>91,908,676</u>
Total assets	<u>40,726,364</u>	<u>13,063,038</u>	<u>79,394,119</u>	<u>133,183,521</u>
<b>Deferred Outflows</b>				
Pension Related	86,977	205,582	498,141	790,700
Total Deferred Outflows	<u>86,977</u>	<u>205,582</u>	<u>498,141</u>	<u>790,700</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts payable	388,660	141,622	1,284,169	1,814,451
Accrued payroll expenses	17,956	38,161	129,214	185,331
Accrued compensated absences	20,485	60,698	135,517	216,700
Accrued interest	-	1,332	95,987	97,319
Meter and other deposits	177,509	-	1,800	179,309
Current portion of bonds and notes payable	-	390,000	880,776	1,270,776
Total current liabilities	<u>604,610</u>	<u>631,813</u>	<u>2,527,463</u>	<u>3,763,886</u>
Noncurrent Liabilities				
Landfill closure	-	1,417,999	-	1,417,999
Bonds and notes payable	-	-	27,054,643	27,054,643
Net Pension Liability	261,037	616,997	1,495,032	2,373,066
Total noncurrent liabilities	<u>261,037</u>	<u>2,034,996</u>	<u>28,549,675</u>	<u>30,845,708</u>
Total Liabilities	<u>865,647</u>	<u>2,666,809</u>	<u>31,077,138</u>	<u>34,609,594</u>
<b>Deferred Inflows</b>				
Pension Related	3,547	8,384	20,316	32,247
Debt reacquisition price in excess of carrying value	-	-	2,834,044	2,834,044
Total Deferred Inflows	<u>3,547</u>	<u>8,384</u>	<u>2,854,360</u>	<u>2,866,291</u>
<b>Net Position</b>				
Net investment in capital assets	36,479,504	5,649,038	18,620,671	60,749,213
Unrestricted net position	3,464,643	4,944,389	27,340,091	35,749,123
Total Net Position	<u>\$ 39,944,147</u>	<u>10,593,427</u>	<u>45,960,762</u>	<u>96,498,336</u>

See Notes to Financial Statements.

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**STATE OF NEW MEXICO**  
**CITY OF ROSWELL**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

	Airport	Solid Waste	Water and Sewer	Total
<i>Operating Revenues</i>				
Charges for Services	\$ 3,387,092	5,921,214	13,190,530	22,498,836
Operating Grants	5,646,809	-	-	5,646,809
<b>Total operating revenues</b>	<b>9,033,901</b>	<b>5,921,214</b>	<b>13,190,530</b>	<b>28,145,645</b>
<i>Operating Expenses</i>				
General and administrative	39,372	7,638	781,488	828,498
Personnel services	857,417	1,617,480	3,846,481	6,321,378
Contractual services	223,002	388,848	671,779	1,283,629
Supplies and purchased power	15,314	350,424	3,040,199	3,405,937
Maintenance and materials	651,498	1,293,000	684,294	2,628,792
Utilities	160,198	28,648	589,216	778,062
Gross receipts tax expense	34,484	285,879	589,934	910,297
Closure costs	-	63,612	-	63,612
Depreciation	2,451,400	930,575	2,380,851	5,762,826
<i>Total operating expenses</i>	<i>4,432,685</i>	<i>4,966,104</i>	<i>12,584,242</i>	<i>21,983,031</i>
<i>Operation income (loss)</i>	<i>4,601,216</i>	<i>955,110</i>	<i>606,288</i>	<i>6,162,614</i>
<i>Non-operating revenues (expenses)</i>				
Interest income	3,960	21,356	53,117	78,433
Interest expense	-	(32,322)	(760,379)	(792,701)
Gross receipts tax revenue	33,956	287,879	579,978	901,813
Miscellaneous	178,871	16,777	146,847	342,495
Gain (loss) from sale of capital assets	266,025	10,583	24,181	300,789
<b>Total non-operating revenues (expenses)</b>	<b>482,812</b>	<b>304,273</b>	<b>43,744</b>	<b>830,829</b>
Income (Loss) Before Contributions and Transfers	5,084,028	1,259,383	650,032	6,993,443
<i>Other Financing Sources (Uses)</i>				
Transfers in	16,497	406,010	20,861,392	21,283,899
Transfers out	(480,333)	(774,601)	(21,297,063)	(22,551,997)
<i>Net transfers</i>	<i>(463,836)</i>	<i>(368,591)</i>	<i>(435,671)</i>	<i>(1,268,098)</i>
<b>Change in net position</b>	<b>4,620,192</b>	<b>890,792</b>	<b>214,361</b>	<b>5,725,345</b>
<i>Beginning net position</i>	<i>35,323,955</i>	<i>9,702,635</i>	<i>45,746,401</i>	<i>90,772,991</i>
<i>Net position, end of year</i>	<i>\$ 39,944,147</i>	<i>10,593,427</i>	<i>45,960,762</i>	<i>96,498,336</i>

See Notes to Financial Statements.

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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
Year Ended June 30, 2017**

	Airport	Solid Waste	Water Sewer	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from customers and others	\$ 9,160,807	6,315,389	14,058,415	29,534,611
Cash paid for goods and services	(1,463,084)	(2,268,629)	(4,744,400)	(8,476,113)
Cash paid to employees	(876,605)	(1,623,041)	(3,816,903)	(6,316,549)
<b>Net cash provided by operating activities</b>	<b>6,821,118</b>	<b>2,423,719</b>	<b>5,497,112</b>	<b>14,741,949</b>
<b>Cash Flows From Investing Activities</b>				
Interest income	3,960	21,356	53,117	78,433
<b>Net cash provided by investing activities</b>	<b>3,960</b>	<b>21,356</b>	<b>53,117</b>	<b>78,433</b>
<b>Cash Flows From Non-Capital Financing</b>				
Internal transfers and loans	(463,836)	(368,591)	(435,671)	(1,268,098)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(463,836)</b>	<b>(368,591)</b>	<b>(435,671)</b>	<b>(1,268,098)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Proceeds from debt	-	-	19,424,394	19,424,394
Purchases of capital assets	(5,209,280)	(160,676)	(9,455,589)	(14,825,545)
Debt payment	-	(375,000)	-	(375,000)
Interest paid	-	(32,322)	(760,379)	(792,701)
<b>Net cash used by capital and related financing activities</b>	<b>(5,209,280)</b>	<b>(567,998)</b>	<b>9,208,426</b>	<b>3,431,148</b>
Net decrease in cash and cash equivalents	1,151,962	1,508,486	14,322,984	16,983,432
Cash and restricted cash and cash equivalents, beginning of year	2,597,484	5,017,654	13,540,295	21,155,433
<b>Cash and restricted cash and cash equivalents, end of year</b>	<b>\$ 3,749,446</b>	<b>6,526,140</b>	<b>27,863,279</b>	<b>38,138,865</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 4,601,216	955,110	606,288	6,162,614
Adjustments to operating (loss) income to net cash provided by operating activities:				
Depreciation	2,451,400	930,575	2,380,851	5,762,826
Pension Expense	(9,928)	1,436	83,962	75,470
Loss on disposition of assets	266,025	10,583	24,181	300,789
Change in assets and liabilities:				
Receivables	(172,934)	396,175	866,085	1,089,326
Inventory	-	-	916,416	916,416
Accounts payable	(339,216)	138,837	671,913	471,534
Accrued payroll	(1,109)	(15,135)	(61,956)	(78,200)
Accrued compensated absences	(8,151)	8,138	7,572	7,559
Meter other refundable deposits	33,815	(2,000)	1,800	33,615
<b>Net cash provided by operating activities</b>	<b>\$ 6,821,118</b>	<b>2,423,719</b>	<b>5,497,112</b>	<b>14,741,949</b>

See Notes to Financial Statements.

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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
June 30, 2017**

*Assets*

Cash	\$	<u>513,895</u>
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*Liabilities*

Deposits held in trust for others	\$	<u>513,895</u>
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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

The City of Roswell (the “City”) is a political subdivision of the State of New Mexico established and regulated by the constitution of the State of New Mexico. The City was incorporated during 1914 under the laws of the State of New Mexico. The City operates under an elected Mayor-Council form of government. The City provides the following services as authorized by its charter: public law, public safety (police and fire); highways and streets, sanitation, health and social services, cultural and recreation, public infrastructure improvements, planning and zoning, water supply, airport operations, and general administrative services.

The City of Roswell is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the City is presented to assist in the understanding of City’s financial statements. The financial statements and notes are the representation of City’s management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Financial Reporting Entity.** The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City of Roswell and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City does not have any component units.

**Government-wide and fund financial statements.** The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation.** The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds is charges for services for the City's airport, solid waste, and water and sewer services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the requirements of GASB Statement No. 34, the City is required to present certain of its governmental funds as major based upon specific criteria.

The City reports the following major governmental funds:

The *General Fund (101)* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

The *Capital Improvement Capital Projects Fund (301)* accounts for the construction of street, sidewalks and curbs, parking lot paving, ADA improvements to intersections, channel reconstruction and related activities for the City. Overall administration and construction as well as all other activities necessary to manage and complete these projects are accounted for in this fund.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports its proprietary funds as major funds. Proprietary funds include:

The *Airport Fund (610)* accounts provision of airport services to the residents of the City. Overall administration and construction as well as all other activities necessary to provide such services are accounted for in this fund.

The *Solid Waste Fund (620)* accounts for garbage and refuse removal services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The *Water and Sewer Fund (630)* accounts for the provisions of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Additionally, the government reports the following fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the overall administration and construction as well as other activities necessary to manage and complete capital projects.

