

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in "TAX MATTERS" herein, interest on the Series 2017 Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof, for federal income tax purposes, (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations, but such interest on the Series 2017 Bonds will be included in the adjusted current earnings of certain corporations, and (c) is exempt from all taxation by the State or any political subdivision of the State. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Series 2017 Bonds for certain owners of such bonds, see "TAX MATTERS" herein.

CITY OF ROSWELL, NEW MEXICO
\$18,230,000
JOINT WATER AND SEWER IMPROVEMENT REVENUE BONDS
SUBORDINATE SERIES 2017

Dated: Date of Delivery**Due: June 1, as shown on inside cover**

The City of Roswell, New Mexico Joint Water and Sewer Improvement Revenue Bonds, Subordinate Series 2017 (the "Series 2017 Bonds" or the "Bonds") are special and limited obligations of the City of Roswell, New Mexico (the "City") issuable only as fully registered bonds as to both principal and interest in the denomination of \$5,000 and integral multiples thereof. Interest accrues from the date of delivery and is payable semiannually on June 1 and December 1 in each year beginning June 1, 2017. The principal of the Series 2017 Bonds is payable at the office of the Finance Officer/Treasurer of the City (the "Paying Agent"). Interest will be paid by the Paying Agent by check or draft mailed to each registered owner on or before each interest payment date. The Series 2017 Bonds will be issued pursuant to a book-entry only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") in New York, New York. Purchasers of the Series 2017 Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates representing their beneficial ownership interests. So long as DTC or its nominee is the owner of the Series 2017 Bonds, disbursement of payments of principal and interest to DTC is the responsibility of the Paying Agent, disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein.

See Inside Cover Page for Maturities, Principal Amounts, Interest Rates and Yields

The Series 2017 Bonds are subject to optional redemption prior to maturity as provided herein.

The Series 2017 Bonds are being issued to provide funds to (i) extend, enlarge, better, repair and otherwise improve the City's Joint Water and Sewer System, including the acquisition, installation, retrofitting and replacement of water and wastewater meters, (ii) purchase a reserve fund insurance policy from Build America Mutual Assurance Company for the funding of the reserve fund equal to the Series 2017 Reserve Requirement, and (iii) pay all costs incidental thereto and to the issuance of the Series 2017 Bonds. The Series 2017 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation, are not general obligations of the City and are payable and collectible solely from the Net Revenues of the Joint System specifically pledged therefor. See "THE PLEDGED REVENUES" herein. Neither the full faith and credit of the City, nor the ad valorem taxing power or general resources of the City, the State of New Mexico or any other political subdivision is pledged to the payment of the Bonds. The Bonds constitute an irrevocable and valid lien upon the Pledged Revenues (as defined herein). See "THE BONDS – Source of Payment and Security" and "THE PLEDGED REVENUES."

The scheduled payment of principal of and interest on the Series 2017 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2017 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



The Bonds are offered when, as and if issued by the City and purchased by the Underwriters and subject to the delivery of an approving opinion by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, and other conditions. Certain legal matters will be passed upon for the City by Aaron Holloman, City Attorney. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the City in connection with the preparation of this Official Statement and the sale of the Series 2017 Bonds. It is expected that delivery of the Series 2017 Bonds will be made on or about February 21, 2017 through the facilities of DTC against payment therefor.

GEORGE K. BAUM & COMPANY
BAIRD

Dated: January 24, 2017

CITY OF ROSWELL, NEW MEXICO
\$18,230,000
Joint Water and Sewer Improvement Revenue Bonds
Subordinate Series 2017
MATURITY SCHEDULE

Maturity Date June 1	Amount	Interest Rate	Yield	CUSIP
2018	\$80,000	3.00%	1.28%	778561JR2
2019	675,000	3.00%	1.45%	778561JS0
2020	690,000	3.00%	1.65%	778561JT8
2021	750,000	4.00%	1.88%	778561JU5
2022	820,000	4.00%	2.06%	778561JV3
2023	895,000	4.00%	2.30%	778561JW1
2024	955,000	4.00%	2.47%	778561JX9
2025	1,015,000	4.00%	2.61%	778561JY7
2026	1,080,000	5.00%	2.77%	778561JZ4
2027	1,160,000	5.00%	2.88% ^C	778561KA7
2028	1,255,000	5.00%	2.98% ^C	778561KB5
2029	790,000	5.00%	3.09% ^C	778561KC3
2030	840,000	3.25%	3.42%	778561KD1
2031	875,000	5.00%	3.25% ^C	778561KE9
2032	930,000	4.00%	3.55% ^C	778561KF6
2033	975,000	4.00%	3.60% ^C	778561KG4
2034	1,020,000	5.00%	3.40% ^C	778561KH2
2035	1,080,000	5.00%	3.44% ^C	778561KJ8
2036	1,140,000	5.00%	3.47% ^C	778561KK5
2037	1,205,000	5.00%	3.50% ^C	778561KL3

^C – Denotes maturities that are priced to the optional redemption date of June 1, 2026

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Series 2017 Bonds or the advisability of investing in the Series 2017 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix D - Specimen Municipal Bond Insurance Policy”.

CITY OF ROSWELL

425 North Richardson
Roswell, New Mexico 88201

MAYOR

Dennis J. Kintigh

CITY COUNCIL

Juan Oropesa
Natasha Mackey
Steve Henderson
Caleb T. Grant
Jeanine Best
Art Sandoval
Jason Perry
Savino Sanchez, Jr.
Tabitha D. Denny
Barry Foster

CITY ADMINISTRATION

Paula Hertwig-Hopkins, Interim City Manager
Monica Garcia, Finance Director
Sharon Coll, City Clerk
Aaron Holloman, City Attorney
Arthur Torrez, Utilities Department Director

BOND AND DISCLOSURE COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Albuquerque, New Mexico

REGISTRAR AND PAYING AGENT

The City Finance Director (or Successor in Function)

FINANCIAL ADVISOR

RBC Capital Markets, LLC
6301 Uptown Blvd. NE, Ste. 110
Albuquerque, New Mexico 87110
(505) 872-5999

UNDERWRITERS

George K. Baum & Company
Robert W. Baird & Co., Incorporated

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters.

The information in this Official Statement has been provided by the City and from other sources believed by the City to be reliable. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized. The information, estimates and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or in the information, estimates or opinions set forth herein, since the date of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement has been prepared only in connection with the original offering of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the City, the Bonds and the terms of the offering, including the merits and risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE BONDS, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

City of Roswell, New Mexico

\$18,230,000

Joint Water and Sewer Improvement Revenue Bonds Subordinate Series 2017

SUMMARY OF INFORMATION

The following is a summary of certain provisions discussed in this Official Statement relating to the City of Roswell, New Mexico (the “City”) Joint Water and Sewer Improvement Revenue Bonds, Subordinate Series 2017 (the “Series 2017 Bonds” or the “Bonds”). THIS SUMMARY DOES NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE COMPLETE OFFICIAL STATEMENT. This Summary is only a brief statement and a full review of the entire Official Statement, as it relates to the Bonds, should be made by potential investors.

Issuer:	The City is a political subdivision of the State of New Mexico (the “State”) organized and existing under and pursuant to the Constitution and the laws of the State. The City was incorporated in 1903, operates under a Mayor-Council form of government, and is located in the southeastern portion of the State. The City has a land area of 28.91 square miles and a population of approximately 48,300. Roswell is the largest community in Chaves County and serves as the county seat. See “THE CITY” and “AREA ECONOMIC INFORMATION.”
Dated:	Date of Delivery.
Principal Payment:	The Bonds are registered bonds maturing on June 1 of the years set forth on the inside front cover of this Official Statement.
Interest Payment:	Interest will be payable semiannually on December 1 and June 1, commencing June 1, 2017.
Purpose:	The Series 2017 Bonds are being issued by the City to (a) finance the costs of acquiring, extending, enlarging, bettering, repairing or otherwise improving the City’s Joint Water and Sewer Utility System, including the acquisition, installation, retrofitting and replacement of water and wastewater meters, (b) purchase a reserve fund insurance policy from Build America Mutual Assurance Company for the funding of the reserve fund equal to the Series 2017 Reserve Requirement, and (c) pay certain costs of issuance of the Series 2017 Bonds. See “THE PROJECT” and “SOURCES AND USES OF FUNDS” herein.
Authorization:	The City is authorized pursuant to Sections 3-31-1 to 3-31-12 NMSA 1978 (the “Act”) and other applicable New Mexico law to issue the Bonds. The Bonds are being issued in accordance with the Act pursuant to Ordinance No. 16-22, adopted by the City Council on January 12, 2017, as supplemented by Resolution No. 17-04, adopted by the City Council on January 24, 2017 (collectively, the “Bond Ordinance”).

Security:	The Bonds are payable from and secured by an irrevocable subordinate lien (but not necessarily an exclusive subordinate lien) upon the Net Revenues. Net Revenues consist of all income and revenues directly or indirectly derived from the operation and use of the City's joint water and sewer utility system (collectively, the "System" or the "Joint Utility"), less Operation and Maintenance Expenses. See "Security and Sources of Payment" herein.
Reserve Fund:	At the time of the issuance of the Series 2017 Bonds, a portion of the proceeds of the Series 2017 Bonds will be utilized to purchase a reserve fund insurance policy from Build America Mutual Assurance Company for the funding of the reserve fund equal to the Series 2017 Reserve Requirement. See "PURPOSE AND PLAN OF FINANCING-- Sources and Uses of Funds" and "The Project Plan", and "THE BONDS—Funds and Accounts", "Disposition of Bond Proceeds" and "Flow of Funds."
Special Obligations:	THE PRINCIPAL OF, INTEREST AND PREMIUM, IF ANY, ON THE BONDS SHALL BE PAYABLE FROM THE NET REVENUES AND SHALL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE SERIES 2017 BONDS. THE BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION, NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT OF THE CITY NOR THE GENERAL TAXING POWER OR GENERAL RESOURCES OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE BOND ORDINANCE.
Rate Covenant:	Pursuant to the Bond Ordinance, the City has covenanted to fix rates and collect charges in connection with the use of the System and to increase such rates and other charges from time to time if and when necessary to produce gross revenues of the System sufficient (i) to maintain the funds and accounts established in and otherwise meet the requirements of the Bond Ordinance, and (ii) to pay the annual Operation and Maintenance Expenses of the System, plus an amount equal to at least 120% of the debt service requirements on any outstanding Senior Lien Parity Obligations payable from Net Revenues, plus an amount equal to at least 100% of the debt service requirements on the Bonds and any other obligations with a subordinate lien on Net Revenues on a parity to the lien thereon of the Bonds. See "THE BONDS – Protective Covenants" herein.

Redemption:	The Series 2017 Bonds are subject to optional redemption prior to maturity in one or more units of principal of \$5,000 on and after June 1, 2026. See “THE BONDS – Bond Redemption” herein.
Registration:	The Bonds will be issued as fully registered bonds in book-entry form only in denominations of \$5,000 each or any integral multiple thereof.
Parity Bonds:	The issuance of additional Subordinate Lien Parity Bonds is subject to certain conditions provided in the Bond Ordinance. The City may also issue bonds with a pledge on the Net Revenues senior to the pledge thereon of the Bonds. See “THE BONDS – Additional Bonds” herein.
Delivery:	Delivery of the Bonds is expected on or about February 21, 2017.
Secondary Market Disclosure:	The City will enter into an undertaking (the “Undertaking”) for the benefit of the holders of the Bonds to file certain financial information and operating data and to provide notice of certain material events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12). See “CONTINUING DISCLOSURE” herein and Appendix C hereto.
Tax Exemption:	In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in "TAX MATTERS" herein, interest on the Series 2017 Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof, for federal income tax purposes, (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations, but such interest on the Series 2017 Bonds will be included in the adjusted current earnings of certain corporations, and (c) is exempt from all taxation by the State or any political subdivision of the State. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Bonds for certain registered owners of such bonds, see “TAX MATTERS” herein.
Bond Counsel:	Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico.
Registrar/Paying Agent:	City Finance Director, City of Roswell, New Mexico.

OFFICIAL STATEMENT

City of Roswell, New Mexico

\$18,230,000

**Joint Water and Sewer Improvement Revenue Bonds
Subordinate Series 2017**

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the City of Roswell, New Mexico (the “City”) \$18,230,000 Joint Water and Sewer Improvement Revenue Bonds, Subordinate Series 2017 (the “Series 2017 Bonds” or the “Bonds”) being issued by the City pursuant to the Bond Ordinance.

This introduction is not a summary of this Official Statement. It is only a description of and guide to, and is qualified by, the more complete information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this “INTRODUCTION” from this Official Statement, or to otherwise use it without the entire Official Statement. This Official Statement has been prepared by the City in connection with the original issuance and sale of the Bonds, and detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page and appendices, is unauthorized.

All terms used in this Official Statement which are not defined herein shall have the meanings given such terms in City Ordinance No. 16-22 authorizing the issuance of the Bonds adopted by the City on January 12, 2017, as supplemented by Resolution No. 17-04 adopted by the City on January 24, 2017 (collectively, the “Bond Ordinance”).

The Issuer

The City of Roswell is a political subdivision of the State of New Mexico (the “State”) organized and existing under and pursuant to the Constitution and the laws of the State. The City was incorporated in 1903, operates under a Mayor-Council form of government, and is located in the southeastern portion of the State. The City has a land area of 28.91 square miles and a population of approximately 48,300. Roswell is the largest community in Chaves County and serves as the county seat. See “THE CITY” and “AREA ECONOMIC INFORMATION.”

Purpose and Authorization

The Series 2017 Bonds are being issued to provide funds to (i) extend, enlarge, better, repair and otherwise improve the City’s Joint Water and Sewer System (the “System” or the “Joint Utility”), including the acquisition, installation, retrofitting and replacement of water and wastewater meters, (ii) purchase a reserve fund insurance policy from Build America Mutual Assurance

Company for the funding of the reserve fund equal to the Series 2017 Reserve Requirement, and (iii) pay all costs incidental thereto and to the issuance of the Series 2017 Bonds.

Authority for Issuance

The Bonds are being issued pursuant to the City's powers under the laws and the Constitution of the State, including Sections 3-31-1 through 3-31-12, NMSA 1978, as amended, and the Bond Ordinance. The Bonds are expected to be ready for delivery on or about February 21, 2017, subject to the approving opinion of Bond Counsel.

Terms of the Bonds

Principal and Interest Payment Dates

The Bonds will be dated the date of delivery. Interest on the Bonds will be payable on June 1 and December 1 of each year to registered owners shown on the books of the Registrar on the 15th day of the calendar month preceding each regularly scheduled interest payment date, commencing June 1, 2017. The Series 2017 Bonds will be issued in the aggregate principal amount of \$18,230,000 and will mature on June 1 of each year in the amounts shown on the inside front cover page (unless redeemed prior to maturity).

Denominations

The Bonds will be issuable in denominations of \$5,000, or integral multiples thereof.

Optional Redemption

Bonds maturing on and after June 1, 2027 are subject to prior redemption at the City's option in one or more units of principal of \$5,000 on and after June 1, 2026, in whole or in part at any time. See "THE BONDS – Prior Redemption."

Additional Subordinate Lien Parity Bonds

Except with respect to certain refunding bonds which do not increase the City's obligations as to required debt service, the City will be required to meet certain tests prior to the issuance of additional bonds with a lien on the Pledged Revenues on parity with the lien of the Bonds. The City may also issue bonds with a pledge on the Net Revenues senior to the pledge thereon of the Bonds. For a description of these tests, see "THE BONDS - Additional Bonds."

Security and Sources of Payment

The Bonds are not general obligations of the City and no pledge of the full faith and credit of the City, the taxing power or general resources of the City are made for the payment thereof. The Bonds are special limited obligations of the City and are not an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation. The Bonds are

payable and collectible solely from the Pledged Revenues. For a more complete description of the pledge for payment of the Bonds, see “THE PLEDGED REVENUES.”

Outstanding Obligations Payable from Pledged Revenues

As of the date of this Official Statement, the City has no outstanding obligations payable from the Pledged Revenues on parity with the lien of the Series 2017 Bonds. The following obligations are outstanding and payable from the Pledged Revenues on a lien senior to the lien of the Series 2017 Bonds: (i) Joint Water and Sewer Improvement Revenue Bonds, Series 2014A, of which \$2,300,000 in aggregate principal amount remains outstanding, (ii) Joint Utility Water and Sewer Refunding Revenue Bonds, Series 2014B, of which \$6,070,000 in aggregate principal amount remains outstanding, and (iii) 2014 Drinking Water Loan Agreement, of which \$2,724,475 in aggregate principal amount remains outstanding (collectively, the “Senior Lien Obligations”). Pursuant to the Bond Ordinance, the City is permitted to incur additional Senior Lien Obligations payable from Pledged Revenues.

The lien on the Net Revenues securing the Series 2017 Bonds will be subordinate to the lien on the Net Revenues securing the Senior Lien Obligations and will be subject to the prior payment of any Senior Lien Obligations. The City is permitted to incur additional subordinate obligations, on parity with the Series 2017 Bonds, in accordance with certain tests and upon satisfaction of certain tests as described in “THE BONDS - Additional Bonds.”

Tax Considerations

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents relating to the Series 2017 Bonds and requirements of the Internal Revenue Code of 1986, as amended, interest on the Series 2017 Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes and is not a specific preference item for purposes of the alternative minimum tax for individuals, estates, trusts and corporations, but such interest on the Series 2017 Bonds will be included in the adjusted current earnings of certain corporations, and is exempt from all taxation by the State or any political subdivision of the State. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Series 2017 Bonds for certain owners of such bonds, see “TAX MATTERS.”

Professionals Involved in the Offering

At the time of the issuance and sale of the Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver a bond opinion in substantially the form included in Appendix A hereto. Certain legal matters relating to the Bonds will be passed upon for the Underwriters by Melendres & Melendres, P.C. Certain legal matters will be passed upon for the City by Aaron Holloman, City Attorney. See “LEGAL MATTERS.”

RBC Capital Markets, LLC (“RBC CM”) is employed as Financial Advisor to the City of Roswell in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Axiom Certified Public Accountants and Business Advisors, LLC, Albuquerque, New Mexico, certified public accountants, audited the City’s financial statements for the fiscal year ended June 30, 2015. The City’s auditors have not been requested to review this Official Statement and have not done so.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval of Bond Counsel and certain other conditions. It is anticipated that the Bonds will be delivered through the facilities of The Depository Trust Company, New York, New York, on or about February 21, 2017.