The *Proprietary Funds* are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

The *Fiduciary Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are used to account for the collection and payment of payroll taxes, water meter deposits, and bail bond fees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

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.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows/Inflows of Resources.** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2017, the City reported deferred outflows for the defined pension plan. Deferred inflows are reported in the governmental funds regarding property taxes and the defined pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Assets, Liabilities and Net Position or Equity***

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

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

Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied, net of estimated refunds and uncollectible amounts.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Chaves City and remitted monthly to the City.

**Inventory.** The City's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of supplies and materials. The cost of purchased supplies and materials is recorded as an expenditure at the time individual inventory items are consumed. Inventory at June 30, 2017 in the proprietary funds was \$1,180,302 and \$71,556 in the governmental funds.

**Prepaid Items.** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. The City was a phase III government for purposes of implementing GASB 34 and therefore was not required to include the historical cost of infrastructure assets retroactive to 1980. Since the implementation of GASB 34, the City includes infrastructure in its capital assets. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction related interest is capitalized only in the proprietary funds.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

<u>Assets</u>	<u>Years</u>
Building and Improvements	20
Infrastructure	20
Machinery and equipment	7
Furniture and fixtures	7
Vehicles	5

**Accrued Expenses.** Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2017, along with applicable PERA and Retiree Health Care benefits.

**Unearned Revenue.** There are two types of unearned revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, then those assets must be offset by a corresponding liability for unearned revenue. The other type of unearned revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for unearned revenue.

**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.

**Long-term Obligations.** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs related to insurance, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs other than related insurance are expended in the year incurred. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Fund Balance Classification Policies and Procedures.** For committed fund balance the City has self-imposed limitations for specific purposes set in place by formal action of the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same form of action it used to impose the limitation. At June 30, 2017, there were no committed fund balances.

For assigned fund balance the City includes amounts that are intended to be spent for a specific purpose, but are not restricted or committed. The City has latitude in spending the funds for general fund requirements if the City Council approves such in the budget. At June 30, 2017, there were no assigned fund balances.

For the classification of fund balances the City will expend resources as follows: restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

**Nonspendable Fund Balance.** At June 30, 2017, the Nonspendable fund balance in the general fund is made up of inventory in the amount of \$71,556 that is not in spendable form. The Nonspendable fund balance in the South Park Cemetery special revenue fund is segregated for the Perpetual Care Fund in the amount of \$431,304 that is legally required to be maintained intact and not available to be expended.

**Restricted Fund Balance.** At June 30, 2017, the restricted fund balance on the governmental funds balance sheet is made up of \$16,941,065 for purposes mandated by externally enforceable limitations.

**Equity Classifications.**

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets*  
Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- b. Restricted net position*  
Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for “special revenue, debt service, and capital projects” are described on page 45.
- c. Unrestricted net position*  
All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Interfund Transactions.** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City’s financial statements include management’s estimate of depreciation on assets over their estimated useful lives, accrued compensated absences, the allowance for uncollectible accounts, and landfill liabilities.

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

**Budgetary Information.** Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Council, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Councilors and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total at the fund level.

The governmental funds budgetary comparisons are presented on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The proprietary funds budgetary comparisons are presented in accordance with generally accepted accounting principles except for amortization and depreciation that is not budgeted for. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY (CONTINUED)**

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects, and Proprietary Funds.

The City is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The governmental funds budgetary comparisons are presented on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 is presented. The proprietary funds budgetary comparisons are presented in accordance with generally accepted accounting principles. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis, by fund, can be found on each individual budgetary statement.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

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

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$56,294,794 of the City’s bank balances of \$56,794,794 were exposed to custodial credit risk. \$30,702,714 was collateralized by securities held by the pledging bank’s trust department, not in the City’s name, and \$25,592,080 was uninsured and uncollateralized.

	Pioneer Bank	Washington Federal Bank	New Mexico Finance Authority	Total
Amount of Deposits	\$ 41,239,683	15,555,111	7,319,229	64,114,023
Less: FDIC Coverage	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>500,000</u>
Total uninsured public funds	<u>40,989,683</u>	<u>15,305,111</u>	<u>7,319,229</u>	<u>63,614,023</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City’s name	<u>22,900,335</u>	<u>7,802,379</u>	<u>-</u>	<u>30,702,714</u>
Uninsured and uncollateralized	<u>18,089,348</u>	<u>7,502,732</u>	<u>-</u>	<u>25,592,080</u>
Collateral requirement (50% of uninsured public funds)	20,494,842	7,652,556	-	28,147,398
Pledged collateral	<u>22,900,335</u>	<u>7,802,379</u>	<u>-</u>	<u>30,702,714</u>
Over (under) collateralized	\$ <u>2,405,493</u>	<u>149,823</u>	<u>-</u>	<u>2,555,316</u>

**Deposits with the New Mexico Finance Authority.** The City has deposits with the New Mexico Finance Authority which is a State Agency that has its funds deposited with the New Mexico State Treasurer. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. These funds are not subject to the collateralization requirements.

**Investments.** The City invests in the New MexiGROW Local Government Investment Pool’s (LGIP) in an effort to distribute their interest bearing accounts among various entities. The (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The City’s investments at June 30, 2017 include the following:

Investments	Rated	Weighted Average Maturity (R)	Weighted Average Maturity (F)	Fair Market Value
LGIP	*AAAm	58 Days	106 Days	\$ 11,358,332
				<u>\$ 11,358,332</u>

*\*Based off Standard & Poor’s rating*

**Interest Rate Risk – Investments.** The City’s policy related to interest rate risk with investments is to comply with the state as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

**Concentration of Credit Risk – Investments.** For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in the New MexiGROW LGIP represent 100% of the investment portfolio. Since the City only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the City. The City’s policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Unrestricted cash, cash equivalents and investments	\$ 66,534,191
Agency funds cash	513,895
Restricted cash – New Mexico Finance Authority	7,319,229
Plus outstanding checks	1,217,570
Less: deposits in transit	(107,760)
Less: petty cash	(4,770)
Less: investments	<u>(11,358,332)</u>
Bank balance of deposits	<u>\$ 64,114,023</u>

GASB Statement No. 72 requires investment to be presented at fair value. This statement provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Basis of Fair Value Measurement –**

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the City's assets had a fair value as of June 30, 2017:

Investment in	Investment Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
LGIP	\$ 11,358,332	-	-	11,358,332
Total Assets at fair value	\$ 11,358,332	-	-	11,358,332

**NOTE 4 – RECEIVABLES**

Governmental funds receivables as of June 30, 2017 are shown as follows:

	General	Capital Improvements	Nonmajor Governmental Funds	Total
Property Taxes	\$ 369,905	-	5,255	375,160
Other Taxes	6,967,049	-	-	6,967,049
Intergovernmental grants:				
State	312,182	155,200	354,367	821,749
Licenses and fees	-	-	-	-
Totals by category	\$ 7,649,136	155,200	359,622	8,163,958

In accordance with GASB 33 property tax revenues in the amount of \$262,151 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 – RECEIVABLES (CONTINUED)**

Proprietary fund receivables as of June 30, 2017 are shown as follows:

	<u>Airport</u>	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>Total</u>
Customer receivables	\$ 531,078	550,117	1,420,030	2,501,225
Less: Allowance for doubtful accounts	<u>(73,246)</u>	<u>(106,240)</u>	<u>(366,061)</u>	<u>(545,547)</u>
Total by category	\$ <u>457,832</u>	<u>443,877</u>	<u>1,053,969</u>	<u>1,955,678</u>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2017 is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
HIDTA	General Fund	\$ 18,464

Operating transfers that occurred during the year were made to close out funds and to supplement other funding sources as follows:

<u>Major Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Governmental Activities</i>		
General	\$ 1,244,758	\$ 6,539,213
Capital Improvement	2,640,824	8,333
Cemetery	148,120	-
Mass Transit	405,117	-
Recreation	543,825	-
Correction Fees	155,103	-
Road	2,930,139	302,242
Unemployment Compensation	<u>50,000</u>	<u>-</u>
<b>Total Governmental Activities</b>	<b>8,117,886</b>	<b>6,849,788</b>
<i>Business-type Activities</i>		
Airport	16,497	480,333
Solid Waste	406,010	774,601
Water and Sewer	<u>20,861,392</u>	<u>21,297,063</u>
<b>Non-Business-Type Activities</b>	<b>21,283,899</b>	<b>22,551,997</b>
<i>Governmental Activities</i>	<u>\$ 29,401,785</u>	<u>\$ 29,401,785</u>

All interfund balances are intended to be repaid within one year.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follow. Land, art, and construction in progress are not subject to depreciation.

	Balance June 30, 2016	Additions	Deletions	Adjustments	Balance June 30, 2017
<b>Governmental Activities</b>					
Capital Assets not being depreciated:					
Land	\$ 3,574,883	-	-	-	3,574,883
Land-right of way	5,148,605	-	-	-	5,148,605
Construction in Progress	692,203	396,419	-	(387,760)	700,862
Library Collection	2,940,239	230,658	(111,334)	-	3,059,563
Historical Treasures	437,204	-	-	-	437,204
<b>Total</b>	<u>12,793,134</u>	<u>627,077</u>	<u>(111,334)</u>	<u>(387,760)</u>	<u>12,921,117</u>
Capital Assets being depreciated:					
Land improvements	15,942,969	338,723	-	2,032,750	18,314,442
Buildings and improvements	33,362,768	31,999	-	-	33,394,767
Machinery and equipment	12,129,367	794,800	(251,643)	-	12,672,524
Furniture and fixtures	133,746	1,013	-	-	134,759
Vehicles	16,023,440	531,487	(709,428)	-	15,845,499
Infrastructure	167,727,337	1,311,378	-	(1,644,990)	167,393,725
<b>Total</b>	<u>245,319,627</u>	<u>3,009,400</u>	<u>(961,071)</u>	<u>387,760</u>	<u>247,755,716</u>
Less accumulated depreciation:					
Land improvements	8,605,596	651,254	-	-	9,256,850
Buildings and improvements	20,726,116	1,114,420	-	-	21,840,536
Machinery and equipment	9,745,429	853,164	(244,677)	-	10,353,916
Furniture and fixtures	126,200	2,288	-	-	128,488
Vehicles	13,647,158	1,301,254	(686,288)	-	14,262,124
Infrastructure	144,444,096	2,061,543	-	-	146,505,639
<b>Total</b>	<u>197,294,595</u>	<u>5,983,923</u>	<u>(930,965)</u>	<u>-</u>	<u>202,347,553</u>
<b>Total capital assets, net</b>	<u>\$ 60,818,166</u>	<u>(2,347,446)</u>	<u>(141,440)</u>	<u>-</u>	<u>58,329,280</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

General government	\$	1,017,267
Public safety		3,051,801
Public works		897,588
Culture and recreation		<u>1,017,267</u>
Total depreciation expense	\$	<u><u>5,983,923</u></u>

	Balance June 30, 2016	Additions	Deletions	Adjustments	Balance June 30, 2017
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 4,609,059	-	-	-	4,609,059
Construction in progress	340,067	6,542,753	-	-	6,882,820
Water rights-intangible assets	<u>12,145,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,145,238</u>
Total	<u>17,094,364</u>	<u>6,542,753</u>	<u>-</u>	<u>-</u>	<u>23,637,117</u>
Capital assets being depreciated:					
Land improvements	12,583,385	-	-	(1,678,022)	10,905,363
Buildings and improvements	85,030,279	795,378	-	-	85,825,657
Machinery and equipment	16,868,041	1,083,218	(698,226)	-	17,253,033
Furniture and fixtures	117,930	-	(1,527)	-	116,403
Vehicles	8,444,076	382,443	(359,507)	-	8,467,012
Infrastructure	<u>70,533,654</u>	<u>6,096,233</u>	<u>-</u>	<u>1,678,022</u>	<u>78,307,909</u>
Total	<u>193,577,365</u>	<u>8,357,272</u>	<u>(1,059,260)</u>	<u>-</u>	<u>200,875,377</u>
Less accumulated depreciation:					
Land improvements	3,893,505	545,121	-	-	4,438,626
Buildings and improvements	59,935,431	2,124,685	-	-	62,060,116
Machinery and equipment	15,632,122	506,403	(654,229)	-	15,484,296
Furniture and fixtures	113,817	4,113	(1,527)	-	116,403
Vehicles	6,538,521	665,432	(329,025)	-	6,874,928
Infrastructure	<u>41,712,377</u>	<u>1,917,072</u>	<u>-</u>	<u>-</u>	<u>43,629,449</u>
Total	<u>127,825,773</u>	<u>5,762,826</u>	<u>(984,781)</u>	<u>-</u>	<u>132,603,818</u>
Total capital assets, net of depreciation	\$ <u>82,845,956</u>	<u>9,137,199</u>	<u>(74,479)</u>	<u>-</u>	<u>91,908,676</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the year ended June 30, 2017 was charged to business-type activities as follows:

Airport	\$	2,451,400
Solid Waste		930,575
Water		<u>2,380,851</u>
Total depreciation expense	\$	<u>5,762,826</u>

**NOTE 8 – LONG TERM DEBT**

**Governmental Activities.** During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Bonds Payable	\$ 5,970,000	\$ 7,430,000	\$ (722,500)	\$ 12,677,500	\$ 1,218,750
Capital leases payable	1,300,990	127,406	(212,335)	1,216,061	316,789
Workers' Compensation	4,018,080	503,945	(310,486)	4,211,539	-
Compensated Absences	1,286,699	1,682,743	(1,572,051)	1,397,391	-
Totals	\$ <u>12,575,769</u>	\$ <u>9,744,094</u>	\$ <u>(2,817,372)</u>	\$ <u>19,502,491</u>	\$ <u>1,535,539</u>

Compensated Absences – Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year 2017, compensated absences increased \$110,692 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities

**Bonds.** 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.

GRT Improvement Bonds, Series December 22, 2015, were issued to provide funds to acquire, construct, and repair general infrastructure within the city. The bonds were issued pursuant to Section 7-1-6.4 NMSA 1978, and acts amendatory and supplemental thereto. Repayment of the bonds will be funded by gross receipts tax revenues collected by the city. Interest on the bonds is set at a fixed rate of 2.22 with semi-annual payments due in February and August.



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 – LONG TERM DEBT (CONTINUED)**

Convention Center Revenue Bonds, Series 2017 were issued to provide funds for the renovation of the City of Roswell Convention Center. The bonds were issued pursuant to the New Mexico Finance Authority Act, Section 6-21-1 through 6-21-31, NMSA 1978. Interest on the bonds ranges from 0.89% to 2.112%.

Revenue bonds outstanding at year end for governmental activities are as follows:

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2017
General Obligation Series 2008	\$ 4,100,000	8/1/2022	3.05-5.30%	\$ 2,105,000
GRT Bond 2015	3,570,000	8/1/2027	2.22%	3,405,000
Convention Center, Series 2017	7,430,000	8/1/2032	0.89-2.112%	7,167,500
Total				\$ <u>12,677,500</u>

**Capital Leases.** On July 3, 2009 the City negotiated a lease purchase agreement with Suntrust Equipment Finance & Leasing Corp. for a 2008 Fire Pumper Truck in the amount of \$375,052 with an interest rate of 4.28%. The lease calls for annual payments of \$46,876 and will be paid in full in fiscal year 2019. On September 14, 2012 the City negotiated a lease purchase agreement with Suntrust Equipment Finance & Leasing Corp. for three 2012 Fire Trucks in the amount of \$1,623,422 with an interest rate of 2.125%. The lease calls for annual payments of \$181,914 and will be paid in full in fiscal year 2023. On March 20, 2017 the City negotiated a lease purchase agreement with AVENET Financing for a Records Management System in the amount of \$127,406. The lease calls for monthly payments of \$10,617, with an interest rate of 3%, and will be paid in full in fiscal year 2018.

Outstanding capital leases payable at the end of the year for governmental activities are as follows:

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2017
Sun Trust Equipment Finance (fire truck)	\$ 375,052	7/3/2018	4.28%	\$ 87,999
Sun Trust Equipment Finance (fire truck)	1,623,422	9/14/2022	2.13%	1,014,694
AVENET Financing (records mgt. system)	127,406	5/15/2018	3.00%	113,368
Total				\$ <u>1,216,061</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 – LONG TERM DEBT (CONTINUED)**

**Debt Service Requirements.** Debt service requirements on long-term debt for governmental activities at June 30, 2017 are as follows:

**Bonds Payable**

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2018	\$ 1,218,750	\$ 290,347	\$ 1,509,097
2019	1,019,583	276,380	1,295,963
2020	1,044,583	253,340	1,297,923
2021	1,074,583	228,398	1,302,981
2022	1,099,583	201,377	1,300,960
2023-2027	4,265,833	666,833	4,932,666
2028-2032	2,909,167	231,323	3,140,490
thereafter	45,418	959	46,377
Total	\$ <u>12,677,500</u>	\$ <u>2,148,957</u>	\$ <u>14,826,457</u>

**Capital Leases Payable**

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2018	\$ 316,789	\$ 25,369	\$ 342,158
2019	208,689	20,099	228,788
2020	167,239	14,675	181,914
2021	170,793	11,121	181,914
2022	174,422	7,492	181,914
thereafter	178,129	3,785	181,914
Total	\$ <u>1,216,061</u>	\$ <u>82,541</u>	\$ <u>1,298,602</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 – LONG TERM DEBT (CONTINUED)**

**Worker’s Compensation.** The Worker’s Compensation liability of \$4,211,539 reported at June 30, 2017 is based on the requirements of GASB Statements No. 10 and No. 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probably that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability also includes an estimate for claims incurred but not reported.

Changes in the Worker’s Compensation liability amount in fiscal year 2016 and 2017 are summarized below:

		Compensation
Claims Liability, June 30, 2015	\$	4,036,277
Current year claims, insurance and changes in estimates		76,867
Claims and insurance payments		(95,064)
Claims liability June 30, 2016	\$	4,018,080
Current year claims insurance and changes in estimates		503,945
Claims and insurance payments		(310,486)
Claims liability, June 30, 2017	\$	<u>4,211,539</u>

**Business-Type Activities.** During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the proprietary funds statement of net position:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Bonds payable	\$ 9,135,000	18,230,000	(1,070,000)	26,295,000	1,185,000
Notes payable	1,982,689	47,730	-	2,030,419	85,776
Landfill closure and post closure	1,354,387	63,612	-	1,417,999	-
Compensated absences	209,141	251,344	(243,785)	216,700	-
Totals	<u>\$ 12,681,217</u>	<u>18,592,686</u>	<u>(1,313,785)</u>	<u>29,960,118</u>	<u>1,270,776</u>

**Compensated Absences.** Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year 2017, compensated absences increased \$7,559 from the prior year. Long-term compensated absences are paid out of the fund that incurs the related payroll expense.