Other Information

This introduction is only a brief summary of the provisions of the Bonds, the Bond Ordinance and the Project. A full review of the entire Official Statement should be made by potential investors. Brief descriptions of the Bonds, the Bond Ordinance and the City are included in this Official Statement. All references herein to the Bonds, the Bond Ordinance and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.*

Additional information and copies of the documents referred to above are available from the City at the following address:

City of Roswell
Attention: Monica Garcia, Finance Director
425 North Richardson
Roswell, New Mexico 88201
Telephone: (575) 637-6247

Additional information also may be obtained from the Financial Advisor at the following address:

RBC Capital Markets
Attention: Erik Harrigan
6301 Uptown Blvd. NE, Suite 110
Albuquerque, New Mexico 87110
Telephone: (505) 872-5979

SPECIAL FACTORS

The purchase of the Bonds involves special risks and the Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of debt service on the Bonds and could affect the market price of the Bonds to an extent that cannot be determined at this time. The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of such risks.

Limited Obligations

The obligation of the City to pay debt service on the Series 2017 Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to pay debt service on the Series 2017 Bonds does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The City is obligated under the Bond Ordinance to pay debt service on the Series 2017 Bonds solely from Net Revenues.

Factors that can adversely affect the availability of Net Revenues include, among other matters, weather conditions (drought or excessive rainfall that may affect water sales), general and local economic conditions, and changes in law and government regulations (including initiatives and moratoriums on growth). The realization of future Net Revenues is also subject to, among other things, the capabilities of management of the City, the ability of the City to provide water and wastewater service to its customers, the ability of the City to establish, maintain and collect charges for the water and wastewater service to its customers and the ability of the City to establish, maintain and collect rates and charges sufficient to pay debt service on the Series 2017 Bonds.

System Net Revenues and Expenditures

The operation and maintenance expenses of the System may increase in the coming years. Actual operation and maintenance expenses may be greater or less than projected. Factors such as changes in technology, regulatory standards, increased costs of material, energy, labor and administration can substantially affect System expenses. Although the City has covenanted to prescribe, revise and collect rates and charges in amounts sufficient to pay debt service on the Series 2017 Bonds, there can be no assurance that such amounts will be collected. Increases in System rates could result in a decrease in demand for System usage. The City actively and successfully pursues conservation efforts that limit the use of water and have a corresponding negative effect on System revenues.

Statutory and Regulatory Compliance

Changes in the scope and standards for public agency water and wastewater systems, such as the System, may lead to increasingly stringent operating requirements and the imposition of administrative orders issued by Federal or State regulators. Future compliance with such requirements and orders can impose substantial additional costs on the City. In addition, claims against the System for failure to comply with applicable laws and regulations could be significant. Such claims are payable from assets of the System or from other legally available sources. No assurance can be given that the cost of compliance with such existing or future laws, regulations and orders would not adversely affect the ability of the System to generate Net Revenues sufficient to pay debt service on the Series 2017 Bonds.

Risks Relating to the Water Supply

The ability of the System to operate effectively can be affected by the water supply available to the City, which is situated in an arid environment that is currently subject to drought conditions. If the water supply decreases significantly, whether by operation of mandatory supply restrictions, prohibitively high water costs or otherwise, flow within the System will diminish and Net Revenues may be adversely affected.

Security of the System

Damage to the System resulting from vandalism, sabotage, or terrorist activities may adversely impact the operations and finances of the System. There can be no assurance that the City's security, emergency preparedness and response plans will be adequate to prevent or mitigate such damage, or that the costs of maintaining such security measures will not be greater than currently anticipated.

Utility Costs

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the System. The operations of the System on a daily basis require a significant amount of electrical power and natural gas. Electricity is needed to run pumps, lights, computers, mechanical valves and other machinery. Prices for electricity or gas may increase, which could adversely affect the System's financial condition.

Subordinate Obligations

The lien on the Net Revenues securing the Series 2017 Bonds will be subordinate to the lien on the Net Revenues securing the Senior Lien Obligations, and the payment of the Series 2017 Bonds will be subject to the prior payment of any Senior Lien Obligations. The payment of the Series 2017 Bonds from Net Revenues will be on parity with payment of the Subordinate Lien Parity Obligations.

Additional Senior Lien Bonds and Parity Bonds

Pursuant to the Bond Ordinance, the City has the right to issue one or more series of additional bonds and other types of securities and obligations payable wholly or in part from Pledged Revenues and secured by a lien thereon senior and prior to the lien thereon of the Bonds (“Senior Lien Obligations”). Such Senior Lien Obligations would have a lien on the Pledged Revenues senior and prior to the lien enjoyed by the Bonds. The City may also issue additional Subordinate Lien Parity Bonds subject to certain conditions provided in the Bond Ordinance.

Secondary Market

Although the Underwriters expect to maintain a secondary market in the Bonds, at this time no guarantee can be made that a secondary market for the Bonds will be maintained by the Underwriters or others. Owners of Bonds should be prepared to hold their Bonds to maturity or prior redemption.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of Pledged Revenues to pay debt service on the Bonds.

Bond Insurance

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the “Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of RATINGS herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the City or Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

PURPOSE AND PLAN OF FINANCING

Sources and Uses of Funds

The sources and uses of funds to be received in connection with the issuance of the Bonds are set forth in the following tables.

Sources

Principal Amount of Series 2017 Bonds	\$18,230,000.00
Net Original Issue Discount/Premium	<u>1,918,998.15</u>
Total Sources	<u>\$20,148,998.15</u>

Uses

Deposit to Series 2017 Acquisition Account	\$19,853,556.00
Costs of Issuance*	216,717.29
Underwriters' Discount	76,268.00
Deposit to Debt Service Account	<u>2,456.86</u>
Total Uses	<u>\$20,148,998.15</u>

* This amount includes legal and other professional fees, municipal bond insurance and surety bond premiums, printing, posting, rating fees, and other miscellaneous costs.

The Project Plan

Proceeds of the Series 2017 Bonds are being issued to provide funds to (i) extend, enlarge, better, repair and otherwise improve the City's Joint Water and Sewer System, including the acquisition, installation, retrofitting and replacement of water and wastewater meters, (ii) purchase a reserve fund insurance policy from Build America Mutual Assurance Company for the funding of the reserve fund equal to the Series 2017 Reserve Requirement, and (iii) pay all costs incidental thereto and to the issuance of the Series 2017 Bonds. The City intends to enter into a guaranteed savings contract to replace all water and sewer meters within the System. Under the terms of the contract, the new meters are expected to generate savings in the System of \$14,824,231 over 20 years, with average annual savings of \$741,212. Additionally, the City will have a contractual commitment to receive \$16,256,455 in additional System revenues over 20 years, with an average annual revenue increase of \$812,823. See "RATES AND CHARGES – Guaranteed Savings Contract" herein. The estimated construction start date for meter replacement is March 15, 2017 with completion in July 1, 2018.

DEBT SERVICE SCHEDULE

The following table shows the combined debt service requirements for the Series 2017 Bonds and Senior Lien Obligations for each fiscal year ending June 30:

TABLE 1
Combined Debt Service Requirements for Series 2017 Bonds
and Senior Lien Obligations

Fiscal Year	Series 2017 Debt Service	Senior Lien Parity Obligations Debt Service ⁽¹⁾	Aggregate Annual Debt Service	Pledged Revenues ⁽¹⁾	Subordinate Lien Coverage ⁽²⁾	Senior Lien Coverage ⁽²⁾	Aggregate Debt Service Coverage ⁽²⁾	Debt Service Coverage with Guaranteed Metering Contract Savings ⁽²⁾⁽³⁾
2017	\$223,472	\$1,073,344	\$1,296,816	\$4,931,674	22.07x	4.59x	3.80x	3.80x
2018	884,500	1,078,115	1,962,615	4,931,674	5.58x	4.57x	2.51x	3.32x
2019	1,477,100	1,196,614	2,673,714	4,931,674	3.34x	4.12x	1.84x	2.43x
2020	1,471,850	1,198,263	2,670,113	4,931,674	3.35x	4.12x	1.85x	2.45x
2021	1,511,150	1,198,764	2,709,914	4,931,674	3.26x	4.11x	1.82x	2.43x
2022	1,551,150	1,198,114	2,749,264	4,931,674	3.18x	4.12x	1.79x	2.41x
2023	1,593,350	1,199,251	2,792,601	4,931,674	3.10x	4.11x	1.77x	2.39x
2024	1,617,550	1,198,652	2,816,202	4,931,674	3.05x	4.11x	1.75x	2.38x
2025	1,639,350	1,199,602	2,838,952	4,931,674	3.01x	4.11x	1.74x	2.37x
2026	1,663,750	305,727	1,969,477	4,931,674	2.96x	16.13x	2.50x	3.43x
2027	1,689,750	305,477	1,995,227	4,931,674	2.92x	16.14x	2.47x	3.40x
2028	1,726,750	307,177	2,033,927	4,931,674	2.86x	16.05x	2.42x	3.08x
2029	1,199,000	303,727	1,502,727	4,931,674	4.11x	16.24x	3.28x	4.18x
2030	1,209,500	305,277	1,514,777	4,931,674	4.08x	16.15x	3.26x	4.16x
2031	1,217,200	306,677	1,523,877	4,931,674	4.05x	16.08x	3.24x	4.14x
2032	1,228,450	307,615	1,536,065	4,931,674	4.01x	16.03x	3.21x	4.12x
2033	1,236,250	303,390	1,539,640	4,931,674	3.99x	16.26x	3.20x	4.11x
2034	1,242,250	304,165	1,546,415	4,931,674	3.97x	16.21x	3.19x	4.10x
2035	1,251,250	164,777	1,416,027	4,931,674	3.94x	29.93x	3.48x	4.49x
2036	1,257,250	164,777	1,422,027	4,931,674	3.92x	29.93x	3.47x	4.48x
2037	1,265,250	164,776	1,430,026	4,931,674	3.90x	29.93x	3.45x	4.46x
2038	-	164,777	164,777	4,931,674	-	29.93x	29.93x	29.93x

⁽¹⁾ Includes principal and interest payments on Joint Water and Sewer Improvement Revenue Bonds, Series 2014A, Joint Water and Sewer Refunding Revenue Bonds, Series 2014B and principal and interest payments on Series 2017 Bonds and Drinking Water State Revolving Loan Fund Loan from the New Mexico Finance Authority. See “Security and Sources of Payment – Outstanding Obligations” and “OUTSTANDING CITY DEBT” herein.

⁽²⁾ Based on principal and interest payments and on Pledged Revenues of \$4,931,674 for Fiscal Year 2016, without any adjustment for rate increases. See “RATES AND CHARGES” and “THE PLEDGED REVENUES-Projected Joint System Revenues, Expenditures and Net Revenues Available for Debt Service.” There is no assurance that actual Pledged Revenues received in the future will equal the projected Pledged Revenues used in the coverage computation.

⁽³⁾ Based on projected System operation and maintenance savings and increased System revenues resulting from the Project. See “RATES AND CHARGES – Guaranteed Savings Contract.”

THE BONDS

Generally

The City is authorized under Sections 3-31-1 through 3-31-12, NMSA 1978, as amended, to issue joint utility revenue bonds, including the Bonds, and to pledge joint utility revenues pursuant to the Bond Ordinance. The Series 2017 Bonds will be issued in the aggregate amount of \$18,230,000, will be dated their date of delivery ("Series Date"), are issuable in denominations of \$5,000 each or any integral multiple thereof, shall bear interest from the Series Date until maturity at the rates shown on the cover page hereof payable on June 1, 2017 and semiannually thereafter on June 1 and December 1 in each year, and shall mature on June 1 in the years and in the amounts shown on the cover page hereof (unless redeemed prior to maturity).

Special Limited Obligations

The Bonds are special limited obligations of the City, payable solely from and secured by the Pledged Revenues. For a more complete description of the pledge for payment of the Bonds, see "THE PLEDGED REVENUES." ***Except as described in the preceding sentence, the registered owners of the Bonds may not look to any general or other municipal fund of the City for payment of the principal of and interest on the Bonds. The Bonds do not constitute a general obligation of the City, and registered owners of the Bonds have no right to have any taxes levied for the payment therefor.***

Payment -- Regular and Special Record Dates

The principal of and any prior redemption premium applicable to any Bond shall be payable to the registered owner thereof as shown on the registration books kept by the Registrar upon maturity or prior redemption thereof and upon presentation and surrender at the Paying Agent. If any Bond shall not be paid upon such presentation and surrender at or after maturity, mandatory redemption date or on a designated optional prior redemption date on which the City may exercise its right to optionally redeem such Bond pursuant to the Bond Ordinance, it shall continue to draw interest at the rate borne by the Bond until the principal thereof is paid in full. Payment of interest on any Bond shall be made to the registered owner thereof as of the Regular Record Date (as defined in the Bond Ordinance) by check or draft mailed by the Registrar, on or before each interest payment date (or, if such interest payment date is not a business day, on or before the next succeeding business day), to the registered owner thereof on the Regular Record Date at his address as it last appears on the registration books kept by the Registrar on the Regular Record Date (or by such other arrangement as may be mutually agreed to by the Registrar and any registered owner on such Regular Record Date). All such payments shall be made in lawful money of the United States of America. The person in whose name any Bond is registered at the close of business on any Regular Record Date with respect to any interest payment date shall be entitled to receive the interest payable thereon on such interest payment date notwithstanding any transfer or exchange thereof registered subsequent to such Regular Record Date and prior to such interest payment date; but any such interest not so timely paid or duly provided for shall cease to be payable as provided above and shall be payable to the person

in whose name any Bond is registered at the close of business on a Special Record Date fixed by the Registrar for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Registrar whenever moneys become available for defaulted interest, and notice of any such Special Record Date shall be given not less than ten days prior thereto, by first-class mail, to the registered owners of the Bonds as of a date selected by the Registrar, stating the Special Record Date and the date fixed for the payment of such defaulted interest.

Registration

Transfer and Exchange

Books for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender for transfer of any Bonds at the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not contemporaneously outstanding. Bonds may be exchanged at the Registrar for an equal aggregate principal amount of Bonds of the same maturity of other authorized denominations. The Registrar shall authenticate and deliver a Bond or Bonds which the registered owner making the exchange is entitled to receive, bearing a number or numbers not contemporaneously outstanding. Exchanges and transfers of Bonds as provided in the Bond Ordinance shall be without charge to the owner or any transferee, but the Registrar may require the payment by the owner of any Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Times When Transfer or Exchange Not Required

The Registrar shall not be required (1) to transfer or exchange all or a portion of any Bond subject to prior redemption during the period of fifteen days next preceding the mailing of notice to the registered owners calling any Bonds for prior redemption pursuant to the Bond Ordinance or (2) to transfer or exchange all or a portion of a Bond after the mailing to registered owners of notice calling such Bond or portion thereof for prior redemption.

Payment to Registered Owners

The person in whose name any Bond shall be registered, on the registration books kept by the Registrar, shall be deemed and regarded as the absolute owner thereof for the purpose of making payment thereof and for all other purposes except as may otherwise be provided with respect to payment of interest as is provided in the Bond Ordinance; and payment of or on account of either principal or interest on any Bond shall be made only to or upon the written order of the registered owner thereof or his legal representative, but such registration may be changed upon transfer of such Bond in the manner and subject to the conditions and limitations provided in the Bond Ordinance. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

Replacement Bonds

If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it may reasonably require, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not contemporaneously outstanding. If such lost, stolen, destroyed or mutilated Bond shall have matured, the Registrar may direct the Paying Agent to pay such Bond in lieu of replacement.

Book-Entry Only System

Unless otherwise noted, the information contained under the caption “General” below has been provided by DTC. The City makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND ORDINANCE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates

the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Bonds will be printed and delivered to DTC.

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Bond Redemption

Optional Redemption

Bonds maturing on and after June 1, 2027, shall be subject to redemption prior to maturity at the City's option in one or more units of principal of \$5,000 on and after June 1, 2026, in whole or in part at any time, in such order of maturities as the City may determine (and

by lot if less than all of the bonds of such maturity is called, such selection by lot to be made by the Registrar in such manner as it shall consider appropriate and fair) for the principal amount of each \$5,000 unit so redeemed and accrued interest thereon to the redemption date.

Notice of Redemption

At least 45 days prior to any date selected by the City for optional redemption of any of the Bonds, the City shall give written instructions to the Registrar with respect to optional prior redemption pursuant to the Bond Ordinance, unless waived by the Registrar and if the Registrar is not also the Paying Agent, such written instructions shall also be given to the Paying Agent. The provisions of the preceding sentence shall not apply to the redemption of Bonds pursuant to sinking fund redemption as provided by the Bond Ordinance which shall be called for redemption by the Registrar without any additional action by the City. Notice of redemption shall be given by the City by sending a copy of such notice by registered or certified first-class, postage prepaid mail, or electronically not less than thirty days prior to the redemption date to the Purchaser and if the Registrar is not the Paying Agent, to the Paying Agent.

Notice of optional redemption shall be given by the Registrar by delivery or by sending a copy of such notice by registered or certified first-class, postage prepaid mail, or electronically not more than 60 days and not less than 30 days prior to the redemption date to each registered owner as shown on the registration books kept by the Registrar as of the date of selection of units of principal for redemption. The Registrar shall not be required to give notice of any optional redemption pursuant to the Bond Ordinance unless it has received written instructions from the City in regard thereto at least 45 days prior to such redemption date or unless it waives such 60 day written instructions requirement. Failure to give such notice by mailing to the registered owner of any Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other Bonds.

The notice required by the preceding paragraph shall specify the number or numbers of the Bond or Bonds or portions thereof to be so redeemed if less than all are to be redeemed (provided that inclusion of the number or numbers or such Bonds to be redeemed is not necessary with respect to the instructions prescribed above regarding notice from the City); and all notices required by the preceding paragraph shall specify the date fixed for redemption, and shall further state that on such redemption date there will become due and payable upon each \$5,000 unit of principal so to be redeemed at the Paying Agent the principal thereof and that from and after such date interest will cease to accrue. Notwithstanding the provisions of this section, any notice of optional redemption pursuant to the Bond Ordinance may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the registered owner of the Bonds called for redemption in the same manner as the original redemption notice was mailed. Accrued interest to the redemption date will be paid by check or draft mailed to the registered owner (or by alternative means if so agreed to by the Paying Agent and the registered owner). Notice having been given in the manner hereinbefore provided, the Bond or Bonds so called for redemption shall become due and payable on the redemption date so designated; and upon presentation thereof at the Paying Agent, the City will

pay the Bond or Bonds so called for redemption. In the event that only a portion of the principal amount of a Bond is so redeemed, a new Bond representing the unredeemed principal shall be duly completed, authenticated and delivered by the Registrar to the registered owner pursuant to the Bond Ordinance and without charge to the registered owner thereof.