**Revenue Bonds.** 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.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 – LONG TERM DEBT (CONTINUED)**

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 3-1- 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.

The Joint Water and Sewer Improvement Revenue Bond Series 2014A were issued to provide funds to extend, enlarge, better, repair and otherwise improve the City's Joint Water and Sewer System. The Bonds were issued pursuant to Sections 3-3 1-1 through 3-1- 1-12 NMSA 1978, as amended. The 2014A Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenue of the joint utility system.

In June, 2015, the City issued \$7,345,000 in refunding bonds with an effective interest rate of 2.00% to advance refund the Joint Utility System Series 2005. The 2005 bond had an interest rate of 3.75%. The total refunded principal was \$8,795,000. A Series 2005 Reserve Fund of \$1,023,618, and the net 2014B proceeds of \$8,155,992, which includes a premium of \$968,466, were deposited with an escrow agent and invested in open market securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for payment of the refunded bonds on their call date of June 1, 2015. As a result the refunded general obligation bonds are considered to be defeased, and the liability for those bonds has been removed from the financial statements. The advanced refunding was undertaken to reduce the total debt service payments over the next 8 years with a net present value savings to the City of \$748,000. The 2014B Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenue of the joint utility system.

In February 2017, the City issued \$18,230,000 in revenue bonds to extend, enlarge, better, repair and otherwise improve the City's Joint Water and Sewer System. The Joint Water and Sewer Improvement Revenue Bond Series 2017 included a premium of \$1,918,998, which is being amortized over the life of the bonds. The Bonds were issued pursuant to Sections 3-3 1-1 through 3-1- 1-12 NMSA 1978, as amended. The 2017 Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenue of the joint utility system.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 – LONG TERM DEBT (CONTINUED)**

Revenue bonds outstanding at year end for business-type activities are as follows:

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2017
Gross Receipts Tax Improvement Series 2008	3,190,000	6/1/2018	3.00-4.10%	\$ 390,000
Joint Water and Sewer Utility Improvement Bonds Series 2014A	2,500,000	06/01/2034	2.00-5.00%	2,180,000
Joint Water and Sewer Utility Refunding Bonds Series 2014B	7,345,000	06/01/2025	2.00-5.00%	5,495,000
Joint Water and Sewer Utility Revenue Bonds Series 2017	18,230,000	06/01/2037	3.00-5.00%	18,230,000
Total				\$ <u>26,295,000</u>

During the year ended Jun 30, 2016, the City executed a Drinking Water State Revolving Loan with the New Mexico Finance Authority. Interest on the drawn amounts ranges from 0.250% to 2.000% over the course of the loan. Interest payments are due in June and December of each year starting in the year of the first draw on the loan. The City made its first draw on the loan in the amount of \$1,982,689 during the year ending June 30, 2016. As of June 30, 2017, the City has drawn \$2,030,419 on this loan. The loan matures in June of 2036.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 – LONG TERM DEBT (CONTINUED)**

**Debt Service Requirements.** Debt service requirements on long-term debt for business-type activities at June 30, 2017 are as follows:

<b>Bonds Payable</b>			
Fiscal Year Ending			
June 30,	Principal Payment	Interest Payment	Total Debt Service
2018	\$ 1,185,000	\$ 1,139,615	\$ 2,324,615
2019	1,415,000	1,093,875	2,508,875
2020	1,460,000	1,045,275	2,505,275
2021	1,550,000	995,075	2,545,075
2022	1,650,000	934,425	2,584,425
2023-2027	8,055,000	3,533,575	11,588,575
2028-2032	5,295,000	1,992,487	7,287,487
2033-2037	5,685,000	845,249	6,530,249
Total	\$ 26,295,000	\$ 11,579,576	\$ 37,874,576
<b>NMFA Loan Payable</b>			
Fiscal Year Ending			
June 30,	Principal Payment	Interest Payment	Total Debt Service
2018	\$ 85,776	\$ 28,218	\$ 113,994
2019	87,492	26,502	113,994
2020	89,242	24,752	113,994
2021	91,026	22,968	113,994
2022	92,847	21,147	113,994
2023-2027	492,843	77,126	569,969
2028-2032	543,539	26,433	569,972
thereafter	547,654	2,834	550,488
Total	\$ 2,030,419	\$ 229,980	\$ 2,260,399

**Landfill Closure and Post-Closure Care 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 City's estimated landfill closure and post-closure care costs as of the year end are as follows:

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 – LONG TERM DEBT (CONTINUED)**

Estimated closure construction	\$	286,688
Landfill maintenance		760,777
Environmental monitoring		1,168,435
Phase I & II assessment		1,541,584
Total estimated closure and post closure costs	\$	<u>3,757,484</u>
Total capacity used to date (approx. 86.42 acres) as a % of total capacity (229 acres)	\$	37.74%
Estimated closure and post closure costs		1,417,999
Prior liability recognized		1,354,387
Total current year addition to liability		<u>63,612</u>
Estimated liability for the year ended June 30, 2017	\$	<u>1,417,999</u>

**NOTE 9 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of property; errors and omissions; injuries to employees; and natural disasters. Therefore, the City joined the New Mexico Self-Insurer’s 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 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 \$4,211,539 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

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 – RISK MANAGEMENT (CONTINUED)**

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 entities 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.

**NOTE 10 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

Plan Description. The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (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 event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The 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



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

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

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

The City's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$480,990, \$474,237 and \$437,272 respectively, which equaled the required contribution for each year.

**NOTE 11. – CONTINGENT LIABILITIES**

The City is a defendant in a number of lawsuits as of June 30, 2017. It is the opinion of management and City council that the amount of losses resulting from these litigations at year end would not be material to the financial position of the City.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12. – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

***General Information about the Pension Plan***

**Plan description:** *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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

**TIER II**

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12. –PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

**Contributions** – See PERA’s compressive annual financial report for Contribution provided description

<b>PERA Contribution Rates and Pension Factors as of July 1, 2016</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12. - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The City is a member in the Municipal General, Municipal Police/Detention Officers, and Municipal Fire groups. For each membership group the City participates in the City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

**For PERA Fund Division Municipal Plan 2**, at June 30, 2017, the City reported a liability of \$24,618,397 for its proportionate share of the net pension liability. At June 30, 2016, the City’s proportion was 1.4088 % percent which was an increase of 0.1321% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$3,137,422. At June 30, 2017, City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,230,307	\$ 240,261
Changes in assumptions	1,443,580	4,094
Net difference between projected and actual earnings on pension plan investments	4,529,738	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	1,043,720	130,516
City’s contributions subsequent to the measurement date	<u>1,155,749</u>	<u>-</u>
Total	<u>\$ 9,403,094</u>	<u>\$ 374,871</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12. - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

\$1,155,749 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	1,796,649
2019		1,796,649
2020		3,102,361
2021		1,176,815
2022		-

**PERA Fund Division Municipal Police Plan 5**, at June 30, 2017, the City reported a liability of \$17,573,629 for its proportionate share of the net pension liability. At June 30, 2016, the City’s proportion was 2.3818% percent which was an increase of 0.0872% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Division Municipal Police Plan 5 pension expense of \$2,493,755. At June 30, 2017, the City reported PERA Fund Division Municipal Police Plan 5 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

		<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	1,290,160	\$	-
Changes in assumptions		1,163,979		316,936
Net difference between projected and actual earnings on pension plan investments		2,779,370		-
Changes in proportion and differences between City’s contributions and proportionate share of contributions		363,076		-
City’s contributions subsequent to the measurement date		1,102,797		-
Total	\$	<u>6,699,382</u>	\$	<u>316,936</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12. - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

\$1,102,797 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	1,297,871
2019		1,297,871
2020		1,963,842
2021		720,065
2022		-

**For PERA Fund Division Municipal Fire Plan**, at June 30, 2017, the City reported a liability of \$21,802,216 for its proportionate share of the net pension liability. At June 30, 2017, the City’s proportion was 3.2682 % which was an increase of 0.0483% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Division Municipal Fire Plan 5 pension expense of \$2,804,240. At June 30, 2017, the City reported PERA Fund Division Municipal Fire Plan 5 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	987,311	-
Changes in assumptions	1,153,252	-
Net difference between projected and actual earnings on pension plan investments	1,816,011	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	177,173	177,792
City’s contributions subsequent to the measurement date	1,086,546	-
Total	<u>\$5,220,293</u>	<u>177,792</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12. - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

\$1,086,546 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	1,073,502
2019		1,073,502
2020		1,333,447
2021		475,504
2022		-

**Actuarial assumptions:** The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

**PERA FUND**

<b>PERA</b>	
<b>Actuarial valuation date</b>	June 30, 2015
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percentage of Pay, Open
<b>Amortization period</b>	Solved for based on statutory rates
<b>Asset valuation method</b>	Fair Value
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12. - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

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

<b>ALL FUNDS</b> - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

**Discount rate.** A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12. - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

**Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate:**

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

**PERA Fund Division Municipal Plan 2**

	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
City’s proportionate share of the net pension liability	\$ 36,703,841	\$ 24,618,397	\$ 14,594,123

**PERA Fund Division Municipal Police Plan 5**

	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
City’s proportionate share of the net pension liability	\$ 25,855,170	\$ 17,573,629	\$ 10,800,297

**PERA Fund Division Municipal Fire Plan**

	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
City’s proportionate share of the net pension liability	\$ 28,517,187	\$ 21,802,216	\$ 16,286,570

**Pension plan fiduciary net position:** Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

**NOTE 13 – FEDERAL AND STATE GRANTS**

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not expected to be material.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 14 – RESTRICTED NET POSITION**

The government-wide statement of net position reports \$16,941,065 of restricted net position, of which \$1,737,416 is restricted for debt service, \$10,039,683 is restricted for capital projects and \$5,163,966 is restricted by enabling legislation.

**NOTE 15 – CONCENTRATIONS**

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**NOTE 16 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2017 which is the date on which the financial statements were issued.

**NOTE 17 – RECENT PRONOUNCEMENTS**

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Statement No. 76, which supersedes Statement No. 55, aims to identify, in the context of the current governmental financial reporting environment, the hierarchy of U.S. GAAP, which consists of the sources of accounting principles used to prepare the financial statements of state and local governments entities in conformity with U.S. GAAP, as well as the framework for selecting those principles. The City adopted GASB Statement No. 76 during fiscal year 2015, with no significant impact to the City's financial statements.

**NOTE 18- NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2017.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*
- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*
- GASB Statement No. 87, *Leases*

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 18- NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

The City will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The City believes that the above listed new GASB pronouncements will not have a significant financial impact to the City or in issuing its financial statements.

**NOTE 19 - GOVERNMENTAL FUND BALANCE**

**Fund Balance.** In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

*Nonspendable:* Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted:* Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed:* Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or change the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

*Assigned:* Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

*Unassigned:* Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**Restricted Fund Balances.** Fund balances were restricted for the following purposes:

**Subsequent Years Expenditures.** The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures be restricted as subsequent year expenditures to maintain an adequate cash flow until the next significant GRT collection .

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 20 – GOVERNMENTAL FUND BALANCE (CONTINUED)**

Detail relating to the fund balance classifications is displayed below:

Fund Balances	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Inventory	\$ 71,556	-	-	71,556
South park cemetery	-	-	431,304	431,304
<b>Restricted:</b>				
Library	-	-	8,757	8,757
Mass Transit	-	-	188,860	188,860
Convention Center	-	-	470,217	470,217
Lodger's Tax	-	-	892,633	892,633
Roads	-	-	713,310	713,310
Community Development	-	-	-	-
Revolving Loan	-	-	1,258,759	1,258,759
Beautification Grant	-	-	1	1
Law Enforcement Grant	-	-	64,952	64,952
HIDTA Grant	-	-	22,141	22,141
Emergency Medical Services	-	-	8,514	8,514
Emergency Medical Services Grant-Fire	-	-	185	185
Hazardous Materials	-	-	12,967	12,967
Fire Protection	-	-	1,291,097	1,291,097
Federal Narcotic Seizure	-	-	29	29
JAG Grant	-	-	1,361	1,361
Debt repayment	-	-	1,737,416	1,737,416
Capital projects	-	10,039,683	-	10,039,683
Government operations	-	-	230,183	230,183
<b>Assigned:</b>				
<b>Unassigned:</b>				
	23,952,725	-	-	23,952,725
Total fund balances:	\$ 24,024,281	10,039,683	7,332,686	41,396,650

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 21 – TAX ABATEMENTS**

The City enters into property tax abatement agreements with local businesses under the City Industrial Development Revenue Bond Program Act, Sections 3-22-1 to 3-32-16, NMSA 1978. The City Industrial Development Revenue Bond Act authorizes municipalities to acquire, own, lease or sell projects for the purpose of promoting industry and trade by inducing manufacturing, industrial and commercial enterprises to locate or expand in the state.

For the fiscal year ended June 30, 2017, the City abated property taxes under the City Industrial Development Revenue Bond Act including the following tax abatement agreements:

Christmas by Krebs, Inc. was granted an abatement of property taxes under the City's Taxable Industrial Revenue Bonds program, for purchasing equipment, expanding and furnishing an existing building and constructing a new building. The amount of the abatement will be determined by net personal and real capital asset costs less depreciation times the tax rates. Taxes are abated to a total reduction of Ad-Valorem Tax. There are no provisions for recapturing the abated taxes. The total abatement for the year ending June 30, 2017 was \$56,001. A portion of the abated taxes affect Eastern New Mexico University Roswell, State of New Mexico, Roswell Independent School district, Chavez County, and CC Soil & Water Conservation.

Leprino Foods Company was granted an abatement of property taxes under the City's Taxable Industrial Revenue Bonds program, for acquiring, expanding, construction, improving and equipping certain facilities for the manufacture, processing and storage of cheese and milk products. The amount of the abatement will be determined by net personal and real capital asset costs less depreciation times the tax rates. Taxes are abated to a total reduction of Ad-Valorem Tax. There are no provisions for recapturing the abated taxes. The total abatement for the year ending June 30, 2017 was \$305,253. A portion of the abated taxes affect Eastern New Mexico University Roswell, Roswell Independent School District, State of New Mexico, Chaves County, CC Soil and Water Conservation.

Sunrise Energy Ventures New Mexico, LLC was granted an abatement of property taxes under the City's Taxable Industrial Revenue Bonds program, for construction and equipping of a solar power facility for the purpose of generating electricity. The amount of the abatement will be determined by net personal and real capital asset costs less depreciation times the tax rates. Taxes are abated to a total reduction of Ad-Valorem Tax. There are no provisions for recapturing the abated taxes. The total abatement for the year ending June 30, 2017 was undeterminable as this is a new project and a rendering of taxable personal property has not been made. A portion of the abated taxes affect Eastern New Mexico University Roswell, Roswell Independent School District, State of New Mexico, Chaves County, CC Soil and Water Conservation.

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**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 CITY OF ROSWELL  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 June 30, 2017

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET  
 PENSION LIABILITY  
 Public Employees Retirement Association (PERA)  
 For Last 10 Fiscal Years\*  
 (Dollars in Thousands)

Fiscal Year Measurement Date	30-Jun			
	2017 2016	2016 2015	2015 2014	2015 2014
City's Proportion of the Net Pension Liability (Asset)				
Municipal General	1.5409%	1.4088%		1.4316%
Municipal Police	2.3818%	2.2946%		2.2728%
Municipal Fire	3.2682%	3.2199%		3.2931%
City's Proportionate Share of Net Pension Liability (Asset)				
Municipal General	\$ 24,618	14,363		11,168
Municipal Police	17,573	11,033		7,409
Municipal Fire	21,802	16,618		13,745
	\$ 63,993	42,014		32,322
City's Covered-Employee Payroll				
Municipal General	\$ 13,506	13,196		12,721
Municipal Police	4,529	4,737		4,000
Municipal Fire	4,223	3,808		3,100
	\$ 22,258	21,741		19,821
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll				
Municipal General	182.27%	106.35%		87.79%
Municipal Police	388.01%	243.61%		185.23%
Municipal Fire	516.27%	436.40%		443.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability				
Municipal General	69.18%	76.99%		81.29%
Municipal Police	69.18%	76.99%		81.29%
Municipal Fire	69.18%	76.99%		81.29%

\* Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective



STATE OF NEW MEXICO  
 CITY OF ROSWELL  
 SCHEDULE OF CITY CONTRIBUTIONS  
 JUNE 30, 2017

SCHEDULE OF CITY'S CONTRIBUTIONS  
 Public Employees Retirement Association (PERA)  
 Last Ten Fiscal Years\*  
 (Dollars in Thousands)

	2017	2016	2015
Contributions in relation to the contractually required contribution			
Municipal General	\$ 1,155	1,260	1,113
Municipal Police	1,037	893	849
Municipal Fire	1,086	1,058	794
	\$ 3,278	3,210	2,756
Contractually required contributions			
Municipal General	\$ 1,155	1,260	1,113
Municipal Police	1,037	895	849
Municipal Fire	1,086	824	794
	\$ -	-	-
City's covered payroll			
Municipal General	\$ 13,506	13,196	12,721
Municipal Police	4,529	4,737	4,000
Municipal Fire	4,223	3,808	3,100
	\$ 22,258	21,741	19,821
Contributions "in relation" as a percentage of covered-employee payroll			
Municipal General	8.55%	9.55%	8.43%
Municipal Police	22.90%	18.84%	17.92%
Municipal Fire	25.72%	27.78%	25.61%

\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Employer's name is not available prior to fiscal year 2015, the year the statement's requirements became effective

\*\* Amounts for covered payroll for 2017 are imputed using the contribution rates for the various plans

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017**

*Changes of benefit terms:* The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

*Assumptions:* The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2017**

**SPECIAL REVENUE FUNDS**

Library Grants

To account for grant 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 more accurately and efficiently 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 is City Resolution 11-39.

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 recreational facilities. Financing is provided by miscellaneous revenues (primary use fees), grants, and a transfer from the General Fund. Authority for creation of this fund is City Resolution 11-39.

Correction Fees

To account for the collection of correction fees by the municipal judge which shall be used to pay the cost of housing municipal prisoners in a City 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.

Convention Center

To account for the operations of the Civic Center and other promotional activities for the City of Roswell. Financing is provided primarily by user fees on area motels and hotels. Authority for creation of this fund is Section 3-38-21, NMSA 1978.

Lodger's 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 3-38-21, NMSA 1978.

Road Fund

To account for the operations of the City as it is related to the receipt of the gasoline tax, 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 7-24A-1 to 7-24A-21, NMSA 1978.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2017**

**SPECIAL REVENUE FUNDS (CONTINUED)**

Unemployment Compensation

To more accurately and efficiently 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 is City Resolution 11-39.

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 Title I of the Housing and Community Development Act of 1974 as amended in 1993 and 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. 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.

HIDTA Grant

To account for High Intensity Drug Trafficking 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 the Office of National Drug Control Policy, HIDTA Program Policy & Budget Guidance and the State of New Mexico Department of Public Safety Grant #18PSNP564Z.