Funds and Accounts

The Bond Ordinance creates or continues the following funds: an Acquisition Fund; an Income Fund; an Operation and Maintenance Fund; a Bond Fund; a Reserve Fund; and a Rebate Fund.

Disposition of Bond Proceeds

On the date of delivery of the Bonds, the net proceeds from the sale of the Bonds shall be deposited or used as follows:

A. Upon the sale of the Bonds, all moneys received as accrued interest shall be deposited into the Bond Fund to apply on the payment of interest next due on the Bonds.

B. The Reserve Requirement for the Series 2017 Bonds (the “Series 2017 Reserve Requirement”) will be satisfied by depositing a Reserve Account Insurance Policy purchased from Build America Mutual Assurance Company with coverage equal to the Series 2017 Reserve Requirement.

C. Upon the sale and delivery of the Bonds, an amount necessary to pay Expenses shall be used for payment of the Expenses in compliance with applicable law.

D. Upon the sale and delivery of the Bonds, any remaining Bond proceeds after payment of Expenses shall be deposited promptly upon receipt thereof in the Acquisition Fund.

Flow of Funds

Income Fund

So long as any of the Bonds are outstanding either as to principal or interest, or both, the City shall credit all Pledged Revenues to the Income Fund. The following payments shall be made from the Income Fund.

Operation and Maintenance Expenses

First, as a first charge thereon, there shall from time to time be set aside into and credited to the Operation and Maintenance Fund, which is continued in the Bond Ordinance, moneys in the Income Fund sufficient to pay Operation and Maintenance Expenses as they become due and payable, and thereupon they shall be promptly paid.

Senior Lien Obligations

Second, subject and subordinate to deposits required to be made to the Operation and Maintenance Fund, there shall from time to time be set aside into a credited to the debt service funds for all outstanding Senior Lien Obligations, moneys in the Income Fund sufficient to pay the debt service requirements on all outstanding Senior Lien Obligations.

Bond Fund

Third, subject and subordinate to deposits required to be made to the Operation and Maintenance Fund, and second and subordinate to any monthly deposits for payment of principal and interest on Senior Lien Parity Obligations but concurrently with and on parity with any monthly deposits for payment of principal and interest on additional Subordinate Lien Parity Obligations, from any moneys remaining in the Income Fund, there shall be credited to a separate fund created by the Bond Ordinance and to be known as the “City of Roswell Joint Water and Sewer Improvement Revenue Bonds, Subordinate Series 2017, Interest and Bond Retirement Fund” (herein “Bond Fund”):

(1) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of interest on the outstanding Bonds, and monthly thereafter commencing on that interest payment date one-sixth of the amount necessary to pay the next maturing installment of interest on the outstanding Bonds.

(2) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of principal on the outstanding Bonds, and monthly thereafter commencing on that principal payment date, one-twelfth of the amount necessary to pay the next maturing installment of principal on the outstanding Bonds.

Nothing in the Bond Ordinance shall prevent the City, in its discretion, from making any of the foregoing deposits from other legally available funds. If, prior to any interest payment date or principal payment date, there has been accumulated in the Bond Fund the entire amount necessary to pay the next maturing installment of interest or principal, or both, the payments required in subparagraph (1) or (2) (whichever is applicable) above may be appropriately reduced, and the required monthly amounts shall be credited to such account commencing on such interest payment date or principal payment date (whichever is applicable). The moneys in the Bond Fund are irrevocably and exclusively pledged to the payment of the Bonds.

Reserve Fund

Initially, on the date of issuance of the Series 2017 Bonds, the Series 2017 Reserve Requirement will be satisfied by acquiring a Reserve Account Insurance Policy purchased from Build America Mutual Assurance Company with coverage equal to the Series 2017 Reserve

Requirement. Any moneys and investments thereof or, in lieu thereof, a Reserve Fund Insurance Policy deposited in the Reserve Fund are irrevocably and exclusively pledged to payment of the Bonds.

(1) Thereafter, fourth and subordinate to the payments required for Operation and Maintenance Expenses, deposits to debt service funds for Senior Lien Obligations, and deposits to the Bond Fund, and subordinate to any payments required for any monthly reserve fund payments for Senior Lien Parity Obligations but concurrently with and on parity with the payments required for any monthly reserve fund payments for additional Subordinate Lien Parity Obligations, there shall be credited monthly to the Reserve Fund, from the moneys in the Income Fund, such cash amount or amounts, if any, as are necessary, taking into account the amount of any Reserve Fund Insurance Policy which may then be applicable, to maintain the Reserve Fund as continuing a reserve in an amount not less than the Reserve Requirement. The moneys, if any, and the amount of any Reserve Fund Insurance Policy which hereafter may be acquired in the Reserve Fund shall be accumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the principal of and interest on the Bonds hereby authorized resulting from the failure to credit to the Bond Fund sufficient funds to pay the principal and interest as the same become due and payable. Cash amounts in the Reserve Fund which together with the amount of any Reserve Fund Insurance Policy are in excess of the Reserve Fund Requirement shall be withdrawn from the Reserve Fund and transferred to the Bond Fund.

(2) The City may at any time substitute (i) one or more Reserve Fund Insurance Policies for cash or investments therein or (ii) cash or investments thereof for a Reserve Fund Insurance Policy, so long as the amount on deposit in the Reserve Fund after such substitution is at least equal to the Reserve Requirement. In the event the City shall substitute a Reserve Fund Insurance Policy for cash or investments in the Reserve Fund, the amount on deposit in the Reserve Fund shall be that amount available to be drawn or otherwise paid pursuant to such policy at the time of calculation and such cash or investments so withdrawn may be used by the City for any legal purpose.

(3) The Reserve Fund Insurance Policy shall be held by the Paying Agent. In the event of a draw upon any Reserve Fund Insurance Policy, the Paying Agent shall deliver a demand for payment in substantially the form required by the Reserve Fund Insurer to be delivered to (and to be received by) the Reserve Fund Insurer not later than the business day prior to the business day on which the funds are required. In the event there is cash in the Reserve Fund at the time of a draw from any Reserve Fund Insurance Policy, such cash (including any investments) shall be drawn down completely before any demand is made on any Reserve Fund Insurance Policy. If the Reserve Fund contains any Reserve Fund Insurance Policy from more than one provider, any draw shall be on a pro-rata basis from both. After such a draw, any available moneys in the Income Fund, concurrently and on parity with the payments in subparagraph (1) above and the payments required to replenish the reserve fund for any additional Subordinate Lien Parity Obligations, shall be used first to reimburse each such issuer of any Reserve Fund Insurance Policy for such payment of principal of and interest on the Bonds pursuant to the terms of the any agreement relating to such Reserve Fund Insurance Policy so as to reinstate each Reserve Fund Insurance Policy and thereafter to replenish any cash in the Reserve Fund.

Defraying Delinquencies in the Bond Fund and Reserve Fund

If in any month the City shall, for any reason, fail to pay into the Bond Fund the full amount stipulated in the Bond Ordinance from the Net Revenues of the System then an amount shall be paid into the Bond Fund in such month from the moneys, if any, in the Reserve Fund (including the amount of any Reserve Fund Insurance Policy except that there shall be no draw on any Reserve Fund Insurance Policy except immediately prior to an interest or principal payment date) equal to the difference between that paid from Net Revenues and the full amount so stipulated. The money so used shall be replaced in the Reserve Fund and the issuer of any Reserve Fund Insurance Policy shall be reimbursed for any draw as provided in the Bond Ordinance from the first revenues thereafter received from the operation of the System not required to be otherwise applied. If the City shall, for any reason, fail to pay into the Reserve Fund the full amount above stipulated from the Net Revenues of the System (or to reinstate the Reserve Fund Insurance Policy as provided in the Bond Ordinance), the difference between the amount paid and the amount so stipulated shall in like manner be paid therein from the first revenues thereafter received from the operation of the System not required to be otherwise applied. The moneys in the Bond Fund and the Reserve Fund (including the amount represented by the Reserve Fund Insurance Policy) shall be used solely and only for the purpose of paying the principal of and the interest on the Bonds issued under the Bond Ordinance; provided, however, that any moneys in the Bond Fund and the Reserve Fund (excluding the amount represented by any Reserve Fund Insurance Policy) in excess of accrued and unaccrued principal and interest requirements to the respective maturities of the outstanding Bonds may be withdrawn and used for any lawful purpose.

Termination upon Deposits to Maturity

No payment need be made into the Bond Fund, the Reserve Fund or both if the amount in the Bond Fund and the Reserve Fund (excluding the amount of any Reserve Fund Insurance Policy) total a sum at least equal to the entire amount of the outstanding Bonds authorized, both as to principal and interest to their respective maturities and both accrued and not accrued, in which case, moneys in the Bond Fund and the Reserve Fund in amount at least equal to such principal and interest requirements shall be used solely to pay such as the same accrue and any moneys in excess thereof in the Bond Fund and the Reserve Fund and any other moneys derived from the operation of the System be used for any other lawful purpose.

Rebate Fund

The Bond Ordinance creates a separate account known as the “City of Roswell Joint Water and Sewer Improvement Revenue Bonds, Subordinate Series 2017, Bond Rebate Fund” (“Rebate Fund”). All of the amounts on deposit in the accounts and funds created and established by the Bond Ordinance and all amounts pledged to the payment of debt service for the Bonds shall be invested in compliance with the requirements of the tax covenant contained in the Bond Ordinance. Amounts on deposit in the Rebate Fund shall not be subject to the lien and pledge of the Bond Ordinance to the extent such amounts are required to be paid to the United States Treasury. Fifth, and after and subordinate to the payments required above but on parity with any rebate fund or account which may be established for any Parity Obligations to which

the Net Revenues have been pledged in whole or in part, there shall be transferred into the Rebate Fund from the Income Fund, such amounts as are required to be deposited therein to meet the City's obligations under the tax covenant contained in the Bond Ordinance, in accordance with Section 148(f) of the Tax Code and which have not been deposited into the Rebate Fund from other sources. Amounts in the Rebate Fund shall be used for the purpose of making the payments to the United States required by Section 148(f) of the Tax Code. Any amounts in the Rebate Fund in excess of that required to be on deposit therein by Section 148(f) of the Tax Code shall be withdrawn therefrom and deposited into the Income Fund, Bond Fund or the Reserve Fund as may be permitted by law.

Interest on and Expenses relating to any Reserve Fund Insurance Policy Draws

Sixth, but subordinate and subsequent to the payments required above, moneys in the Income Fund shall be used to pay interest on amounts advanced under and reasonable expenses relating thereto under any agreement relating to any Reserve Fund Insurance Policy.

Surplus Revenues

Seventh, subordinate to, and after making the payments required to be made as specified above, and after any payments which may be required by any ordinance or resolution hereafter adopted relating to the payment of additional obligations, the remaining moneys in the Income Fund, if any, may be applied to any other lawful purpose or purposes authorized by the Constitution and laws of the State of New Mexico as the City Council may direct.

General Administration of Funds

The funds designated in the Bond Ordinance shall be administered and invested as follows:

A. Deposit of Funds. The moneys and investments comprising each of the funds and accounts designated in the Bond Ordinance shall be held by the City and maintained and kept separate from all other funds and accounts in an Insured Bank or Insured Banks. The amounts prescribed shall be paid to the appropriate funds as specified in the Administration of Income Fund section of the Bond Ordinance. Each payment shall be made into the proper bank account and credited to the proper fund not later than the last day designated; provided that when the designated date is not a business day, then such payment shall be made on the next succeeding business day. Nothing herein shall prevent the establishment of one such bank account or more (or consolidation with any existing bank account), for all of the funds and accounts in the Bond Ordinance.

B. Investment of Moneys. Any moneys in any fund designated in the Bond Ordinance may be invested in Permitted Investments provided, that investment of amounts in the Reserve Fund shall have maturities of not exceeding five years from the date of their acquisition and their value shall be determined annually at the end of each Fiscal Year (except that with the written approval of the Bond Insurer, the term and frequency of valuation of such Reserve Fund investments may be changed). The obligations so purchased as an investment of moneys shall be

deemed at all times to be part of the Reserve Fund, and the interest accruing thereon and any profit realized therefrom shall be credited to the fund, and any loss resulting from each investment shall be charged to the fund. The City Treasurer shall present for redemption or sale on the prevailing market any obligations so purchased as an investment of moneys in the fund whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such fund.

Additional Bonds

Limitations upon Issuance of Subordinate Lien Parity Obligations

Nothing in the Bond Ordinance shall be construed in such a manner as to prevent the issuance by the City of additional bonds or other obligations payable from the Net Revenues derived from the operation of the System and constituting a lien upon Net Revenues on parity with the lien of the Bonds, nor to prevent the issuance of bonds or other obligations refunding all or a part of the Bonds, provided, however, that before any such additional Subordinate Lien Parity Obligations are issued, including those Subordinate Lien Parity Obligations which refund other Subordinate Lien Parity Obligations and other subordinate lien obligations (but not including Subordinate Lien Parity Obligations which refund outstanding Subordinate Lien Parity Obligations as permitted by the Bond Ordinance):

A. The City is then current in all of the accumulations required to be made into the Bond Fund and Reserve Fund (which includes any amount furnished by any Reserve Fund Insurance Policy) pursuant to the Bond Ordinance and is then current in any payments to be made to any Reserve Fund Insurer pursuant to any agreement relevant thereto; and

B. Either

(1) the gross revenues derived from the operation of the System for the Fiscal Year or for any twelve (12) consecutive months out of the twenty-four (24) months immediately preceding the date of the issuance of such additional Subordinate Lien Parity Obligations (the "Historic Test Period") shall have been sufficient to pay the annual Operation and Maintenance Expenses for such Historic Test Period and in addition, sufficient to pay an amount representing at least 110% of the maximum annual Principal and Interest Coming Due in any subsequent Fiscal Year on the outstanding Bonds, Senior Lien Parity Obligations and Subordinate Lien Parity Obligations and the Subordinate Lien Parity Obligations proposed to be issued (excluding any reserves therefor); or

(2) (i) the gross revenues derived from the operation of the System for the Fiscal Year or for the Historic Test Period shall have been sufficient to pay the annual Operation and Maintenance Expenses for such Historic Test Period, and in addition, sufficient to pay an amount representing at least 110% of the maximum annual Principal and Interest Coming Due in any subsequent Fiscal Year on only the outstanding Bonds and other outstanding Senior Lien Parity Obligations and Subordinate Lien Parity Obligations of the City (excluding any reserves therefor) and (ii) the estimated gross revenues derived from the operation of the System for the twelve months ("succeeding twelve months") commencing on the first day of the thirty-

sixth month following the estimated completion date of the project for which such additional Subordinate Lien Parity Obligations are proposed to be issued or the first day of the thirty-sixth month following the delivery of such Subordinate Lien Parity Obligations, whichever is earlier, shall be sufficient to pay the estimated Operation and Maintenance Expenses for such succeeding twelve months and an amount representing at least 110% of the maximum annual Principal and Interest Coming Due in any subsequent Fiscal Year on the outstanding Bonds and outstanding Senior Lien Parity Obligations and Subordinate Lien Parity Obligations of the City and the Subordinate Lien Parity Obligations proposed to be issued (excluding any reserves therefor).

With respect to any Senior Lien Parity Obligations and Subordinate Lien Parity Obligations which bear interest at floating or variable rates, the maximum allowable rate under the applicable ordinance or resolution authorizing such Senior Lien Parity Obligations and Subordinate Lien Parity Obligations shall be used for purposes of the tests set forth in paragraph B above. For purposes of the tests set forth in subparagraphs (1) and (2) above, if on the date of issuance of any such Subordinate Lien Parity Obligations the full amount of a reserve fund requirement or minimum reserve for the Subordinate Lien Parity Obligations is immediately funded or capitalized from the proceeds of such Subordinate Lien Parity Obligations (but excluding the amount of any Reserve Fund Insurance Policy), the amount of such reserve fund requirement or minimum reserve so funded shall be deducted from the Principal and Interest Coming Due in the final Fiscal Year for the proposed additional Subordinate Lien Parity Obligations.

Adjustment of Expenses and Revenues

In determining whether or not the additional Subordinate Lien Parity Obligations may be issued as aforesaid:

A. Consideration shall be given to any probable increase or reduction in Operation and Maintenance Expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the Subordinate Lien Parity Obligations or other obligations; and

B. The revenues of the System shall be increased if any schedule of rate increases shall have been adopted by ordinance, resolution or other appropriate action and shall have become effective (and the time during which a referendum petition, if applicable, with respect to such ordinance, resolution or other appropriate action has expired prior to the issuance of the Subordinate Lien Parity Obligations), by an amount conservatively estimated to equal the difference between the gross revenues actually received by the City and the gross revenues which the City probably would have received during the Fiscal Year if the last of any such schedule of rate increases had been in effect during the entire Fiscal Year.

Certification or Opinion of Net Revenues

A written certification or opinion by the City's Finance Director that such Net Revenues, when adjusted as described above, are sufficient to pay the specified amounts, shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell

and deliver additional Subordinate Lien Parity Obligations; provided that a written certification or opinion of a Consulting Engineer as to the estimated completion date of any such project, and the estimated revenues and estimated Operation and Maintenance Expenses for the “succeeding twelve months” also shall be conclusively presumed to be accurate and the City’s Finance Director may conclusively rely upon such written opinion of the Consulting Engineer in determining the test set forth above. A written estimate by a Consulting Engineer as to the increase or decrease in Operation and Maintenance Expenses as provided above shall conclusively presumed to be accurate and the City’s Finance Director may conclusively rely thereupon. The adjustment in revenues above shall be conclusive and may be relied on by all parties if made in writing by the City’s Finance Director.

Nothing in the Bond Ordinance shall be construed in such a manner to prevent the issuance by the City of additional bonds or other obligations payable from the Net Revenues of the System and constituting a lien upon the Net Revenues of the System subordinate, inferior and junior to the lien of the Bonds. Nothing in the Bond Ordinance shall be construed so as to prevent the issuance by the City of additional bonds or other obligations payable from the Net Revenues of the System and constituting a lien upon the Net Revenues of the System senior and superior to the lien thereon of the Bonds, as permitted by the ordinances authorizing the Senior Lien Parity Obligations.

Refunding Obligations

The City is also allowed to issue parity refunding obligations for the purpose of refunding other outstanding obligations that are payable out of the Net Revenues on parity with the Bonds, if the lien on the Net Revenues of the outstanding obligations being refunded is on parity with the lien thereon of the Bonds or the refunding bonds are issued in compliance with the test set forth above for additional Subordinate Lien Parity Obligations. If only a part of the outstanding obligations of any issue payable from Net Revenues is refunded, then such obligations may not be refunded without the consent of the registered owners of the unrefunded portion of such obligations unless the refunding obligations would not increase any aggregate annual Principal and Interest Coming Due evidenced by such refunding obligations and the outstanding obligations not refunded on and prior to the last maturity date of such unrefunded obligations, or the refunding obligations are issued in compliance with the test set forth above for additional Subordinate Lien Parity Obligations, or the lien on the Net Revenues for the payment of the refunding obligations is subordinate to the lien thereon for the payment of any obligations not refunded.

Source of Payment and Security

The Net Revenues and amounts in the Bond Fund and Reserve Fund are pledged to secure the payment of principal of and interest on the Bonds. The payments of principal and interest on all of the Bonds will be payable only out of the Net Revenues. For a more complete description of the pledge for payment of the Bonds, see “THE PLEDGED REVENUES.”

The Bonds are secured by an irrevocable first lien, but necessarily an exclusive first lien, on the Net Revenues. The Bonds are not general obligations of the City, and the registered

owners of the Bonds may not look to any general or other fund for any payment that becomes due on the Bonds other than the special funds that are specifically pledged to repayment under the terms of the Bond Ordinance. The Bonds will not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation.

Protective Covenants

The City's covenants in the Bond Ordinance include the following:

A. Use of Bond Proceeds. The City, with the proceeds derived from the sale of the Bonds will proceed without delay to complete the Project as provided in the Bond Ordinance.

B. Payment of Bonds Authorized. The City will promptly pay the principal of and the interest on every Bond issued under the Bond Ordinance and secured hereby at the place, on the dates and in the manner specified herein and in the Bonds according to the true intent and meaning hereof. Such principal and interest are payable solely from the Net Revenues to be derived from the operation of, the resultant rates and charges for the use of, and the products and services rendered by, the System, and nothing in the Bonds or in the Bond Ordinance shall be construed as obligating the City to redeem any of the Bonds or to pay the principal thereof or interest thereon from, and the registered owner or owners thereof may not look to, any general or other fund except the income which is pledged under the provisions of this Ordinance.

C. Use Charges. Rates for all services rendered by the System to the City and its inhabitants shall be reasonable and just, taking into account and consideration the cost and value of the System and the proper and necessary allowances for the depreciation thereof and the amounts necessary for the retirement of all bonds and other securities or obligations payable from the revenues of the System, accruing interest thereon, and reserves therefor, and there shall be charged against all purchasers of service, including the City, such rates and amounts as shall be adequate to meet the requirement of this and the preceding Sections hereof, and which shall be sufficient to produce Revenues annually to pay the annual Operation and Maintenance Expenses of the System and one hundred twenty per cent (120%) of both the Principal of and Interest on any Senior Lien Parity Obligations payable annually from the revenues thereof and one hundred percent (100%) of both the Principal of and Interest on the Bonds and any obligations constituting a lien upon the Net Revenues of the System on a parity to the lien thereon of the Bonds (in each case, excluding the reserves therefor but including amounts coming due under mandatory sinking fund redemption provisions), all of which revenues, including those received from the City, shall be subject to distribution to the payment of the cost of operating and maintaining the System and the payment of principal (including payments coming due on mandatory sinking fund redemption) of and interest on all obligations payable from the revenues of the System, including reasonable reserves therefor. No free service, facilities nor commodities shall be furnished by the System. Should the City elect to use for municipal purposes water supplied by, or the sanitary sewer or other facilities of, the System, or any combination thereof, or in any other manner use the System, or any part thereof, any use of the System by or of the services rendered thereby to the City, or any department, board or agency thereof, will be reimbursed from the City's general fund or other available revenues at the reasonable value of the use so made, or service, facility or commodity so rendered; and all the

revenue so derived from the City shall be deemed to be revenues derived from the operation of the System, to be used and accounted for in the same manner as any other income derived from the operation of the System. The City is granted by statute a lien upon each lot or parcel of land in the City for the charges imposed hereunder for water and sewer services supplied by the System to the owner thereof (except as otherwise provided in Section 3-23-6 NMSA 1978), and the City expressly covenants and agrees that it will cause each such lien to be perfected in accordance with the provisions of Sections 3-23-6 and 3-36-1 through 3-36-7 NMSA 1978, as from time to time amended and supplemented, and the City covenants and agrees that it will take all reasonable steps necessary to enforce such lien as to each piece of property the owner of which shall be delinquent for more than six months in the payment of charges imposed hereunder.

D. Levy of Charges. The City will forthwith and in any event prior to the delivery of any of the Bonds fix, establish and levy the rates and charges which are required by Subsection C of this Section, if such action be necessary therefor. No reduction in any initial or existing rate schedule for the System may be made unless:

(1) The City has fully complied with Section 20 of the Bond Ordinance for at least the full Fiscal Year immediately preceding such reduction of the initial rate schedule; and

(2) The audit of the Independent Accountant required by Subsection H below for the full Fiscal Year immediately preceding such reduction discloses that the estimated revenues resulting from the proposed rate schedule, after its proposed reduction, will be sufficient to pay an amount at least equal to the annual cost for that period of Operation and Maintenance Expenses, and, in addition, (i) one hundred twenty percent (120%) of both the Principal of and Interest on Senior Lien Parity Obligations payable annually from the revenues of the System, and (ii) one hundred percent (100%) of both the Principal of and Interest on the Bonds and any obligations constituting a lien upon the Net Revenues of the System on a parity to the lien thereon of the Bonds (in each case excluding reasonable reserves therefor but including amounts coming due under mandatory sinking fund redemption provisions).

E. Efficient Operation. The City will operate the System so long as any of the Bonds authorized under the Bond Ordinance are outstanding, maintain the System in efficient operating condition and make such improvements, extensions, enlargements, repairs and betterments thereto as may be necessary or advisable to insure its economical and efficient operation at all times and to the extent sufficient to supply public or private demands for service within the City and the territory served by the System.

F. Records. So long as any of the Bonds remain outstanding, proper books of record and account will be kept by the City, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the System. Such books shall include (but not necessarily be limited to) monthly records showing:

(1) The number of customers separately for the water facilities and sanitary sewer facilities;

(2) The revenues separately received from charges by classes of customers, including but not necessarily limited to classification by water facilities and sanitary sewer facilities; and

(3) A detailed statement of the expenses of the System.

G. Right to Inspect. Any registered owner of any of the Bonds, or any duly authorized agent or agents of such registered owner, shall have the right at all reasonable times to inspect all records, accounts and data relating thereto and to inspect the System and all properties comprising the System.

H. Audits. The City further agrees that, except where the State Auditor of the State of New Mexico performs the audit or where the due date for the audit has been postponed as may otherwise be required by the State Auditor or any other state office or agency with appropriate authority, it will, within 270 days following the close of each Fiscal Year, cause an audit of such books and accounts to be made by an Independent Accountant, showing the receipts and disbursements for the account of the System, and that such audit will be available for inspection by any registered owner of any of the Bonds, provided that where the State Auditor performs the audit or the audit has been postponed as aforesaid so that the audit is not available until more than 270 days following the close of the Fiscal Year, the City will use its best efforts to have the audit completed as soon as possible following the close of the Fiscal Year. All expenses incurred in the making of the audits and reports required by this Section shall be regarded and paid as an operation and maintenance expense. The City agrees to furnish forthwith a copy of each of such audits and reports as may be provided in the Continuing Disclosure Agreement.

I. Billing Procedure. All bills for water, water service or facilities, sewer service or facilities, or any combination thereof, furnished or served by or through the System shall be rendered to customers on a regularly established basis in each and every month either monthly in advance or in the month next succeeding the month in which the service was rendered and shall be due within 20 days from the date rendered; and in the event any bill is not paid within 35 days after the date when rendered, water and water service shall be discontinued, except as otherwise provided by law, and the rates and charges due shall be collected in a lawful manner, including but not limited to the cost of disconnection and reconnection. Water charges and sewer charges may be billed jointly with each other; provided that each joint bill shall show separately water and sewer charges.

J. Use of Bond and Reserve Fund. The Bond Fund and the Reserve Fund shall be used solely and only for the purposes set forth in the Bond Ordinance.

K. Charges and Liens upon System. From the Revenues of the System, the City will pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied, assessed upon or in respect to the System, or any part thereof, when the same shall become due, and it will duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the System. The City will not create or suffer to be created any lien or charge upon the System or upon the Revenues therefrom except as permitted by the Bond Ordinance, or it will make adequate provisions to satisfy and discharge

within sixty days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects, which, if unpaid, might by law become a lien upon the System or upon the Revenues therefrom; provided, however, that nothing in the Bond Ordinance shall require the City to pay or cause to be discharged, or make provision for any such tax assessment, lien or charge before the time when payment thereof shall be due or so long as the validity thereof shall be contested in good faith by appropriate legal proceedings.

L. Insurance. The City in its operation of the System will carry fire and extended coverage insurance, and other types of insurance in such amounts and to such extent as is normally carried by municipal corporations operating public utilities of the same type including, but not limited to self-insurance and self-insurance pools. The cost of such insurance shall be considered as one of the Operation and Maintenance Expenses of the System. In the event of property loss or damage, insurance proceeds shall be used first for the purpose of restoring or replacing the property lost or damaged, and any remainder shall be treated as Net Revenues of the System, and shall be subject to distribution in the manner provided in the Bond Ordinance, for Net Revenues derived from the operation of the System.

M. Competing System. As long as any of the Bonds hereby authorized are outstanding and to the extent permitted by law, the City shall not grant any franchise or license to a competing system, nor shall it permit during such period (except as it may legally be required to do so) any person, association, firm or corporation to sell water, water service or facilities, or sanitary sewer service or facilities, to any consumer, public or private, within the City, except that nothing herein shall prevent the sale of bottled water by other persons, associations, firms or corporations.

N. Alienating System. The City will not sell, lease, mortgage, pledge, or otherwise encumber, or in any manner dispose of, or otherwise alienate, the System, or any part thereof, including any and all extensions and additions that may be made thereto, until all the Bonds shall have been paid in full, both principal and interest, or there has been defeasance as provided in the Bond Ordinance or unless provision has been made therefor, except that the City may sell any portion of such property which shall have been replaced by other property of at least equal value, or which shall cease to be necessary for the efficient operation of the System, but in no manner nor to such extent as might prejudice the security for the payment of the Bonds, provided, however, that in the event of any sale as aforesaid, the proceeds of such sale shall be distributed as Net Revenues of the System in accordance with the provisions of the Bond Ordinance.

O. Extending Interest Payments. In order to prevent any accumulation of claims for interest after maturity, the City will not directly or indirectly, extend or assent to the extension of the time for payment of any claim for interest on any of the Bonds, and it will not directly or indirectly be a party to or approve any arrangement for any such extension or for the purpose of keeping alive any of the interest and in case the time for payment of any such interest shall be extended, such installment or installments of interest after such extension or arrangement shall not be entitled in case of default hereunder to the benefit or security of the Bond Ordinance except subject to the prior payment in full of the principal of all Bonds then outstanding, and of matured interest on such Bonds the payment of which has not been extended.

P. Surety Bonds. Each municipal official or other person having custody of any funds derived from operation of the System, or responsible for their handling, shall be bonded at all times, which bond shall be conditioned upon the proper application of the funds. The cost of each bond shall be considered one of the operating costs of the System.

Q. Competent Management. The City shall employ or contract for experienced and competent management personnel for each component of the System. In the event of (i) default on the part of the City in paying principal of or interest on the Bonds promptly as each falls due, (ii) failure of the City to perform any covenants (other than with respect to payment of principal and interest on the Bonds herein contained or with respect to continuing disclosure) which failure shall continue for a period of sixty days, or (iii) failure of the Net Revenues of the System in any Fiscal Year to equal at least the amount of the principal of and interest on the revenue bonds and other obligations (including all reserves therefor specified in the authorizing proceedings, including but not limited to the Bond Ordinance) payable from Net Revenues in that Fiscal Year, the City shall retain a firm of competent Consulting Engineers skilled in the operation of water and sanitary sewer systems to assist the management of the System so long as such default continues or the Net Revenues are less than the amount specified in the Bond Ordinance. Nothing in the Bond Ordinance shall prevent the City from contracting with persons or private entities to manage or operate the System or any part thereof.

R. Performing Duties. The City will faithfully and punctually perform all duties with respect to the System required by the Constitution and laws of the State of New Mexico and the ordinances and resolutions of the City, including but not limited to the making and collecting of reasonable and sufficient rates and charges for services rendered or furnished by the System as hereinbefore provided, and the proper segregation of the revenues of the System and their application to the respective funds.

S. Other Liens. Other than as provided by the Bond Ordinance, there are no liens or encumbrances of any nature, whatsoever, on or against the System or the Revenues derived or to be derived from the operation of the same.

T. Completion Bonds. In order to insure the completion of the Project, and to protect the registered owner or owners of the Bonds, the City will require that the contractor to whom is given any contract for construction appertaining to the Project supply a completion bond or bonds satisfactory to the City, and that any sum or sums derived from the completion bond or bonds shall be used within six months after such receipt for the completion of the Project, and if not so used within such period, shall be placed in and be subject to the provisions of the Income Fund provided for in the Bond Ordinance.

U. City's Existence. The City will maintain its corporate identity and existence so long as any of the Bonds authorized by the Bond Ordinance remain outstanding unless another political subdivision by operation of law succeeds to the duties, privileges, powers, liabilities, disabilities, immunities and rights of the City and is obligated by law to receive and distribute the Revenues of the System in place of the City, without affecting to any substantial degree the privileges and rights of any registered owner of any outstanding Bonds.

V. Tax Covenant. The City covenants for the benefit of the owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the City or any facilities financed with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met.

Defeasance

When all principal, any applicable prior redemption premium (if any) and interest due on the Bonds authorized under the Bond Ordinance have been duly paid, the pledge and lien and all obligations under the Bond Ordinance shall thereby be discharged and the Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance. There shall be deemed to be such due payment as to any Bond when the City has placed in escrow and in trust with a commercial bank or trust company located within or without the State of New Mexico and exercising trust powers, a cash amount sufficient (including the known minimum yield from Federal Securities in which all or a portion of such amount may initially be invested) to meet all requirements of principal, interest and any applicable prior redemption premium (if any) as the same become due to its maturity date or prior redemption date as to which the City shall have exercised or obligated itself to exercise its option to call such Bond. The Federal Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and such bank or trust company at the time of the creation of the escrow or the Federal Securities shall be subject to the redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. Federal Securities within the meaning of the Bond Ordinance shall include only direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and which are not callable prior to maturity by the issuer of such obligations.

Events of Default

Each of the following events is declared in the Bond Ordinance as an “event of default” with respect to the Bonds:

(a) Nonpayment of Principal and Optional Redemption Premium, if Applicable. If payment of the principal and prior redemption premium, if applicable, of any of the Bonds authorized in the Bond Ordinance to be issued shall not be made when the same becomes due and payable, either at maturity, or by proceedings for optional redemption, or otherwise; or

(b) Nonpayment of Interest. If payment of any installment of interest shall not be made when the same becomes due and payable or within 30 days thereafter; or

(c) Incapable to Perform. If the City shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(d) Default of Any Other Provision. If the City shall default in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Bonds or in this ordinance on its part to be performed other than with respect to payment of principal, any prior redemption premium or interest on the Bonds and other than with respect to continuing disclosure, and if such default shall continue for 60 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the registered owners of at least 25% in principal amount of the Bonds then outstanding; or

Duties upon Default

Upon the happening of any of the events of default as provided in the Bond Ordinance, the City, in addition, will do and perform all proper acts on behalf of and for the registered owners of the Bonds to protect and preserve the security created for the payment of the principal of and interest on the Bonds promptly as the same become due. All proceeds derived from the Net Revenues of the System, so long as any of the Bonds authorized under the Bond Ordinance, either as to principal or interest, are outstanding and unpaid, shall be paid into the Bond Fund and used for the purposes provided in the Bond Ordinance. In the event the City fails or refuses to proceed as provided herein, the registered owner or registered owners of not less than 25% in principal amount of the Bonds then outstanding, after demand in writing, may proceed to protect and enforce the rights of the registered owners as hereinabove provided.

Remedies upon Default

Upon the happening and continuance of any of the events of default as provided in Section 30 of the Bond Ordinance, then and in every case the owner or owners of not less than 25% in principal amount of the Bonds then outstanding, including but not limited to a trustee or trustees therefor, may proceed against the City, its Council, and its agents, officers and employees to protect and enforce the rights of any registered owner of Bonds under the Bond Ordinance by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for specific performance of any covenant or agreement contained in the Bond Ordinance or in an award or execution of any power herein granted for the enforcement of any power, legal or equitable remedy as such owner or owners may deem most effectual to protect and enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any owner, or to require the Council of the City to act as if it were the trustee of an expressed trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all registered owners of the Bonds then outstanding. The failure of any owner so to proceed shall not relieve the City or any of its officers, agents or employees of any liability for failure to perform any duty. Each right or privilege of any owner (or trustee thereof) is in addition and

cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any owner shall not be deemed a waiver of any other right or privilege thereof.

Amendments to the Bond Ordinance

The Bond Ordinance may be amended or supplemented by ordinance adopted by the Council in accordance with the laws of the State of New Mexico, as follows:

A. Without Consent of the Registered Owners. The City, without the consent of or notice to the registered owners of the Bonds, may adopt an ordinance supplemental to the Bond Ordinance (which supplemental ordinance shall thereafter form a part of the Bond Ordinance) for any one or more or all of the following purposes:

(1) To add to the covenants and agreements in the Bond Ordinance contained other covenants and agreements thereafter to be observed for the protection or benefit of the registered owners of the Bonds; or

(2) To cure any ambiguity, to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance, or to make any provision with respect to matters arising under the Bond Ordinance or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the owners of the Bonds; or

(3) To subject to the Bond Ordinance additional revenues, properties or collateral; or

(4) In connection with the issuance of Parity Obligations or Refunding Bonds pursuant to the terms of the Bond Ordinance.