Emergency Medical Services

To account for emergency medical training, supplies, and equipment purchased for contract ambulance services. Financing is provided through state grants. Authority for creation of this fund is Section 24-10A-1 through 10, NMSA 1978.

EMS Grant – Fire

To account for emergency medical training, supplies, and equipment purchased for the fire department. Financing is provided through state grants. Authority for creation of this fund is Section 24-10A-1 through 10, NMSA 1978.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2017**

**SPECIAL REVENUE FUNDS (CONTINUED)**

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 is the U.S. Department of Energy Guidelines.

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 operation, 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.

Federal Narcotic Seizure

To account for separately 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. Department of Justice and the Treasury Federal Equitable Sharing Agreement #NM0030 102.

State Narcotic Seizure

To account for separately 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 commingled 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.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2017**

**DEBT SERVICE FUNDS**

GO Bonds

To account for the accumulation of resources for 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 dedicated portion of ad valorem (property) tax approved by the citizens of Chaves County for bond repayment.

2008 GO Bonds

To account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs specifically for the 2008 general obligation bonds. The fund's source of revenue is a dedicated portion of ad valorem (property) tax approved by the citizens of Chaves County for bond repayment.

GRT Bond 2015

To account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs specifically for the 2015 GRT bond. The fund's source of revenue is a dedicated portion of ad valorem (property) tax approved by the citizens of Chaves County for bond repayment.

**CAPITAL PROJECTS FUNDS**

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.

STATE OF NEW MEXICO  
CITY OF ROSWELL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2017

	Special Revenue			
	Library Grants <b>103</b>	South Park Cemetary <b>202</b>	Mass Transit <b>210</b>	Recreation <b>215</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,353	347,552	136,324	232,868
Receivables:				
Property taxes	-	-	-	-
Other receivables	8,397	104,425	111,658	3,242
<b>Total assets</b>	<b>\$ 9,750</b>	<b>451,977</b>	<b>247,982</b>	<b>236,110</b>
<i>Liabilities</i>				
Accounts payable	\$ 993	12,604	35,613	42,954
Accrued payroll expenses	-	8,069	23,509	17,768
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>993</b>	<b>20,673</b>	<b>59,122</b>	<b>60,722</b>
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
<b>Total Deferred Inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>993</b>	<b>20,673</b>	<b>59,122</b>	<b>60,722</b>
<i>Fund balances</i>				
Nonspendable	-	431,304	-	-
Spendable				
Restricted	8,757	-	188,860	175,388
<b>Total fund balances</b>	<b>8,757</b>	<b>431,304</b>	<b>188,860</b>	<b>175,388</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,750</b>	<b>451,977</b>	<b>247,982</b>	<b>236,110</b>

See Notes to Financial Statements.



Special Revenue

Correction Fees <b>220</b>	Convention Center <b>221</b>	Lodger's Tax <b>222</b>	Road Fund <b>223</b>	Unemployment Compensation <b>226</b>
27,634	554,708	931,036	719,196	27,161
-	-	-	-	-
-	-	-	84,189	-
<u>27,634</u>	<u>554,708</u>	<u>931,036</u>	<u>803,385</u>	<u>27,161</u>
-	84,491	38,403	61,268	-
-	-	-	28,807	-
-	-	-	-	-
<u>-</u>	<u>84,491</u>	<u>38,403</u>	<u>90,075</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>84,491</u>	<u>38,403</u>	<u>90,075</u>	<u>-</u>
-	-	-	-	-
<u>27,634</u>	<u>470,217</u>	<u>892,633</u>	<u>713,310</u>	<u>27,161</u>
<u>27,634</u>	<u>470,217</u>	<u>892,633</u>	<u>713,310</u>	<u>27,161</u>
<u><u>27,634</u></u>	<u><u>554,708</u></u>	<u><u>931,036</u></u>	<u><u>803,385</u></u>	<u><u>27,161</u></u>

STATE OF NEW MEXICO  
CITY OF ROSWELL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2017

	Special Revenue			
	Community Development Revolving Loan <b>230</b>	Beautification Grant <b>240</b>	Law Enforcement Grant <b>255</b>	HIDTA Grant <b>258</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,258,759	1	64,952	-
Receivables:				
Property taxes	-	-	-	-
Other receivables	-	-	-	42,456
<b>Total assets</b>	<b>\$ 1,258,759</b>	<b>1</b>	<b>64,952</b>	<b>42,456</b>
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	519
Accrued payroll expenses	-	-	-	1,332
Due to other funds	-	-	-	18,464
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,315</b>
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
<b>Total Deferred Inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,315</b>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted	1,258,759	1	64,952	22,141
<b>Total fund balances</b>	<b>1,258,759</b>	<b>1</b>	<b>64,952</b>	<b>22,141</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,258,759</b>	<b>1</b>	<b>64,952</b>	<b>42,456</b>

See Notes to Financial Statements.

Special Revenue

Emergency Medical Services <b>260</b>	EMS Grant-Fire <b>261</b>	Hazardous Materials Emergency Resp. <b>262</b>	Fire Protection <b>265</b>	Federal Narcotic Seizure <b>512</b>
8,514	185	20,842	1,345,826	29
-	-	-	-	-
-	-	-	-	-
<u>8,514</u>	<u>185</u>	<u>20,842</u>	<u>1,345,826</u>	<u>29</u>
-	-	7,875	54,729	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>7,875</u>	<u>54,729</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>7,875</u>	<u>54,729</u>	<u>-</u>
-	-	-	-	-
8,514	185	12,967	1,291,097	29
<u>8,514</u>	<u>185</u>	<u>12,967</u>	<u>1,291,097</u>	<u>29</u>
<u>8,514</u>	<u>185</u>	<u>20,842</u>	<u>1,345,826</u>	<u>29</u>

STATE OF NEW MEXICO  
CITY OF ROSWELL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2017

	Special Revenue		Debt Service	
	State Narcotic Seizure <b>513</b>	JAG Grant <b>514</b>	GO Bonds <b>104</b>	2008 GO Bonds <b>106</b>
<i>Assets</i>				
Cash and cash equivalents	\$ -	1,361	-	354,855
Receivables:				
Property taxes	-	-	-	5,255
Other receivables	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>1,361</b>	<b>-</b>	<b>360,110</b>
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	-
Accrued payroll expenses	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
<b>Total Deferred Inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted	-	1,361	-	360,110
<b>Total fund balances</b>	<b>-</b>	<b>1,361</b>	<b>-</b>	<b>360,110</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>1,361</b>	<b>-</b>	<b>360,110</b>

See Notes to Financial Statements.

Debt Service	Capital Project	
GRT Bond 2015 <b>107</b>	Community Development Block Grant <b>305</b>	Total Nonmajor Governmental Funds
1,377,306	-	7,410,462
-	-	5,255
-	-	354,367
<u>1,377,306</u>	<u>-</u>	<u>7,770,084</u>
-	-	339,449
-	-	79,485
-	-	18,464
<u>-</u>	<u>-</u>	<u>437,398</u>
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>437,398</u>
-	-	431,304
<u>1,377,306</u>	<u>-</u>	<u>6,901,382</u>
<u>1,377,306</u>	<u>-</u>	<u>7,332,686</u>
<u><u>1,377,306</u></u>	<u><u>-</u></u>	<u><u>7,770,084</u></u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	Special Revenue			
	Library Grants	South Park Cemetery	Mass Transit	Recreation
	<b>103</b>	<b>202</b>	<b>210</b>	<b>215</b>
<i>Revenues</i>				
Taxes:				
Property	\$ -	-	-	-
Gross Receipts	-	-	-	-
Other	-	-	-	4,337
Intergovernmental				
Federal operating grants	-	-	641,963	-
State operating grants	33,976	-	-	491,758
Charges for services	-	288,937	81,584	116,722
Investment income	-	1,498	943	1,685
Miscellaneous	-	1,497	-	17,015
<i>Total revenues</i>	<u>33,976</u>	<u>291,932</u>	<u>724,490</u>	<u>631,517</u>
<i>Expenditures:</i>				
Current:				
General government	-	31,003	-	-
Public safety	-	-	-	-
Public works	-	447,467	1,281,820	-
Culture and recreation	20,117	-	-	1,393,786
Health and welfare	-	-	-	2,230
Capital outlay	-	68,823	4,530	197,056
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,117</u>	<u>547,293</u>	<u>1,286,350</u>	<u>1,593,072</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>13,859</u>	<u>(255,361)</u>	<u>(561,860)</u>	<u>(961,555)</u>
Other Financing Sources (Uses)				
Transfers, in	-	148,120	405,117	543,825
Transfers, out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>148,120</u>	<u>405,117</u>	<u>543,825</u>
<i>Net change in fund balances</i>	13,859	(107,241)	(156,743)	(417,730)
<i>Fund balances - beginning of year</i>	<u>(5,102)</u>	<u>538,545</u>	<u>345,603</u>	<u>593,118</u>
<i>Fund balances, end of year</i>	<u>\$ 8,757</u>	<u>431,304</u>	<u>188,860</u>	<u>175,388</u>

See Notes to Financial Statements.

Special Revenue

Correction Fees <b>220</b>	Convention Center <b>221</b>	Lodger's Tax <b>222</b>	Road Fund <b>223</b>	Unemployment Compensation <b>226</b>
-	-	-	-	-
-	-	-	650,028	-
-	-	1,088,284	165,584	-
-	-	-	-	-
-	-	-	-	-
145,858	641,884	-	-	-
-	-	3,744	1,622	95
-	-	1,562	98,492	-
<u>145,858</u>	<u>641,884</u>	<u>1,093,590</u>	<u>915,726</u>	<u>95</u>
-	432,697	647,315	-	73,551
268,775	-	10,987	-	-
-	-	-	2,617,284	-
-	-	457,320	893	-
-	-	-	-	-
-	-	160,628	401,746	-
-	262,510	-	-	-
-	14,876	-	-	-
<u>268,775</u>	<u>710,083</u>	<u>1,276,250</u>	<u>3,019,923</u>	<u>73,551</u>
<u>(122,917)</u>	<u>(68,199)</u>	<u>(182,660)</u>	<u>(2,104,197)</u>	<u>(73,456)</u>
155,103	-	-	2,930,139	50,000
-	-	-	(302,242)	-
<u>155,103</u>	<u>-</u>	<u>-</u>	<u>2,627,897</u>	<u>50,000</u>
32,186	(68,199)	(182,660)	523,700	(23,456)
<u>(4,552)</u>	<u>538,416</u>	<u>1,075,293</u>	<u>189,610</u>	<u>50,617</u>
<u>27,634</u>	<u>470,217</u>	<u>892,633</u>	<u>713,310</u>	<u>27,161</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	Special Revenue			
	Community Development Revolving Loan <b>230</b>	Beautification Grant <b>240</b>	Law Enforcement Grant <b>255</b>	HIDTA Grant <b>258</b>
<i>Revenues</i>				
Taxes:				
Property	\$ -	-	-	-
Gross Receipts	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal operating grants	-	-	-	-
State operating grants	-	-	81,000	131,059
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>81,000</u>	<u>131,059</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	12,048	172,432
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	5,829	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>17,877</u>	<u>172,432</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>63,123</u>	<u>(41,373)</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	63,123	(41,373)
<i>Fund balances - beginning of year</i>	<u>1,258,759</u>	<u>1</u>	<u>1,829</u>	<u>63,514</u>
<i>Fund balances, end of year</i>	<u>\$ 1,258,759</u>	<u>1</u>	<u>64,952</u>	<u>22,141</u>

See Notes to Financial Statements.



Special Revenue

Emergency Medical Services <b>260</b>	EMS Grant-Fire <b>261</b>	Hazardous Materials Emergency Resp. <b>262</b>	Fire Protection <b>265</b>	Federal Narcotic Seizure <b>512</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
20,000	20,000	7,000	896,520	-
-	-	-	-	-
-	-	-	5,277	-
-	-	-	-	-
<u>20,000</u>	<u>20,000</u>	<u>7,000</u>	<u>901,797</u>	<u>-</u>
-	-	-	-	-
19,200	21,974	17,965	216,751	227
-	-	-	-	-
-	-	-	-	-
-	-	10,836	350,444	-
-	-	-	-	-
-	-	-	-	-
<u>19,200</u>	<u>21,974</u>	<u>28,801</u>	<u>567,195</u>	<u>227</u>
<u>800</u>	<u>(1,974)</u>	<u>(21,801)</u>	<u>334,602</u>	<u>(227)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
800	(1,974)	(21,801)	334,602	(227)
<u>7,714</u>	<u>2,159</u>	<u>34,768</u>	<u>956,495</u>	<u>256</u>
<u>8,514</u>	<u>185</u>	<u>12,967</u>	<u>1,291,097</u>	<u>29</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	Special Revenue		Debt Service	
	State			
	Narcotic Seizure	JAG Grant	GO Bonds	2008 GO Bonds
	<b>513</b>	<b>514</b>	<b>104</b>	<b>106</b>
<i>Revenues</i>				
Taxes:				
Property	\$ -	-	1,192	379,387
Gross Receipts	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	465
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	1,192	379,852
<i>Expenditures:</i>				
Current:				
General government	-	-	-	2,690
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	295,000
Interest	-	-	1,192	83,811
<i>Total expenditures</i>	-	-	1,192	381,501
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	-	(1,649)
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	-	(1,649)
<i>Fund balances - beginning of year</i>	-	1,361	-	361,759
<i>Fund balances, end of year</i>	\$ -	1,361	-	360,110

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Project</u>	
2015 GRT Bond <b>107</b>	Community Development Block Grant <b>305</b>	Total Nonmajor Governmental Funds
-	-	380,579
-	-	650,028
-	-	1,258,205
-	-	641,963
-	345,029	2,026,342
-	-	1,274,985
5	-	15,334
-	-	118,566
<u>5</u>	<u>345,029</u>	<u>6,366,002</u>
76	-	1,187,332
-	-	740,359
-	345,029	4,691,600
-	-	1,872,116
-	-	2,230
1,158,905	-	2,358,797
165,000	-	722,510
84,978	-	184,857
<u>1,408,959</u>	<u>345,029</u>	<u>11,759,801</u>
<u>(1,408,954)</u>	<u>-</u>	<u>(5,393,799)</u>
-	-	4,232,304
-	-	(302,242)
-	-	<u>3,930,062</u>
(1,408,954)	-	(1,463,737)
<u>2,786,260</u>	<u>-</u>	<u>8,796,423</u>
<u><u>1,377,306</u></u>	<u><u>-</u></u>	<u><u>7,332,686</u></u>

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## **SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
For the Year Ended June 30, 2017**

	Pioneer Bank	New Mexico Finance Authority	Washington Federal Bank	Totals
<b>Deposits</b>				
General (Operating)	\$ 19,706,195	-	-	19,706,195
Payroll	7,137	-	-	7,137
JAG Grant	1,362	-	-	1,362
GO Bond Debt Ser Series 2008	354,855	-	-	354,855
GRT Bond Program Series 2015	1,127,359	-	-	1,127,359
GRT Bond Program DS 2015	249,871	-	-	249,871
Federal Narcotics Seizure Fund	29	-	-	29
Airport PFC (Passenger Fac. Chg )	323,932	-	-	323,932
GRT Bond Debt Ser Series 08	2,269	-	-	2,269
2014A Bond Debt Ser Series 08	2,151	-	-	2,151
2014B WWTP Bond Refund Debt Ser	2,663	-	-	2,663
Municipal Court Bail Bonds	64,889	-	-	64,889
2017 Smart Meter Bond DS Fund	99	-	-	99
2017 Smart Meter Bond Fund	13,346,872	-	-	13,346,872
Convention Center	-	7,319,229	-	7,319,229
Certificates of Deposit	6,050,000	-	15,555,111	21,605,111
Total on deposit	41,239,683	7,319,229	15,555,111	64,114,023
Outstanding items	(1,217,570)	-	-	(1,217,570)
Deposits in transit	107,760	-	-	107,760
<b>Book balance</b>	<u>\$ 40,129,873</u>	<u>7,319,229</u>	<u>15,555,111</u>	<u>63,004,213</u>
<b>Investments</b>				
Local Government Investment Pool	<u>\$ -</u>	<u>11,358,332</u>	<u>-</u>	<u>11,358,332</u>
Petty Cash			4,770	4,770
			<u>\$ 74,367,315</u>	<u>74,367,315</u>
Total cash and cash equivalents governmental funds	\$	28,395,326		28,395,326
Total restricted cash and cash equivalents		7,319,229		7,319,229
Total cash and cash equivalents enterprise funds		38,138,865		38,138,865
Total agency funds cash and cash equivalents		<u>513,895</u>		<u>513,895</u>
Total cash, cash equivalents and investments	\$	<u>74,367,315</u>		<u>74,367,315</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
SCHEDULE OF PLEDGED COLLATERAL  
For the Year Ended June 30, 2017**

<u>Name of Depository</u>	<u>Description</u>	<u>Maturity</u>	<u>CUSIP or Security ID Number</u>	<u>Fair Market Value</u>	<u>Name and Location of Safe Keeper</u>
Pioneer Bank	FHLB Call After 9/27/16	6/27/2024	3130A8HU0	\$ 2,991,940	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FHLB Call After 9/27/16	6/27/2024	3130A8HU0	482,523	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FFCB Call After 7/13/17	7/13/2023	3130A8PC1	2,164,529	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FHLB Call Quarterly	5/8/2020	3133812C8	4,591,186	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FFCB Call After 4/11/17	4/11/2024	313EGXS93	4,857,755	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FHLMC #780217 Arm	1/1/2033	31342AG29	71,044	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FHLMC Arm Pool #781086	12/1/2033	31349SF32	260,036	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FHLMC #G18636	2/1/2032	3128MMV67	4,822,136	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FHLMC Gold #J15697	6/1/2026	3128PVKJ8	837,255	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FNMA AJ1622	10/1/2026	3138ASYU0	980,781	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FNMA #759453 Arm	1/1/2034	31403VWN5	161,201	Federal Home Loan Bank Dallas, TX
Pioneer Bank	FNMA #845529 Arm	12/1/2035	31408ALJ7	679,949	Federal Home Loan Bank Dallas, TX
				<u>22,900,335</u>	
Washington Federal Bank	BC2636 PL#	11/12046	3140EW4W2	7,802,379	Federal Home Loan Bank Dallas, TX
Total Collateral Pledged				<u>\$ 30,702,714</u>	