B. With Consent of the Registered Owners. The City, without receipt by the City of any additional consideration but with the written consent of the registered owners of 75% of the Bonds outstanding at the time of the adoption of such amendatory or supplemental ordinance or as provided in the Bond Ordinance, also may amend the Bond Ordinance in any other manner not permitted by paragraph A above; provided, however, that no such ordinance shall have the effect of permitting:

(1) An extension of the maturity of any Bond authorized by the Bond Ordinance; or

(2) A reduction in the principal amount of any Bond, the rate of interest thereon or the amount of premium (if any) due on any Bond which may be called for prior redemption; or

(3) The creation of a lien upon or pledge of Net Revenues ranking prior to the lien or pledge created by the Bond Ordinance; or

(4) A reduction of the principal amount of Bonds required for consent to such amendatory or supplemental ordinance; or

(5) The establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Ordinance.

THE JOINT UTILITY

The Joint Utility System is operated by the City and consists of joint water and sewer utility facilities. In October 1983, BRW Inc. and Architectural Research Consultants, Inc. completed a comprehensive master plan for the City which was to provide for the planned, orderly growth of the City through 2005. The City has successfully followed this comprehensive master plan since 1983 in relation to the joint utility system. Due to the relatively flat landscape surrounding the City, the water and wastewater systems largely operate with the use of gravity alone to move the water and wastewater. The wastewater collection system utilizes only four lift stations, and no significant pressure-lift pumping is required for the water distribution system.

The Wastewater Department

The Wastewater Department maintains a wastewater treatment plant facility and a sanitary sewer collection system. The present system consists of approximately 225 miles of collection lines, approximately 4,000 manholes, interceptors, pumping units, four lift stations, an office, shop, and laboratory facilities. The components of the Wastewater Department are of varying ages. The wastewater treatment plant was completed in 1987, and upgrades were undertaken between 2004 and 2008 to comply with effluent pollutant limitations on nitrate production and chlorine handling. In 2016, the Entrance Works and SCADA system were upgraded. The City's Wastewater Department provides service to approximately 99% of the City's households (48,500 customers), the balance of which are served by septic tanks. Current average daily dry weather sewage flow is approximately 3,300,000 gallons.

The Wastewater Department's treatment of sewage and the disposal of solids and treated effluent is subject to rules and regulations promulgated by the United States Environmental Protection Agency and the water pollution standards imposed by the New Mexico Water Quality Control Act, which are enforced by the New Mexico Environment Department.

A five-year history of total water and wastewater connections is as follows:

TABLE 2
Water and Wastewater Connections*

Fiscal Year	Total
2016	20,729
2015	20,774
2014	20,796
2013	19,207
2012	19,158

*The number of water and wastewater customers is the same.

Source: City of Roswell

Some meters are combined in one billing customer. No historical data on the number of water meters is available.

A ten-year history of wastewater volume treated by the Wastewater Department is set forth below:

TABLE 3
Wastewater Volumes Treated

Fiscal Year	Million Gallons Treated
2016	1,215
2015	1,215
2014	1,256
2013	1,204
2012	1,204
2011	1,168
2010	1,350
2009	1,277
2008	1,131
2007	1,277

Source: City of Roswell

The following table shows the five largest Wastewater Department customers during the fiscal year ending June 30, 2016.

TABLE 4
Five Largest Wastewater Department Customers by Volume

Customer	Service Charges Collected for Top Five Users
New Mexico Military Institute	\$61,412
Roswell Independent School District	59,889
Eastern New Mexico University – Roswell	39,876
Saddle Creek Apartments	10,518
Mission Arch Nursing Home	10,903
Total	<u>\$182,597</u>

Source: City of Roswell

The Water Department

The Water Department is supplied by 20 wells that produce water from the Artesian San Andreas aquifer. The City understands that the San Andreas aquifer is a readily rechargeable aquifer that will continue to produce a sufficient water supply for the foreseeable future. The water pumped from the aquifer requires no treatment other than chlorination. The City currently owns 26,189 acre feet per annum of water rights in the Roswell area. The City pumps 20,000 acre feet of water per year. The City also has 3,888 acre feet of water rights in reserve for future needs. The Water Department operates and maintains approximately 350 miles of water lines, 4,000 fire hydrants, valves and other fittings needed to provide continuous water service to the City's customers.

Water volumes sold by the Water Department for the last 10 years is set forth below:

TABLE 5
Water Volumes Sold

Fiscal Year	Total Consumption (gallons)	Average Daily Consumption (gallons)
2016*	2,985,000,000	8,200,000
2015*	2,723,000,000	7,500,000
2014*	3,323,000,000	9,100,000
2013	3,512,766,400	9,624,018
2012	3,766,695,790	10,319,714
2011	3,541,631,040	9,703,099
2010	3,280,151,750	8,986,717
2009	3,407,473,050	9,335,543
2008	3,490,256,320	9,562,346
2007	2,940,231,600	8,055,429

Source: City of Roswell

* Rounded

The following table shows the five largest Water Department customers during the fiscal year ending June 30, 2016.

TABLE 6
Five Largest Water Department Customers by Volume

Customer	Service Charges Collected for Top Five Users
New Mexico Military Institute	\$159,511
Roswell Independent School District	155,557
Eastern New Mexico University – Roswell	103,573
Saddle Creek Apartments	27,318
Mission Arch Nursing Home	28,319
Total	\$474,278

Source: City of Roswell

Administration of the Joint Utility

The Water and Wastewater Departments are overseen by the City Manager and are managed by the Water/Wastewater Manager and three superintendents for the Water Department related to water distribution, water production and wastewater treatment.

Arthur Torrez, Utility Director. Mr. Torrez has been employed with the City's Joint Utility System since 1978 and has been a wastewater treatment laboratory technician, wastewater treatment operator and wastewater superintendent. In 1996 Mr. Torrez assumed the position of Water/Wastewater Manager. Mr. Torrez has an Associate of Arts degree from New Mexico State University in the areas of wastewater treatment and utility management. He is certified as a Level IV wastewater operator and Level IV water operator. Mr. Torrez has received numerous professional awards related to water and wastewater utilities.

Lorenzo Sanchez, Water Maintenance and Transmission Superintendent. Mr. Sanchez has been employed with the Maintenance and Transmission Department since 1994 and has been the Water Maintenance and Transmission Superintendent since 2014. Mr. Sanchez is a Level IV water operator and a Level IV wastewater operator with extensive training in the areas of water maintenance and transmission.

Roger Buckley, Water Production Superintendent. Mr. Buckley has been employed with the Water Production Department since 1992 and has been the Water Production Superintendent since 2010. He is a Level IV water operator and a Level III wastewater operator with extensive training in the areas of water production and treatment.

RATES AND CHARGES

The City collects monthly fees for water and wastewater service. All rates are approved by the City Council. The most recent adjustment to water and sewer charges occurred in 2013.

Water Rates

Charges for water are based upon individually metered connections. The rates appear below.

TABLE 7
Water Rates

Meter Size	Quantity of Water Used Per Month	Water Rate Charge Per Month
¾ inch	First 3,000 gallons	\$16.64 minimum
1 inch	First 3,000 gallons	\$18.53 minimum
1½ inch	First 3,000 gallons	\$28.31 minimum
2 inch	First 3,000 gallons	\$36.89 minimum
3 inch	First 3,000 gallons	\$46.75 minimum
4 inch	First 3,000 gallons	\$70.14 minimum
6 inch and larger	First 3,000 gallons	\$93.41 minimum

Source: City of Roswell

Additionally, the City imposes a charge of \$2.04 per 1,000 gallons in excess of 3,000 per month. Beginning with January 1, 2017, water rates are adjusted on January 1 of each year to consumer price indexes associated with utility maintenance.

Wastewater Rates

Wastewater rates are established by City ordinance and were last revised in 2013. The current rates appear below.

TABLE 8
Wastewater Rates

Each single family residence, separately metered unit in a multifamily residence, singly metered multiple family residence or mobile park, hotel, business house, and all other persons	\$10.05 per meter plus \$1.50 per 1,000 gallons used per month
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Source: City of Roswell

Beginning with January 1, 2017 wastewater rates are adjusted on January 1 of each year to consumer price indexes associated with utility maintenance.

When wastewater service charges are based on water consumption which is partly used for irrigation purposes, wastewater service charges are computed on the basis of the average water consumption monthly charges in the preceding December, January, and February.

Capital Improvement Plan

The City's current Local Infrastructure Capital Improvements Plan (the "Plan") outlines projected capital improvements for the City through 2020. Under the Plan, the City anticipates numerous water and wastewater system improvements. The anticipated cost for these improvements for Fiscal Years 2017 through 2020, including the cost of the Project, is \$45,670,000. The Project financed with proceeds of the Series 2017 Bond is a component of the Plan.

Guaranteed Savings Contract

The City anticipates that it will enter into an agreement with Yearout Energy Service Co. ("YESCO"), pursuant to which YESCO will undertake to install 19,385 water and sewer meters to the Joint Utility. The meters are more accurate and efficient than the City's current meters. The proceeds of the Series 2017 Bonds will be used, in part, to finance installation of the new meters. The improvements are expected to generate savings in the water system estimated at \$343,208 annually. Under the terms of the Metering Contract with YESCO, the City anticipates that it will have a contractual commitment from YESCO to receive operation and maintenance savings of \$14,824,231 over 20 years, with average annual savings of \$741,212. Additionally, the City anticipates that it will have a contractual commitment to receive \$16,256,455 in additional System revenues over 20 years, with an average annual revenue increase of \$812,823. The savings and increased revenues are anticipated to increase Net Revenues of the System pledged to payment of the Bonds by an average of \$1,554,035 annually. YESCO has conducted business in the State for over 50 years, and has annual revenues in excess of \$50,000,000.

THE PLEDGED REVENUES

The Bonds are special obligations of the City, payable from the Net Revenues and moneys in the Bond Fund and Reserve Fund created under the Bond Ordinance. The Net Revenues consist of all revenues of the Joint Utility (i.e., all income and revenues derived by the City from the operation of the Joint Utility or any part thereof, including but not limited to all revenues received from the sale and use of water, water service and facilities, wastewater service facilities or any combination thereof) remaining after deducting operation and maintenance expenses of the Joint Utility. Operation and maintenance expenses, as defined in the Bond Ordinance, include all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Joint Utility and shall include, without limiting the generality of the foregoing, legal and overhead expense of various City departments directly related and reasonably allocable to the administration of the Joint Utility, insurance premiums, taxes, any rebate payments to the United States if necessary to protect the tax exempt status of the Bonds or other tax-exempt obligations payable from Revenues of the Joint Utility, the

reasonable charges of depository banks and paying agents, contractual services, professional services required by the Bond Ordinance, salaries and administrative expenses, labor, the cost of materials and supplies used for current operation, but shall not include any allowance for depreciation, liabilities incurred by the City as a result of its negligence in the operation of the Joint Utility, costs of extensions, enlargements or betterments of the Joint Utility or any charges for the accumulation of reserves for capital replacements.

The City charges all purchasers for services rendered by the Joint Utility. In order to limit losses from unpaid charges, the City requires a security deposit equal to the estimated amount of Joint Utility services for a two month period from a non-owner applicant and for a one month period if the applicant is the owner of the premises using Joint Utility services. The security deposit is refunded after two years if the customer has established a consistent history of timely payments.

If a utility payment has not been received 20 days after the billing date, a past due notice is mailed the following day. If payment has not been received 35 days after the billing date, all service may be discontinued, except as otherwise provided by law. Joint Utility services are not reinstated after discontinuance until all past charges are paid and reconnection fees of \$13.00 for residential customers and \$13.00 for business customers are paid. The City may make arrangements for late payments and may help the customer apply for public assistance.

The City is granted by statute a lien upon each lot or parcel of land in the City for the charges imposed for water and sewage facilities and services supplied by the Joint Utility to the owner thereof (except as otherwise provided in Section 3-23-6, NMSA 1978 as amended from time to time). Joint Utility charges for water and wastewater services are co-equal liens and are superior to all other liens except general property taxes. The City has expressly covenanted to cause each such lien to be perfected in accordance with the provisions of Sections 3-23-6 and 3-36-1 through 3-36-6, NMSA 1978, as amended from time to time, and has agreed that it will take all steps necessary to enforce such lien as to each property the owner of which shall be delinquent for more than six months in payment of charges imposed for water and wastewater services rendered by the Joint Utility.

Five-Year Summary of Financial Information on the Joint Utility

The following tables set forth summaries of financial information for past fiscal years regarding the Joint Utility.

TABLE 9
Joint Utility Enterprise Fund
Historical Revenues, Expenses and Changes in Net Position

	Fiscal Year Ending June 30				
	2012	2013	2014	2015	2016*
<i>Operating revenues</i>					
Charges for services	\$ 9,161,932	\$10,133,957	\$12,075,213	\$11,386,524	\$12,491,734
Rental income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<i>Total operating revenues</i>	<u>9,161,932</u>	<u>10,133,957</u>	<u>12,075,213</u>	<u>11,386,524</u>	<u>12,491,734</u>
<i>Operating expenses</i>					
General and administrative	576,835	603,837	688,390	660,230	556,153
Personnel services	3,189,673	3,200,747	3,450,581	3,419,346	4,165,821
Operating expenses	-	-	-	-	-
Contractual services	428,415	411,487	397,523	719,521	384,912
Supplies and purchased power	903,058	1,314,488	1,530,300	519,307	196,907
Maintenance and materials	832,922	913,052	1,036,274	1,799,639	1,178,674
Utilities	614,308	596,654	664,846	640,527	570,902
Gross receipts tax expense	-	452,739	517,601	507,785	531,343
Amortization	(18,651)	(18,650)	-	-	-
Depreciation	1,840,338	3,657,098	2,231,485	1,907,481	2,055,151
<i>Total operating expenses</i>	<u>8,366,898</u>	<u>11,131,452</u>	<u>10,517,000</u>	<u>10,173,836</u>	<u>9,639,863</u>
<i>Operating income (loss)</i>	<u>795,034</u>	<u>(997,495)</u>	<u>1,558,213</u>	<u>1,212,688</u>	<u>2,851,871</u>
<i>Non-operating revenues (expenses)</i>					
Interest income	45,195	40,126	31,189	17,421	24,652
Interest expense	(461,807)	(440,136)	(587,776)	(436,380)	(303,368)
Gross receipts tax revenue	412,310	450,061	507,615	507,047	559,036
Gross receipts tax expense	(456,008)	-	258,681	-	-
Fines, forfeitures and penalties	68,342	-	-	-	-
Miscellaneous	183,587	200,495	258,681	82,027	83,025
Investment income	-	-	-	-	-
Gain (loss) from sale of capital assets	(684)	27,560	438	28,954	63,789
<i>Total non-operating revenues (expenses)</i>	<u>(209,065)</u>	<u>278,106</u>	<u>210,147</u>	<u>199,069</u>	<u>427,134</u>
<i>Income (loss) before transfers</i>	<u>585,969</u>	<u>(719,389)</u>	<u>1,768,360</u>	<u>1,411,757</u>	<u>3,279,005</u>
Transfers in	1,035,884	1,033,594	1,033,600	12,775,721	1,034,335
Transfers out	(1,547,363)	(1,483,980)	(1,397,376)	(13,183,100)	(1,531,306)
<i>Net transfers</i>	<u>(511,479)</u>	<u>(450,386)</u>	<u>(363,776)</u>	<u>(407,379)</u>	<u>(496,971)</u>
<i>Change in net position</i>	<u>74,490</u>	<u>(1,169,775)</u>	<u>1,404,584</u>	<u>1,004,378</u>	<u>2,782,034</u>
<i>Net position, beginning</i>	<u>42,632,202</u>	<u>42,706,692</u>	<u>41,536,917</u>	<u>42,941,501</u>	<u>42,964,367</u>
<i>Net position, ending</i>	<u>\$42,706,692</u>	<u>\$41,536,917</u>	<u>42,941,501</u>	<u>42,964,367</u>	<u>45,746,401</u>

Source: City of Roswell Audited Financial Statements

* Unaudited

TABLE 10
Net Revenues Available for Debt Service

	Fiscal Year Ending June 30				
	2012	2013	2014	2015	2016*
Gross Revenues					
Net sales/charges	\$9,161,932	\$10,133,957	\$12,075,213	\$11,386,524	\$12,491,734
Rentals	-	-	-	-	-
Other	-	-	-	-	-
Total gross revenues	9,161,932	10,133,957	12,075,213	11,386,524	12,491,734
Total Operating Expenses	8,366,898	11,131,452	10,517,000	10,173,836	9,639,863
Net income (loss)	795,034	(997,495)	1,558,213	1,212,688	2,851,871
Investment income (loss)	45,195	40,126	31,189	17,421	24,652
Depreciation and amortization	1,821,687	3,638,448	2,231,485	1,907,481	2,055,151
Pledged Revenues	\$2,661,916	\$2,681,079	\$3,820,887	\$3,137,590	\$4,931,674
Annual Debt Service	\$1,033,469	\$1,033,519	\$1,032,867	\$1,060,776	\$1,157,395
Debt Service Coverage	2.58	2.59	3.70	2.96	4.26

Source: City of Roswell

* Unaudited

TABLE 11
Joint Utility - Historical Balance Sheets

The following is a condensed balance sheet for the Joint Utility as of June 30, 2012 through 2016:

	Fiscal Year Ending June 30				
	2012	2013	2014	2015	2016*
<i>Assets</i>					
<i>Current Assets</i>					
Cash, cash equivalents and investments	\$ 6,669,585	\$ 7,993,690	\$ 10,231,644	\$ 13,547,601	\$ 13,540,295
Customer receivables, net of allowance	592,771	849,135	899,094	799,199	1,193,229
Inventory	1,181,969	1,178,592	1,331,981	1,453,696	2,003,153
Due from other funds	570,614	424,058	269,242	-	-
<i>Total current assets</i>	<u>9,014,939</u>	<u>10,445,475</u>	<u>12,731,961</u>	<u>15,800,496</u>	<u>16,736,677</u>
<i>Noncurrent assets</i>					
Capital assets	99,200,172	111,380,774	111,532,985	112,965,405	117,151,218
Accumulated depreciation	(66,560,775)	(69,957,588)	(71,821,790)	(73,324,576)	(74,835,822)
Advance to other funds	-	-	-	-	-
Deferred charges	-	-	-	-	-
Intangible assets	11,782,278	-	-	-	-
<i>Total noncurrent assets</i>	<u>44,421,675</u>	<u>41,423,186</u>	<u>39,711,195</u>	<u>39,640,829</u>	<u>42,315,396</u>
<i>Total Assets</i>	<u><u>\$ 53,436,614</u></u>	<u><u>\$ 51,868,661</u></u>	<u><u>\$ 52,443,156</u></u>	<u><u>\$ 55,441,325</u></u>	<u><u>\$ 59,052,073</u></u>
<i>Deferred outflows</i>					
Pension Related	-	-	-	72,195	109,011
<i>Total deferred outflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,195</u>	<u>109,011</u>
<i>Liabilities and Net Position Liabilities</i>					
<i>Current liabilities</i>					
Accounts payable	\$ 171,968	\$ 419,795	\$ 251,010	\$ 881,669	\$ 690,926
Accrued payroll expenses	99,358	101,407	184,523	293,910	191,170
Accrued sales tax payable	-	35,090	-	-	-
Other accrued expenses	80,624	-	-	-	-
Accrued compensated absences	97,844	105,695	106,216	127,292	127,945
Accrued interest	36,960	35,239	164,906	165,825	17,317
Unearned revenue	-	-	-	-	-
Customer deposits	-	-	-	-	-
Deferred revenue	5,712	5,712	-	-	-
Current portion of bonds and notes payable	590,000	610,00	635,000	675,000	695,000
<i>Total current liabilities</i>	<u>1,082,466</u>	<u>1,312,938</u>	<u>1,341,655</u>	<u>2,143,696</u>	<u>1,722,358</u>
<i>Noncurrent liabilities</i>					
Accrued compensated absences	-	-	-	-	-
Bond premiums	242,456	223,806	-	-	-
Bonds and notes payable	9,405,000	8,795,000	8,160,000	8,370,000	9,657,689
Net pension liability	-	-	-	726,946	953,421
<i>Total noncurrent liabilities</i>	<u>9,647,456</u>	<u>9,018,806</u>	<u>8,160,000</u>	<u>9,096,946</u>	<u>10,611,110</u>
<i>Total Liabilities</i>	<u>10,729,922</u>	<u>10,331,744</u>	<u>9,501,655</u>	<u>11,240,642</u>	<u>12,333,468</u>
<i>Deferred inflows</i>					
Pension Related	-	-	-	284,893	88,835
Debt reacquisition price in excess of carrying value	-	-	-	1,023,618	992,380
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,308,511</u>	<u>1,081,215</u>
<i>Net Position</i>					
Net investment in capital assets	22,644,397	32,018,186	30,916,195	29,572,211	30,970,327
Unrestricted net position	20,062,295	9,518,731	12,025,306	13,392,156	14,776,074
<i>Total net position</i>	<u>42,706,692</u>	<u>41,536,917</u>	<u>42,941,501</u>	<u>42,964,367</u>	<u>45,746,401</u>
<i>Total Liabilities and Net Position</i>	<u><u>\$ 53,436,614</u></u>	<u><u>\$ 51,868,661</u></u>	<u><u>\$ 52,443,156</u></u>	<u><u>\$ 54,277,204</u></u>	<u><u>\$ 58,079,689</u></u>

Source: City of Roswell Audited Financial Statements -- * Fiscal Year 2016 Unaudited

OUTSTANDING CITY DEBT

The City's bonds and loans outstanding as of January 1, 2017* consisted of the following individual issues:

TABLE 12
Outstanding Debt Obligations

Description of Issue	Amount Outstanding
Joint Water and Sewer Improvement Revenue Bonds, Series 2014A	\$2,300,000
Joint Water and Sewer Refunding Revenue Bonds, Series 2014B	6,070,000
2014 Drinking Water Loan Agreement ⁽¹⁾	2,724,475
2008 General Obligations Bonds	2,105,000
2008 Gross Receipts Tax Bonds	765,000

Source: City of Roswell

- (1) The amount outstanding for the 2014 Drinking Water Loan Agreement is a projected amount. The Loan is a draw down construction loan. The final principal amount and debt service schedule for the Loan is expected to be set in early 2017.

HISTORICAL GENERAL FINANCIAL INFORMATION FOR THE CITY

The data appearing on the pages under this heading have been excerpted from the audited financial statements of the City for the years indicated. As presented, the data does not include the related "Notes to Financial Statements" which are an integral part of the audited financial statements. The audited financial statements, including the related notes, are available on request from the City.

The General Fund of the City is not pledged to pay debt service on the Bonds, and the following charts are included for information purposes only.

Historical General Fund Revenues, Expenditures and Changes in Fund Balance

The General Fund is used to account for all financial resources of the City except for those required to be accounted for in one of the other funds.

TABLE 13
CITY OF ROSWELL
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND

	Fiscal Year Ending June 30				
	2012	2013	2014	2015	2016*
<i>Revenues</i>					
Taxes					
Property	\$ 4,502,521	\$ 4,466,496	\$ 4,901,802	\$ 4,609,137	\$ 4,853,202
Gross receipts	27,693,729	28,033,831	36,665,808	30,830,775	28,758,294
Gasoline and motor vehicle	179,231	181,277	186,973	187,780	226,661
Other	55	-	2,060,079	1,972,687	2,134,588
Intergovernmental					
Federal operating grants	165,923	319,139	69,337	120,723	107,906
State operating grants	628,800	881,041	871,668	1,553,904	2,848,700
Charges for services	253,928	224,007	698,774	908,372	1,753,489
Licenses and fees	2,151,891	2,872,147	408,960	451,018	492,852
Franchise fees	-	-	-	-	-
Investment income	17,722	22,339	14,955	13,361	21,139
Fines, forfeitures, and penalties	1,101,733	624,696	291,223	481,612	2,094,339
Miscellaneous	549,617	834,930	78,631	212,688	449,493
<i>Total revenues</i>	<u>37,245,150</u>	<u>38,459,803</u>	<u>46,248,210</u>	<u>41,342,057</u>	<u>43,740,663</u>
<i>Expenditures</i>					
Current					
General government	3,105,423	5,112,913	3,583,324	4,743,943	6,359,978
Public safety	18,612,178	18,237,844	20,914,900	20,955,010	21,634,643
Public works	-	-	-	-	-
Culture and recreation	5,561,904	5,962,796	5,599,715	5,528,955	5,695,493
Capital outlay	4,970,546	3,680,710	4,436,219	2,079,148	3,484,047
Debt service:					
Principal	101,678	106,209	118,364	375,724	381,708
Interest	19,879	15,349	1,781	2,575	1,620
<i>Total expenditures</i>	<u>32,371,608</u>	<u>33,115,821</u>	<u>34,654,303</u>	<u>33,685,355</u>	<u>37,557,489</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>4,873,542</u>	<u>5,343,982</u>	<u>11,593,907</u>	<u>7,656,702</u>	<u>6,183,174</u>
<i>Other financing sources (uses)</i>					
Transfers in	1,647,954	3,431,197	1,112,000	1,112,000	1,314,770
Transfers out	(7,014,249)	(8,054,235)	(8,674,618)	(8,287,547)	(8,379,196)
Loan proceeds	-	-	493,999	-	-
Proceeds from sale of capital assets	25,607	75,901	26,874	98,905	20,727
<i>Total other financing sources (uses)</i>	<u>(5,340,688)</u>	<u>(4,547,137)</u>	<u>(7,041,745)</u>	<u>(7,076,642)</u>	<u>(7,043,699)</u>
<i>Net change in fund balance</i>	<u>(467,146)</u>	<u>796,845</u>	<u>4,552,162</u>	<u>580,060</u>	<u>(860,525)</u>
<i>Fund balance - beginning of year</i>	<u>18,987,302</u>	<u>18,520,156</u>	<u>19,317,001</u>	<u>18,617,688</u>	<u>19,111,516</u>
<i>Fund balance - end of year</i>	<u>\$18,520,156</u>	<u>\$19,317,001</u>	<u>\$23,869,163</u>	<u>\$19,197,748</u>	<u>\$18,250,991</u>

Source: City of Roswell Audited Financial Statements

* Unaudited

**TABLE 14
CITY OF ROSWELL
BALANCE SHEET
GENERAL FUND**

	Fiscal Year Ending June 30				
	2012	2013	2014	2015	2016*
<i>Assets</i>					
Pooled cash, cash equivalents and investments	\$13,965,568	\$14,331,907	\$13,335,243	\$14,181,812	\$10,888,573
Non-pooled cash on hand and in banks	-	-	-	-	-
Receivables					
Property taxes	352,056	316,756	187,791	352,707	262,188
Other taxes receivable	4,626,483	4,773,535	4,972,899	4,903,609	8,569,379
Other receivables	1,348,345	1,726,980	2,117,246	2,149,486	345,787
Inventory	107,822	107,822	106,882	101,494	101,876
Due from governmental entities	-	-	-	-	-
Due from other funds	-	29,498	30,970	39,582	5,488
<i>Total assets</i>	<u>\$20,400,274</u>	<u>\$21,286,498</u>	<u>\$20,751,031</u>	<u>\$21,928,231</u>	<u>\$20,173,291</u>
<i>Liabilities</i>					
Accounts payable	\$ 594,106	\$ 744,851	\$ 557,557	\$ 765,000	\$ 602,297
Accrued payroll expenses	776,295	789,214	1,339,906	1,519,346	862,913
Accrued sales tax payable	-	16,097	-	-	-
Other accrued expenses	3,847	-	-	-	-
Deposits payable	271,910	210,460	235,880	275,732	296,879
Due to governmental entities	-	-	-	-	-
Deferred property tax revenue	233,960	208,875	-	255,737	153,211
<i>Total liabilities</i>	<u>1,880,118</u>	<u>1,969,497</u>	<u>2,133,343</u>	<u>2,816,715</u>	<u>1,769,089</u>
<i>Fund balances</i>					
Nonspendable	107,822	107,822	107,822	101,498	101,876
Spendable					
Restricted	-	3,461,632	3,461,632	1,329,179	19,111,516
Unassigned	18,412,334	15,747,547	15,048,234	17,680,839	(962,401)
<i>Total fund balances</i>	<u>18,520,156</u>	<u>19,317,001</u>	<u>18,617,688</u>	<u>19,111,516</u>	<u>18,250,991</u>
<i>Total liabilities and fund balances</i>	<u>\$20,400,274</u>	<u>\$21,286,498</u>	<u>\$20,751,031</u>	<u>\$21,928,231</u>	<u>\$20,173,291</u>

Source: City of Roswell Audited Financial Statements

* Unaudited

THE CITY

General

The City of Roswell was incorporated in 1903 and operates under a Mayor-Council form of government. Ten Councilors (two from each ward) are elected from five wards for a four-year term of office with terms staggered. Non-partisan elections are held biannually. The Mayor is elected at large for a four-year term and serves as the Chief Executive. A City Manager is appointed by the Mayor and confirmed by the Council to act as Chief Administrative Officer of the City. Roswell is the largest community in Chaves County and serves as the county seat.

Mayor and City Council

The City operates under a Council-Manager form of government. Ten councilors (two from each ward) are elected for a four-year term of office with terms staggered. Non-partisan elections are held biannually. The Mayor is elected at large for a four-year term of office and serves as the Chairman of the Council. A City Manager is appointed by the Council to act as Chief Administrative Officer of the City.

The Mayor and Council, and the dates of expiration of their current terms, are, respectively, as follows:

<u>Mayor</u>	<u>Term Expires</u>
Dennis J. Kintigh	March 2018
<u>Councilors</u>	
Juan Oropesa	March 2020
Natasha Mackey	March 2018
Steve Henderson	March 2020
Caleb T. Grant	March 2018
Jeanine Best	March 2020
Art Sandoval	March 2018
Savino Sanchez Jr.	March 2020
Jason Perry	March 2018
Barry Foster	March 2020
Tabitha D. Denny	March 2018

Administration

The City Manager is the Chief Administrative Officer of the City and is responsible for the proper and efficient administration of the City. The City Manager is charged with the responsibility of enforcing all ordinances, rules and regulations enacted by the Council; fully advising the Council on the City's financial conditions and needs; preparing and submitting an annual budget; and making recommendations to the Council on all matters concerning the welfare of the City.

Interim City Manager – Paula Hertwig-Hopkins. Ms. Hertwig-Hopkins joined the City as Interim City Manager on January 3, 2017. Prior to joining the City, she served as Interim Assistant City Manager of Amarillo, Texas, city manager of Warrensburg, Missouri, assistant city manager of Columbia, Missouri, acting city administrator in Osage Beach, Missouri, and during her first career was captain with the Northwestern University Police, Chicago, overseeing police operations on the Chicago Campus. She earned her bachelor's degree in Political Science/Urban Studies from DePaul University and her master's degree in Public Administration from the University of Missouri-Columbia Truman School of Public Affairs.

City Finance Officer/Treasurer – Monica Garcia. Ms. Garcia is a graduate of Eastern New Mexico University Roswell, majoring in Accounting and Business. Ms. Garcia has an extensive background in accounting.

Other Employees

The City has 509 full-time employees, 27 part-time employees and 25 temporary employees. The City's police force consists of 75 sworn officers. The City operates a library, a museum, two swimming pools, an adult center, six fire stations, a municipal water and sewer utility, a solid waste collection and disposal system, a cemetery and an airport. The City operates ball fields, playgrounds and a zoo with paid staff members. The City also operates an 18-hole golf course, located within the City, which is open to the public.

Retirement Plan

The City participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. The Public Employees Retirement Association of New Mexico ("PERA"), established by Section 10-11-1 *et seq.* NMSA 1978, as amended, requires contributions to its plan (the "Plan"), computed as a percentage of salary, from both employee and employer for all full-time employees. The majority of State and municipal employees in New Mexico participate in the Plan. As required by State law, the City contributes to the plan amounts which vary from 9.5% to 21.6% of eligible employees' salaries. The City's contractual obligation under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The City remitted \$3,304,037 in Fiscal Year 2016, \$1,156,193 in Fiscal Year 2015, and \$2,968,409 in Fiscal Year 2014, which equaled the required contributions for each year, including amounts paid on behalf of the employees.

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires governmental participants in cost-sharing multi-employer plans, such as the City, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 became effective for fiscal years beginning after June 15, 2014. As reported in the City's Fiscal Year 2015 audited financial statements, the City's proportionate share of PERA's net pension liability was \$11,168,016 at June 30, 2015.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained from PERA at www.pera.state.nm.us.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2015**

Membership ¹	96,479
Actuarial Information	
Actuarial Accrued Liability ²	\$18,786,486,000
Actuarial Value of Assets ³	\$14,074,919,000
Unfunded Actuarial Accrued Liability	\$4,711,567,000
Funded Ratio	74.92%

¹ Includes both state and municipal divisions.

² Includes accrued liability of both the retired and active members.

³ The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.75% annual return are smoothed in over a four-year period.

Source: Public Employees Retirement Association

Source: Public Employees Retirement Association

As of June 30, 2015, PERA has an amortization or funding period of 42 years based on the employer and member contribution rates in effect as of July 1, 2015. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 74.9% as of June 30, 2015 and the Unfunded Actuarial Accrued Liability (“UAAL”) of the PERA Fund increased \$410 million to approximately \$4.7 billion. Prior to the 2013 pension reform^(*), the funded ratio was 65.3% and the UAAL of the PERA Fund was calculated to be approximately \$6.2 billion. The primary cause of the slight decrease in the funded ratio and increase in accrued actuarial liability is the lower than expected investment return from the 2015 plan years. On a market value basis, PERA’s funded ratio is approximately 76.99% as of June 30, 2015. PERA annually prepares a “Schedule of Employer Allocations and Pension Amounts” that provides employer participants the information they need to comply with GASB Statement No. 68, including each employer’s proportionate share of the NPL. This Schedule is audited by PERA’s independent auditors and is reviewed by the New Mexico State Auditor.

Other Post-Employment Benefits

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

(*) Senate Bill 27 significantly amends the Public Employees’ Retirement Act by creating a new tier of reduced benefits for new hires. The law reduces the cost of living adjustments for all current and future retirees; delays the application of cost of living adjustments for certain future retirees; suspends the cost of living adjustments for certain return-to-work retirees; provides for an increase in the statutory employee contribution rate of 1.5% (subject to certain requirements) for employees earning \$20,000 or more in annual salary; provides for an increase in the statutory employer contribution of 0.4% beginning in Fiscal year 2015; increases age and service requirements; lengthens the base average salary calculation amount from three to five years for future employees; increases the vesting period for employees from five to eight years for most members; lowers the annual service credit by 0.5% for most members; and makes several other clarifying and technical changes.

Mexico Retiree Health Care Authority (“RHCA”). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies. Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years. 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. The RHCA’s audited financial statements are available from the New Mexico State Auditor’s website at: www.saonm.org.

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer’s RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us. 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 during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee’s annual salary, and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee’s annual salary, and each participating employee was required to contribute 1.0% of their salary. The City’s contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$474,237, \$437,272 and \$432,809, respectively, which equaled the required contribution for each year.

Financial Statements and Budgets

The financial statements for the fiscal year ended June 30, 2015 have been audited by Axiom Certified Public Accountants and Business Advisors, LLC. Copies of the financial statements, as well as the Bond Ordinance, are available for review at City Hall, 425 North Richardson, Roswell, New Mexico 88201. For a reasonable charge, a copy will be mailed by making a request to the City of Roswell, Attention: City Clerk. The City's audited financial statements are also available on the New Mexico State Auditor's website at: www.saonm.org.

The audited financial statements for Fiscal Year 2016 have been submitted to the State Auditor for review. The City expects the State Auditor to complete their review of the Fiscal Year 2016 financial statements by February 28, 2017, and the City will subsequently post the Fiscal Year 2016 audited financial statements to EMMA. City officials anticipate the audited financial statements to be consistent with the unaudited information presented in the Official Statement and do not expect that the audit will contain any information that would materially adversely affect the City's or the System's financial condition.

The City adheres to a three-fold procedure in establishing its annual budget. First, the Mayor submits to the City Council and Local Government Division of the State of New Mexico Department of Finance and Administration before June 1, a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them. Second, the Council holds an open meeting to obtain public comments. Third, prior to July 20, the final budget is legally enacted through passage of a resolution after preliminary Local Government Division approval. The Mayor is authorized to transfer budgeted amounts between departments within any fund, but he must obtain approval of the City Council and the Local Government Division prior to making revisions that alter the total expenditures of any fund. As a management control device, the City employs formal budgetary integration at the line item level.