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2017**

	Balance <u>June 30, 2016</u>	Additions	Deletions	Balance <u>June 30, 2017</u>
<i>Water &amp; Sewer Meter Deposits</i>				
Assets				
Cash and cash equivalents	\$ 406,491	566,849	571,136	402,204
<i>Total assets</i>	<u>\$ 406,491</u>	<u>566,849</u>	<u>571,136</u>	<u>402,204</u>
Liabilities				
Deposits held and due to others	\$ 406,491	566,849	571,136	402,204
<i>Total liabilities</i>	<u>\$ 406,491</u>	<u>566,849</u>	<u>571,136</u>	<u>402,204</u>
<i>Bail Bonds Deposits</i>				
Assets				
Cash and cash equivalents	\$ 77,032	378,184	388,357	66,859
<i>Total assets</i>	<u>\$ 77,032</u>	<u>378,184</u>	<u>388,357</u>	<u>66,859</u>
Liabilities				
Deposits held and due to others	\$ 77,032	378,184	388,357	66,859
<i>Total liabilities</i>	<u>\$ 77,032</u>	<u>378,184</u>	<u>388,357</u>	<u>66,859</u>
<i>Payroll Payables</i>				
Assets				
Cash and cash equivalents	\$ 45,088	7,622	7,878	44,832
<i>Total assets</i>	<u>\$ 45,088</u>	<u>7,622</u>	<u>7,878</u>	<u>44,832</u>
Liabilities				
Deposits held and due to others	\$ 45,088	7,622	7,878	44,832
<i>Total liabilities</i>	<u>\$ 45,088</u>	<u>7,622</u>	<u>7,878</u>	<u>44,832</u>
<i>Total Agency Funds</i>				
Assets				
Cash and cash equivalents	\$ 528,611	952,655	967,371	513,895
<i>Total assets</i>	<u>\$ 528,611</u>	<u>952,655</u>	<u>967,371</u>	<u>513,895</u>
Liabilities				
Deposits held and due to others	\$ 528,611	952,655	967,371	513,895
<i>Total liabilities</i>	<u>\$ 528,611</u>	<u>952,655</u>	<u>967,371</u>	<u>513,895</u>

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
SCHEDULE OF JOINT POWERS AGREEMENTS AND  
MEMORANDUMS OF UNDERSTANDING  
June 30, 2017**

Participants	Responsible Party	Description
City of Roswell and Chaves County	Both	To establish the Pecos Valley Regional Communication Center
City of Roswell and the United States Marshalls Service (USMS)	Both	To establish the Violent Offender Task Force - to investigate and arrest persons who have active state and federal warrants for their arrest
City of Roswell and Immigration and Customs Enforcement and Homeland Security Investigations	Both	To establish the responsibilities of both parties and the procedures for the reimbursement of certain overtime expenses and other law enforcement
Roswell International Air Center (RIAC) and 58th Special Operations Wing (SOW)	Both	To set forth the parties respective responsibilities and establish procedures support the 58th SOW operations at the RIAC

<u>Begin Date</u>	<u>End Date</u>	<u>Estimated Amount of Project</u>	<u>Amount Contributed in Fiscal Year</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Name of Govt Agency Report Rev &amp; Exp</u>
7/19/2005	Indefinitely	Unknown	Unknown	City of Roswell	None	City of Roswell
8/1/2010	Indefinitely	Unknown	Unknown	None	None	Both
7/1/2011	Indefinitely	Unknown	Unknown	Region VI Drug Task Force	None	Region VI Drug Task Force
7/1/2011	Indefinitely	Unknown	Unknown	None	None	None

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## **COMPLIANCE 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  
GOVERNMENT AUDITING STANDARDS**

Wayne Johnson  
New Mexico State Auditor  
And  
The Mayor, City Manager, and the City Council Members  
of Roswell  
Roswell, New Mexico

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of the City of Roswell (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2017.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weakness 2017-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with

governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

**City of Roswell's Response to Findings**

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

**Purpose of this Report**

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

  
Pattillo, Brown & Hill, LLP  
Albuquerque New Mexico  
December 14, 2017

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**FEDERAL FINANCIAL ASSISTANCE**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Wayne Johnson  
New Mexico State Auditor  
And  
The Mayor, City Manager and City Council Members  
City of Roswell  
Roswell, New Mexico

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

We have audited the City of Roswell's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
December 14, 2017

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**STATE OF NEW MEXICO  
CITY OF ROSWELL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity #	Federal CFDA Number	Federal Expenditures
U.S. Department of Transportation			
Passed through NM Highway and Transportation:			
Formula Grants for Other than Urbanized Areas	M01461	20.509	\$ 524,795
Highway Planning and Construction	2101340	20.205 (A)	1,377,268
Highway Planning and Construction	2101100	20.205 (A)	958,197
Direct Programs:			
Airport Service Development Program	2014-0113-0037	20.930	283,949
Airport Improvement Program	3-35-0035-030-2016	20.106	1,731,459
Airport Improvement Program	3-35-0035-029-2015	20.106	2,431,244
Total U.S. Department of Transportation			<u>7,477,052</u>
Pass through Office of Justice Programs:			
Passed through Office of National Drug Control Policy - Reprogramming:	NM HIDTA		
Law Enforcement Assistance-Narcotics and Dangerous Drugs-Laboratory Analysis	G16SN0017A	16.001	129,689
Law Enforcement Assistance-Narcotics and Dangerous Drugs-Laboratory Analysis	G15SN0017A	16.001	1,394
Total U.S. Department of Justice			<u>131,083</u>
Passed through NM Department of Homeland Security Management: and Emergency			
Homeland Security Grant Program	EMW-2015-SS-00110	97.067 (A)	779,484
Emergency Management Performance Grant	EMT-2016-EP-00005-S01	97.042	<u>36,993</u>
Total U.S. Department of Homeland Security			<u>816,477</u>
Capitalization Grants for State Revolving Funds			
Safe Drinking Water State Revolving Fund	3205-DW	66.468	<u>47,861</u>
Total Capitalization Grants			<u>47,861</u>
Total Expenditures of Federal Awards			<u>\$ 8,472,474</u>

(A) Major Program

See Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2017**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the City. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

The City did not provide any federal awards to sub-recipients during the year.

**NOTE 2 – INDIRECT COST RATE**

The City has elected not to use the 10% de Minimis Indirect Cost Rate.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**I. SUMMARY OF AUDITOR'S REPORT**

***Financial Statements***

<u>Type of Auditor's report issued:</u>	<u>Unmodified</u>
Internal control over financial reporting: Material Weakness reported?	Yes
Significant deficiencies reported not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
a. Material weaknesses reported?	No
b. Significant deficiencies reported not considered to be material weaknesses?	None
c. Known questioned costs greater than \$25,000 for a compliance requirement for a major program?	No
d. Known questioned costs greater than \$25,000 for which is not audited as a major program?	No
e. Known or likely fraud?	No
f. Significant instances of abuse relating to major programs?	No
g. Circumstances causing the auditor's report on compliance for each major program to be modified, unless otherwise reported as audit findings?	No
h. Instances where results of audit follow-up procedures disclosed that the summary schedule of prior year audit findings prepared by the auditee materially misrepresents the status of any prior audit finding?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	Yes
Identification of major programs:	
Highway Planning and Construction	CFDA 20.205
Homeland Security	CFDA 97.067
Dollar threshold used to distinguish Between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**II. FINDINGS – FINANCIAL STATEMENT**

**2017-001 CONTROLS SURROUNDING PAYROLL DISBURSEMENTS (Other Matter)**

CONDITION: During our test of controls over payroll disbursements, we noted that 1 of 40 timesheets was not signed by the employee.

CRITERIA: Per the City's finance policies and procedures employees are to sign off on all timesheets.

EFFECT: The City is not in compliance with their internal control policies which could lead to over/under payment of employees or payment of amounts not worked.

CAUSE: Lack of attention to detail by the supervisor approving the timesheet.

RECOMMENDATION: We recommend retrain and re-emphasizing the requirement that all employees must have a properly signed off and approved timesheet.

MANAGEMENT RESPONSE: During Fiscal Year 2018, the Finance Director will oversee that the Human Resources Director will provide training regarding the City's policies and procedures over payroll.



**STATE OF NEW MEXICO  
CITY OF ROSWELL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**2017-002 Court Segregation of Duties (Material Weakness)**

**CONDITION:** The Supervising Court Clerk has the ability to perform receipting, depositing, and disbursement duties and has the ability to perform functions without review by another party.

**CRITERIA:** Segregation of duties over receipts and disbursements is required to maintain proper and sufficient internal controls per Section 6.20.2.11 of NMAC.

**EFFECT:** Lack of adequate segregation of duties or a formal review process prevents the City from detecting errors or fraudulent activity on a timely basis.

**CAUSE:** Court management has not addressed the lack of segregation of duties over the receipting and disbursements processes in the Courts.

**RECOMMENDATION:** We recommend that the City establish controls and procedures to ensure that the Courts has proper segregation of duties.

**MANAGEMENT RESPONSE:** During Fiscal Year 2018, the Finance Director will work with court personnel to develop policies and procedures to ensure that proper segregation of duties will be established in the Courts.

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**IV. STATUS OF PRIOR YEAR FINDINGS**

2015-001 Reporting

Resolved

**STATE OF NEW MEXICO  
CITY OF ROSWELL  
EXIT CONFERENCE  
JUNE 30, 2017**

**EXIT CONFERENCE**

An exit conference was held on December 14, 2017 with the City of Roswell. The overall results of the audit and related findings were discussed. The following individuals were present during the meeting:

**Representing the City of Roswell**

Caleb Grant	City Councilor
Steve Henderson	City Councilor
Joe Neeb	City Manager
Monica Garcia	Finance Director
Rebecca Hicks	Accounting Supervisor

**Pattillo, Brown and Hill, LLP**

Chris Garner	CPA
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**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by Pattillo, Brown and Hill, LLP; however the financial statements are the responsibility of the management.