Investment Policy

The City has a formal investment policy and currently invests all of its cash assets in U.S. Treasury Bills, Notes or Bonds or in collateralized deposits at commercial banks or savings and loan institutions. There is a three year maximum maturity restriction on U.S. Treasury Bills, Notes or Bonds. The City Finance Officer monitors the sufficiency of pledged collateral on a monthly basis for collateralized deposits. The City Finance Officer is required to make detailed quarterly reports on all cash investments to the Mayor and the City Council finance committee.

Summary of Significant Accounting Policies

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means which spending activities are controlled.

The City's proprietary funds are accounted for using the accrual basis of accounting and the flow of economic resources measurement focus. This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises. Revenues are recorded when earned and expenses are recorded when incurred.

AREA ECONOMIC INFORMATION

General

The City of Roswell is located in the heart of the Pecos River Valley area at the confluence of the Pecos and Rio Hondo Rivers. The City is 200 miles southeast of Albuquerque, the State's largest city and is served by U.S. Highways 70, 285 and 380. In addition, the City's transportation needs are served by five motor freight carriers, a railroad freight carrier, a commercial airline and bus service.

The City was founded in the early 1870s as a center for cattle ranching, then for agriculture and later for petroleum. The economy of the City is now based primarily upon agriculture, oil and gas production, industrial manufacturing and wholesale and retail distribution.

The Eastern New Mexico Medical Center is located in the City and is the regional healthcare center for Chaves County and southeastern New Mexico offering, among other things, acute care, family practice internships, and medical and radiation oncology services. The Medical Center is currently owned and operated as a for-profit hospital. The prestigious New Mexico Military Institute is located near the center of the City. The City is also served by Eastern New Mexico University - Roswell.

Agriculture

The City is located in the fertile Pecos River Valley, one of the State's most productive agricultural regions. Agricultural crops grown in the area include chile, cotton, hay, alfalfa, sorghums, pecans, corn and vegetables. Cotton and alfalfa farming, cattle feeding and dairy farming are the most prominent activities in the Roswell area.

Denver-based Leprino Foods, near Roswell, is the largest manufacturer of mozzarella cheese in the world. Currently the company produces bulk packaged Italian cheese (mozzarella and provolone) and 35% dry-based whey protein concentrate and lactose powders. The company produces bulk diced and shredded frozen Italian cheeses for commercial use. The approximate number of employees is 650.

Natural Resources

A portion of the Permian Basin of Texas and New Mexico lies within the City, and the City benefits from robust oil and natural gas activity.

Tourism

Roswell and the surrounding area boast many tourist attractions. The Bottomless Lake State Park, southeast of the City, is the State's oldest park and is used for boating, fishing, swimming, hiking and camping. The Bitter Lakes National Wildlife Refuge is a popular bird watching location, especially during the migratory season when the area is populated by large numbers of snow geese. The City is also home to a UFO Museum related to a purported alien crash near Roswell in 1947. The City estimates that it gets 400-500 tourists per day related to public interest in the alien phenomenon.

Nearby attractions include Carlsbad Caverns, White Sands National Monument and the Ski Apache ski area.

The region of Roswell played a significant role in the development of the West and today there are several historic towns which preserve these memories and the legend of Billy the Kid, whose body is buried nearby.

Population

The following table shows historical population data for the City, Chaves County, and the State:

U.S. Census	City of Roswell	Chaves County	State of New Mexico
2016*	48,301	65,871	2,088,585
2010	48,366	65,645	2,065,826
2000	45,293	61,453	1,826,280
1990	44,654	57,849	1,515,069
1980	39,676	51,103	1,303,143
1970	33,908	43,335	1,017,055

*Estimates

Source: The Nielsen Company, July 2016

Effective Buying Income

The following two tables reflect median household Effective Buying Income ("EBI") and the percent of households by EBI groups as reported in Gross Receipts and Marketing Management's annual survey of buying power. EBI, a classification developed by Gross Receipts and Marketing Management Magazine, is personal income less personal tax and nontax payments. Personal income includes wages and salaries, other labor income, proprietor's income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, nontax payments such as fines and penalties, and personal contributions for social security insurance. During the period shown in the following chart, the median household EBI level for Chaves County has consistently been lower than the State and national level.

Median Household Effective Buying Income*

Year	City of Roswell	New Mexico	United States
2016	\$46,952	\$45,445	\$55,551
2015	45,598	45,633	53,706
2014	39,035	44,292	51,579
2013	35,981	43,273	49,297
2012	34,983	41,958	49,581
2011	35,048	42,030	49,726

*Effective buying income is defined as money income less personal tax and non-tax payments.

Source: The Nielsen Company, October 2016.

Percent of Households by Effective Buying Income Groups

Effective Buying Income Group	City of Roswell	New Mexico	United States
Under \$25,000	25.20%	29.15%	22.72%
\$25,000 - \$34,999	14.13%	11.18%	9.97%
\$35,000 - \$49,999	13.42%	13.88%	13.41%
\$50,000 - \$74,999	17.05%	17.21%	17.60%
\$75,000 & Over	30.20%	28.57%	36.30%

Source: The Nielsen Company, October 2016.

Age Distribution

The following table sets forth a comparative age distribution profile for the County, State and the United States.

PERCENT OF POPULATION

Age	Chaves County	New Mexico	United States
0 – 17	27.09%	24.19%	22.97%
18 – 24	5.02%	9.87%	9.84%
25 – 34	5.70%	13.26%	13.35%
35 – 44	12.63%	11.84%	12.63%
45 – 54	11.05%	12.20%	13.33%
55 and Older	38.51%	28.64%	27.88%

Source: The Nielsen Company, August 2016.

Employment

The following table, derived from information supplied by the Labor Department of the State of New Mexico, presents information on employment within Chaves County, the State and the United States, for the periods indicated. The annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends.

Year	Chaves County Unemployment		State Unemployment		U.S. Unemployment
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2016*	27,439	6.6%	922,965	6.5%	4.9%
2015	27,248	6.4%	919,889	6.6%	5.3%
2014	26,868	6.2%	921,380	6.7%	6.2%
2013	25,786	6.5%	926,242	6.9%	7.4%
2012	26,313	6.6%	935,890	6.9%	8.1%
2011	26,770	7.0%	931,659	7.5%	8.9%
2010	27,067	7.7%	935,512	7.9%	9.6%
2009	27,254	6.3%	937,888	6.8%	9.3%
2008	26,915	4.4%	947,435	4.5%	5.8%
2007	26,875	3.6%	936,464	3.5%	4.6%

* Through November 2016.

Source: New Mexico Department of Workforce Solutions.

Major Employers

The following table lists ten of the largest employers in the Roswell area.

<u>Employer</u>	<u>Business</u>	<u>Employees (Approx.)</u>
Roswell Independent School District	Education	822
Leprino Foods, Inc.	Manufacturing	650
Eastern New Mexico Medical Center	Healthcare	595
City of Roswell	Government	561
Sam's Club/Walmart	Commercial Retail	356
Krumland Auto Group	Commercial Retail	320
New Mexico Military Institute	Education/Government	300
Community Homecare	Healthcare	287
Chaves County	Government	254
Eastern New Mexico University – Roswell	Education	<u>194</u>
Total Top Employers		<u>4,339</u>

Source: Chaves County Economic Development Corporation, August 2016

Non-Agricultural Wage and Salary Employment in Chaves County

The following is a history of a non-agricultural wage and salary employment (excluding military and proprietor employment) for Chaves County.

Sector	2013	2014	2015	2016 ⁽¹⁾
Grand Total	20,613	21,021	21,557	21,784
Total Private	16,568	17,015	17,552	17,490
Agriculture, Forestry, Fishing & Hunting	1,196	1,205	1,379	1,380
Mining	528	597	544	412
Utilities	92	70	62	60
Construction	850	839	861	826
Manufacturing	933	928	1,012	851
Wholesale Trade	816	825	870	879
Retail Trade	2,896	3,019	3,052	3,052
Transportation & Warehousing	592	691	700	792
Information	257	248	238	238
Finance & Insurance	622	608	566	550
Real Estate & Rental & Leasing	177	179	177	189
Professional & Technical Services	586	585	592	573
Management of Companies & Enterprises	46	41	41	37
Administrative & Waste Services	554	608	618	677
Educational Services	59	56	57	52
Health Care & Social Assistance	3,194	3,249	3,388	3,503
Arts, Entertainment & Recreation	150	141	141	134
Accommodation & Food Services	2,493	2,611	2,680	2,780
Other Services, ex. Public Administration	528	513	571	512
Unclassified	0	0	0	0
Total Government	4,045	4,006	4,005	4,294
Federal	274	254	234	235
State	1,287	1,297	1,288	1,425
Local	2,484	2,455	2,484	2,634

⁽¹⁾ Average through Second Quarter 2016.

Note: Figures shown here are annual averages of quarterly data.

Source: New Mexico Department of Workforce Solutions.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.9 million, \$61 million and \$432.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM’s website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

LITIGATION

At the time of the original delivery of the Bonds, the City will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate City officials, threatened, restraining or enjoining or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or contesting or questioning either the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

The City is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations. These proceedings are unrelated to the Bonds and the authority for the collecting of system revenues for the payment of the debt service on the Bonds.

FINANCIAL ADVISOR

RBC Capital Markets, LLC is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. RBC Capital Markets, LLC, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

LEGAL MATTERS

The City has engaged Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel in connection with the issuance of the Bonds. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX MATTERS") are subject to the approving legal opinion of Bond Counsel. A signed copy of the opinion, dated the date of the original delivery of the Bonds will be delivered at the time of the original delivery of the Bonds. Certain legal matters will be passed upon for the City by Aaron Holloman, City Attorney. The Underwriters are represented by Melendres & Melendres, P.C., Albuquerque, New Mexico.

TAX MATTERS

General

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individual corporations. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that interest on the Bonds is exempt from all taxation by the State or any political subdivision of the State.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The City has made various representations and warranties with respect to, and has covenanted in the Bond Ordinance and other documents, instruments and certificates to comply with the applicable provisions of the Code to assure that interest on the Bonds will not become includible in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has opined that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code, interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the City as the taxpayer and the Bond owners may have no right to participate in such procedure. Neither the Financial Advisor, the initial purchasers of the Bonds nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The City has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Bonds to become includable in gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the City, the Financial Advisor, the initial purchasers of the Bonds or Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Bonds.

Original Issue Discount

The Bonds maturing on June 1, 2030 were offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium

The Bonds maturing on June 1, 2018 through June 1, 2029 and June 1, 2031 through June 1, 2037 were offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders' tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

CONTINUING DISCLOSURE

In connection with its issuance of the Bonds, the City will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix C hereto, under which it will agree for the benefit of the owners of the Bonds (i) to provide audited annual financial statements of the County when available after the end of each Fiscal Year, including Fiscal Year 2016, and to provide certain annual financial information and operating data relating to the City by March 31 of each year, and (ii) to provide timely notice of certain enumerated events, if material.

The City has previously entered into continuing disclosure undertakings (each a “Prior Undertaking” and collectively, the “Prior Undertakings”) with respect to certain other obligations of the City in accordance with Rule 15c2-12 (the “Rule”) and with the exception of the matters described below, the City has substantially complied with the Rule and those Prior Undertakings.

The City filed its audited annual financial statements for Fiscal Year 2013 (the “FY 2013 Audit”) on the Electronic Municipal Market Access website (“EMMA”) in connection with its outstanding Gross Receipts Tax Revenue Bonds, Series 2008 and its General Obligation Bonds, Series 2008, but the FY 2012 Audit was not linked to any CUSIP number applicable to its Joint Utility Revenue Bonds, Series 2005 (the “Series 2005 Bonds”). The City also filed its Fiscal Year 2012 annual financial information on EMMA as required under the Prior Undertakings in connection with its outstanding bonds, but the FY 2012 financial information was not linked to any CUSIP number applicable to its General Obligation Bonds, Series 1999 (the “Series 1999 Bonds”). Both the FY 2012 financial information and FY 2013 Audit have subsequently been linked on EMMA with the CUSIP numbers for the Series 1999 Bonds and Series 2005 Bonds. Audited financial statements for FY 2009 and FY 2012 were not filed timely due to the unavailability of those statements at that time, but were filed on EMMA when they became available. The City Finance Director has been designated as the compliance office for the City to insure review and compliance with future filings. The City has also engaged a third party Dissemination Agent to assist the City with compliance for future filings.

UNDERWRITING

George K. Baum & Company, as representative of the underwriters (collectively, the “Underwriters”) has agreed to purchase the Bonds from the City pursuant to a Bond Purchase Agreement dated January 24, 2017 (the “Bond Purchase Agreement”), at a price of \$20,072,730.15 being the principal amount of the Bonds less an underwriting discount of \$76,268.00, plus a net reoffering premium of \$1,918,998.15. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

RATING

The Bonds have received a rating of “A1” from Moody’s Investors Service (“Moody’s”). An explanation of the significance of the rating given by Moody’s may be obtained from Moody’s. Such rating reflects only the views of Moody’s. S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), is expected to assign the Bonds an insured rating of “AA” based upon the issuance of the policy by BAM at the time of delivery of the Bonds. The rating reflects only the view of S&P, and an explanation of the significance of such rating may be obtained only from S&P. The ratings are not a recommendation to buy, sell or hold the Bonds and there is no assurance that such ratings will continue for any given period of time after obtained or that such ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Neither the City nor the Underwriters of the Bonds have undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such rating once received or to oppose any such proposed revision.

CITY APPROVAL

This Official Statement and its distribution and use by the Underwriters has been authorized and approved by the City and has been executed and delivered by the Mayor on behalf of the City. As of the date hereof, to my knowledge and belief, this Official Statement is true, complete and correct in all material respects, and does not include any untrue statements of material facts or omit to State a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

By /s/ Dennis J. Kintigh

Mayor

APPENDIX A
FORM OF BOND COUNSEL OPINION

_____, 2017

City of Roswell
Roswell, New Mexico

City of Roswell, New Mexico
\$18,230,000
Joint Water and Sewer Improvement Revenue Bonds

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Roswell (the “City”), New Mexico (“State”), in connection with the issuance of its \$18,230,000 Joint Water and Sewer Improvement Revenue Bonds, Subordinate Series 2017 (the “Bonds”) pursuant to Ordinance No. 16-22 adopted and approved by the City Council of the City on January 12, 2017, as supplemented by Resolution No. 17-04 adopted by the City Council of the City on January 24, 2017 (collectively, the “Bond Ordinance”). In such capacity, we have examined the City’s certified proceedings and such other documents and such law of the State and of the United States of America as we have deemed necessary to issue this opinion letter. Capitalized terms not otherwise defined herein shall have the same meanings ascribed to such terms in the Bond Ordinance.

We have examined the laws of the State and the United States of America relevant to the opinions herein, and other proceedings and documents relevant to the issuance by the City of the Bonds. As to the questions of fact material to our opinion, we have relied upon representations of the City contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

1. The Bonds are valid and binding special, limited obligations of the City under and in accordance with the Bond Ordinance.
2. The Bond Ordinance has been duly authorized, executed and delivered by the City and the provisions of the Bond Ordinance are valid and binding on the City.
3. The Bonds are payable as to principal and interest, solely from, and are secured by a pledge (but not an exclusive pledge) of Net Revenues of the City, as more fully described in the Bond Ordinance. The owners of the Bonds have no right to have taxes levied by the City for the payment of principal and interest on the Bonds and the Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the City.

4. The Bond Ordinance creates the lien on the Net Revenues that it purports to create.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is not includible in gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"); however, such interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum tax 75% of the excess of a corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). Although we are of the opinion that interest on the Bonds is not includible in gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

6. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision of the State.

The opinions set forth above in Paragraph 5 above are subject to continuing compliance by the City with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance by the City of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

The opinions expressed herein are based upon existing laws as of the date of issuance and delivery of the Bonds. We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

The obligations of the City related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the City and the security provided therefor, as contained in the Bond Ordinance, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result.

As bond counsel, we are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual of interest on, or the ownership of, the Bonds except those specifically addressed in Paragraphs 5 and 6 above.

Respectfully submitted,

APPENDIX B

EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF THE CITY OF ROSWELL, NEW MEXICO FOR THE FISCAL YEAR ENDING JUNE 30, 2015

The City has not requested the consent of Axiom Certified Public Accountants and business Advisors, LLC, which performed the audit of the City's financial Statements, to the inclusion of the audit report and excerpts thereof in this Official Statement, and the auditor has not conducted a post-audit review of those financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL

ANNUAL FINANCIAL REPORT

JUNE 30, 2015



*Certified Public Accountants
and Business Advisors LLC*

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CITY OF ROSWELL
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JUNE 30, 2015**

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**STATE OF NEW MEXICO
CITY OF ROSWELL
OFFICIAL ROSTER
JUNE 30, 2015**

<u>Name</u>	<u>City Council</u>	<u>Title</u>
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
Elena Velasquez		Councilor
Tabitha D. Denny		Councilor

<u>Administration</u>	
Steve Polasek	City Manager
Sharon Coll	City Clerk
Monica Garcia	Finance Officer
Toni Reeves	Budget Director
William Zarr	City Attorney

FINANCIAL SECTION

Independent Auditor's Report

Timothy Keller
New Mexico State Auditor
Mayor, City Manager and City Council Members
City of Roswell
Roswell, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of The City of Roswell (the city), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental, non-major enterprise, fiduciary funds and the budgetary comparisons for the major capital project funds, debt service funds, and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, 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 misstatements, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental, non-major enterprise, internal service fund and fiduciary fund of the City as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds, debt service funds, permanent funds and all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 21 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions- An amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions on pages 5-12 and 54-57 respectively, 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 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 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 basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules required by Section 2.2.2.NMAC 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 and other schedules required by Section 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 the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendors has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Axiom CPAs and Business Advisor's, LLC

Albuquerque, New Mexico

December 11, 2015

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015. 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 \$49,522,539 (*net position*).
- The City's total net position decreased by \$27,759,929. The majority of this decrease is due to a prior period adjustment resulting from a change in accounting principle.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$34,569,963 an decrease of \$303,346 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17,680,839 or 53 percent of total general fund expenditures.
- The City's total debt decreased slightly by \$1,363,222 (8.4 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*).

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The governmental activities of the City include general government, public safety, public works, health 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 13-16 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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-four 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-one 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 68-103 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.

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-63 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 68-106 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 \$49,522,539 at the close of the most recent fiscal year.

The largest portion of the City of Roswell's net position, \$56,665,261, 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, 2015 and June 30, 2014.

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

CITY OF ROSWELL'S NET POSITION
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 37,973	\$ 37,727	\$ 27,151	\$ 20,194	\$ 65,124	\$ 57,921
Noncurrent assets other than capital assets	3,439	85	119	214	3,558	299
Capital assets, net	61,028	60,555	71,021	65,028	132,049	125,583
Total assets	102,440	98,367	98,172	85,436	200,731	183,803
Current liabilities	8,925	5,694	4,552	2,486	13,477	8,180
Noncurrent liabilities	43,993	6,879	13,126	13,260	57,118	20,139
Total liabilities	52,918	12,573	17,678	15,746	70,595	28,319
Net investment in capital assets	56,665	55,256	59,568	54,468	116,233	109,724
Restricted	15,458	16,256	-	-	15,458	16,256
Unrestricted	(22,601)	14,282	21,045	15,222	(1,556)	29,504
Total net position	\$ 49,522	\$ 85,794	\$ 80,613	\$ 69,690	\$ 130,136	\$ 155,484

A portion of the City of Roswell's net position of \$15,458,447 (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,555,679) 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 \$36,272,127. Key element of this decrease is as follows:

- A change in accounting principle resulted in a prior period restatement of \$39,305,161

Business-type Activities. Business-type activities increased the City's net position by \$8,512,198. The key element of this increase is as follows:

- The Airport fund received a capital grant in FY 2015 in the amount of approximately \$9 M.

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

CITY OF ROSWELL'S CHANGES IN NET POSITION							
(In Thousands)							
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		
	2015	2014	2015	2014	2015	2014	
Revenues							
Taxes	\$ 35,701	\$ 38,762	\$ 791	\$ 773	\$ 36,492	\$ 39,535	
Intergovernmental	4,340	3,392	9,008	1,720	13,348	5,112	
Charges for services	3,399	2,548	19,887	19,950	23,286	22,498	
Other	24,113	236	(51)	489	24,062	725	
Total revenues	51,989	44,938	29,634	22,932	81,623	67,870	
Expenses							
General government	14,006	9,475	-	-	14,006	9,475	
Public safety	21,869	21,606	-	-	21,869	21,606	
Public works	7,101	9,848			7,101	9,848	
Culture and recreation	7,611	7,714	-	-	7,611	7,714	
Health and welfare	-	-	-	-	-	-	
Interest on long term debt	73	154	508	742	581	896	
Other		1,186		-	-	1,186	
Airport		-	3,775	2,807	3,775	2,807	
Solid waste		-	4,961	7,376	4,961	7,376	
Water and sewer		-	10,174	10,517	10,174	10,517	
Total expenses	50,661	49,983	18,910	21,442	69,571	71,425	
Transfers	86	423	(86)	(423)	-	-	
Changes in net position	\$ 1,414	\$ (4,622)	\$ 10,131	\$ 1,067	\$ 11,545	\$ (3,555)	

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 \$34,569,963, an decrease of \$303,346 in comparison with the prior year. Approximately 51 percent of this total amount, \$17,680,839 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Approximately 1 percent of the total amount, \$369,906 is *assigned*

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

for subsequent year's expenditures which is an internal designation of spendable fund balance. Approximately 1.4 percent of the total amount, \$515,194 is *committed for subsequent year's* expenditures which is an internal limitation of spendable fund balance. Approximately 45.3 percent of the total amount, \$15,662,310 is *restricted for subsequent year's* expenditures which have externally enforceable limitations imposed on the spendable fund balance. The remaining \$446,498 or approximately 1.2 percent is *nonspendable fund balance*.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance totaled \$19,111,516, of which \$17,680,839 was unassigned.

The fund balance of the City's general fund increased by \$493,828 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 \$80,613,618, an increase of \$8,512,198 from the prior fiscal year.

General Fund Budgetary Highlights

There were several amendments to the City of Roswell's fiscal year 2014 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 23.

The net favorable variance of \$7,891,222 in general fund expenditures was primarily due to not expending all the funds budgeted. There was \$2,327,731 not expended in general government, \$1,970,461 not expended in public safety, \$468,009 not expended in culture and recreation, and \$3,313,498 not expended in capital outlays.

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015, amounts to \$132,049 (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.

CITY OF ROSWELL'S CAPITAL ASSETS
(In thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,575	\$ 3,275	\$ 4,609	\$ 4,609	\$ 8,184	\$ 7,844
Land-right of way	5,143	5,143	-	-	5,143	5,143
Construction in progress	214	163	141	58	355	221
Library collection	2,823	2,692	-	-	2,823	2,692
Historical treasures	437	437	-	-	437	437
Water rights-intangible assets	-	-	12,145	11,786	12,145	11,786
Land improvements	14,640	13,229	10,966	10,595	25,606	23,824
Buildings and improvements	33,126	31,607	80,598	80,287	113,724	111,894
Machinery and equipment	23,544	11,447	16,976	16,814	40,520	28,261
Furniture and fixtures	136	129	118	119	254	248
Vehicles	14,360	14,607	6,321	8,150	20,681	22,757
Infrastructure	153,999	164,486	62,180	53,667	216,179	218,153
Total capital assets	251,997	247,215	194,055	186,085	446,052	433,300
Less: accumulated depreciation	190,969	186,659	123,034	121,059	314,003	307,718
Capital assets, net	\$ 61,027	\$ 60,556	\$ 71,021	\$ 65,026	\$ 132,049	\$ 125,582

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Debt Administration. At the end of the current fiscal year, the City of Roswell had total debt from outstanding bonds of \$13,044 (in thousands) and capital leases outstanding of \$1,749 (in thousands) 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	
		2015	2014	2015	2014	2015	2014
Bonds	\$	2,869	\$ 3,700	\$ 10,175	\$ 10,275	\$ 13,044	\$ 13,975
Loans		-	-	-	-	-	-
Capital Leases		1,494	1,683	255	498	1,749	2,181
Total debt outstanding	\$	4,363	\$ 5,383	\$ 10,430	\$ 10,773	\$ 14,793	\$ 16,156

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 47-48 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 44% 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 2016 total \$131,822,831 which is an increase of \$21,500,163 or 20% more than fiscal year 2015, due in large part to capital construction relating to airport and general infrastructure enhancements.

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, 2015

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Current assets			
Cash, cash equivalents and investments	\$ 29,783,387	21,950,665	51,734,052
Receivables:			
Property taxes receivable	352,707	-	352,707
Other taxes receivable	5,042,669	-	5,042,669
Grants Receivable	293,395	-	293,395
Other receivables, net of allowance of \$407,947 and \$0, respectively	2,399,147	-	2,399,147
Customer receivables, net of allowance of \$0 and \$395,591, respectively	-	3,699,201	3,699,201
Note receivable	-	47,357	47,357
Inventory	101,498	1,453,696	1,555,194
Total current assets	<u>37,972,803</u>	<u>27,150,919</u>	<u>65,123,722</u>
Noncurrent assets			
Capital assets	251,996,986	194,055,335	446,052,321
Less: accumulated depreciation	<u>(190,969,026)</u>	<u>(123,033,918)</u>	<u>(314,002,944)</u>
Total noncurrent assets	<u>61,027,960</u>	<u>71,021,417</u>	<u>132,049,377</u>
Total Assets	<u>99,000,763</u>	<u>98,172,336</u>	<u>197,173,099</u>
Deferred Outflows			
Pension Related	<u>3,439,361</u>	<u>119,037</u>	<u>3,558,398</u>
Total Deferred Outflows	<u>3,439,361</u>	<u>119,037</u>	<u>3,558,398</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Liabilities			
Current liabilities			
Accounts payable	1,049,176	2,258,957	3,308,133
Accrued payroll expenses	1,822,195	431,067	2,253,262
Accrued compensated absences	1,005,854	208,070	1,213,924
Accrued interest	74,005	185,600	259,605
Meter and other deposits	275,732	173,709	449,441
Workers' compensation liability	4,036,277	-	4,036,277
Current portion of bonds and notes payable	661,708	1,294,671	1,956,379
Total current liabilities	8,924,947	4,552,074	13,477,021
Noncurrent liabilities			
Landfill closure	-	1,298,727	1,298,727
Bonds and notes payable	3,700,991	9,135,000	12,835,991
Net pension liability	31,123,875	1,198,600	32,322,475
Total noncurrent liabilities	34,824,866	11,632,327	46,457,193
Total liabilities	43,749,813	16,184,401	59,934,214
Deferred Inflows			
Pension Related	9,167,772	469,736	9,637,508
Debt reacquisition price in excess of carrying value	-	1,023,618	1,023,618
Total Deferred Inflows	9,167,772	1,493,354	10,661,126
Net Position			
Net investment in capital assets	56,665,261	59,568,128	116,233,389
Restricted for			
Debt service	354,902	-	354,902
Capital projects	9,803,686	-	9,803,686
Other purposes - special revenue	5,299,859	-	5,299,859
Unrestricted	(22,601,169)	21,045,490	(1,555,679)
Total Net Position	\$ 49,522,539	80,613,618	130,136,157

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 14,005,620	1,841,002	1,674,627	-
Public safety	21,869,136	155,888	927,165	-
Public works	7,101,485	1,216,951	1,460,698	237,477
Culture and recreation	7,610,755	185,637	40,066	-
Interest on long-term debt	73,555	-	-	-
<i>Total government Activities</i>	<u>50,660,551</u>	<u>3,399,478</u>	<u>4,102,556</u>	<u>237,477</u>
Business-type Activities				
Airport	4,103,177	3,115,793	-	9,007,798
Solid Waste	4,960,765	5,384,717	-	-
Water and sewer	10,173,836	11,386,524	-	-
<i>Total business-type activities</i>	<u>19,237,778</u>	<u>19,887,034</u>	<u>-</u>	<u>9,007,798</u>
<i>Total primary government</i>	<u>\$ 69,898,329</u>	<u>23,286,512</u>	<u>4,102,556</u>	<u>9,245,275</u>
General Revenues				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Other taxes				
Investment Income				
Miscellaneous income				
(Loss) gain on sale of capital assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
Net position, beginning, as previously stated				
Prior Period Adjustment				
Net position, beginning, as restated				
Net position, ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
(10,489,991)	-	(10,489,991)
(20,786,083)	-	(20,786,083)
(4,186,359)	-	(4,186,359)
(7,385,052)	-	(7,385,052)
(73,555)	(507,575)	(581,130)
(42,921,040)	(507,575)	(43,428,615)
-	8,020,414	8,020,414
-	423,952	423,952
-	1,212,688	1,212,688
-	9,657,054	9,657,054
(42,921,040)	9,149,479	(33,771,561)
4,839,365	-	4,839,365
358,398	-	358,398
30,503,372	790,977	31,294,349
981,664	-	981,664
3,236,874	-	3,236,874
31,966	31,680	63,646
279,180	147,336	426,516
4,018,562	97,419	4,115,981
86,361	(86,361)	-
44,335,742	981,051	45,316,793
1,414,702	10,130,530	11,545,232
85,794,666	72,101,420	157,896,086
(37,686,829)	(1,618,332)	(39,305,161)
48,107,837	70,483,088	118,590,925
\$ 49,522,539	80,613,618	130,136,157

**STATE OF NEW MEXICO
CITY OF ROSWELL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund 101	Road Fund 223	Capital Improvement Fund 301	Other Governmental Funds	Total Governmental Funds
<i>Assets</i>					
Cash, cash equivalents and investments	\$ 14,181,812	\$ 35,232	\$ 9,827,836	\$ 5,738,507	\$ 29,783,387
Receivables:					
Property taxes	352,707	-	-	-	352,707
Other taxes receivable	4,903,609	139,060	-	-	5,042,669
Grants Receivable- State	199,537		93,858		293,395
Other receivables-net of allowance of \$407,947	2,149,486	2,171	-	247,490	2,399,147
Inventory	101,498	-	-	-	101,498
Due from other funds	39,582	-	-	-	39,582
<i>Total assets</i>	<u>\$ 21,928,231</u>	<u>\$ 176,463</u>	<u>\$ 9,921,694</u>	<u>\$ 5,985,997</u>	<u>\$ 38,012,385</u>
<i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ 765,900	\$ 57,234	\$ 60,087	\$ 165,955	\$ 1,049,176
Accrued payroll expenses	1,519,346	66,507	57,921	178,421	1,822,195
Accrued sales tax payable	-	-	-	-	-
Deposits payable	275,732	-	-	-	275,732
Due to other funds	-	-	-	39,582	39,582
<i>Total liabilities</i>	<u>2,560,978</u>	<u>123,741</u>	<u>118,008</u>	<u>383,958</u>	<u>3,186,685</u>
<i>Deferred Inflows</i>					
Unearned revenue - property taxes	255,737	-	-	-	255,737
<i>Total Deferred Inflows</i>	<u>255,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,737</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>2,816,715</u>	<u>123,741</u>	<u>118,008</u>	<u>383,958</u>	<u>3,442,422</u>
<i>Fund balances</i>					
Nonspendable	101,498	-	-	345,000	446,498
Spendable					
Restricted	1,329,179	-	9,803,686	4,529,445	15,662,310
Committed	-	52,722	-	462,472	515,194
Assigned	-	-	-	369,906	369,906
Unassigned	17,680,839	-	-	(104,784)	17,576,055
<i>Total fund balances</i>	<u>19,111,516</u>	<u>52,722</u>	<u>9,803,686</u>	<u>5,602,039</u>	<u>34,569,963</u>
<i>Total liabilities and fund balances</i>	<u>\$ 21,928,231</u>	<u>\$ 176,463</u>	<u>\$ 9,921,694</u>	<u>\$ 5,985,997</u>	<u>\$ 38,012,385</u>

See Notes to Financial Statements.

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, 2015

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

Fund balances - total governmental funds	\$	34,569,963
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds		3,439,361
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		61,027,960
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		255,737
Defined benefit pension plan deferred inflows are not payable in the current period and, therefore, not reported in the funds.		(9,167,772)
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		(31,123,875)
Accrued interest		(74,005)
Worker's comp liability		(4,036,277)
Accrued compensated absences		(1,005,854)
Bonds and notes payable		(4,362,699)
Net position of governmental activities	\$	<u>49,522,539</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund 101	Road Fund 223	Capital Improvement Fund 301	Other Governmental Funds	Total Governmental Funds
<i>Revenues</i>					
Taxes:					
Property	\$ 4,609,137	-	-	359,590	4,968,727
Gross receipts	30,503,372	-	-	-	30,503,372
Gasoline and motor vehicle	187,780	793,884	-	-	981,664
Other taxes	1,972,687	110,000	-	1,154,187	3,236,874
Intergovernmental					
Federal operating grants	120,723	-	-	975,384	1,096,107
Federal capital grants	-	-	-	-	-
State operating grants	1,553,904	-	-	1,452,545	3,006,449
State capital grants	-	-	237,477	-	237,477
Charges for services	908,372	-	-	1,532,417	2,440,789
Licenses and fees	451,018	-	-	-	451,018
Fines, forfeitures, and penalties	481,612	-	-	26,059	507,671
Investment income	13,361	169	12,789	5,647	31,966
Miscellaneous	212,688	7,320	391	233,323	453,722
<i>Total revenues</i>	<u>41,014,654</u>	<u>911,373</u>	<u>250,657</u>	<u>5,739,152</u>	<u>47,915,836</u>
<i>Expenditures:</i>					
Current:					
General government	4,502,772	-	-	305,020	4,807,792
Public safety	20,955,010	-	-	914,126	21,869,136
Public works	-	3,674,782	1,177,276	2,249,427	7,101,485
Culture and recreation	5,528,955	2,169	-	2,079,631	7,610,755
Health and welfare	-	-	-	-	-
Capital outlay	2,079,148	369,613	2,562,410	874,472	5,885,643
Debt service					
Principal	375,724	-	-	645,000	1,020,724
Interest and other charges	2,575	-	-	112,840	115,415
<i>Total expenditures</i>	<u>33,444,184</u>	<u>4,046,564</u>	<u>3,739,686</u>	<u>7,180,516</u>	<u>48,410,950</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>7,570,470</u>	<u>(3,135,191)</u>	<u>(3,489,029)</u>	<u>(1,441,364)</u>	<u>(495,114)</u>
Other Financing Sources (Uses)					
Proceeds from loans	-	-	-	-	-
Transfers, in	1,112,000	3,029,727	2,784,887	1,766,768	8,693,382
Transfers, out	(8,287,547)	(314,474)	(5,000)	-	(8,607,021)
Proceeds from sale of capital assets	98,905	-	-	6,502	105,407
<i>Total other financing sources (uses)</i>	<u>(7,076,642)</u>	<u>2,715,253</u>	<u>2,779,887</u>	<u>1,773,270</u>	<u>191,768</u>
<i>Net change in fund balances</i>	<u>493,828</u>	<u>(419,938)</u>	<u>(709,142)</u>	<u>331,906</u>	<u>(303,346)</u>
<i>Fund balances - beginning of year</i>	<u>18,617,688</u>	<u>472,660</u>	<u>10,512,828</u>	<u>5,270,133</u>	<u>34,873,309</u>
<i>Fund balances, end of year</i>	<u>\$ 19,111,516</u>	<u>52,722</u>	<u>9,803,686</u>	<u>5,602,039</u>	<u>34,569,963</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds	\$ (303,346)
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds	
Decrease in Pension expense	834,543
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	9,798,798
Depreciation expense	(9,326,223)
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	230,228
Decrease in notes receivable	(174,542)
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	(39,564)
Decrease in accrued interest	40,668
Increase in worker's comp liability	(666,584)
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:	
Principal payments on bonds and notes payable	<u>1,020,724</u>
Change in net position of governmental activities	<u>\$ 1,414,702</u>

See Notes to Financial Statements.

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, 2015

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:				
Taxes:				
Property	\$ 4,707,255	4,750,560	4,609,137	(141,423)
Gross Receipts	30,006,018	30,606,139	30,830,775	224,636
Gasoline and Motor Vehicle	175,000	175,000	187,780	12,780
Other Taxes	2,032,500	2,022,670	1,972,687	(49,983)
Intergovernmental				
Federal Operating Grants	-	215,085	120,723	(94,362)
Federal Capital Grants	-	-	-	-
State Operating Grants	3,889,353	3,939,353	1,553,904	(2,385,449)
State Capital Grants	-	-	-	-
Charges for Services	683,000	683,050	908,372	225,322
Licenses and Fees	378,750	378,750	451,018	72,268
Fines, Forfeitures, and Penalties	295,540	295,740	481,612	185,872
Investment Income	15,000	18,000	13,361	(4,639)
Miscellaneous	180,020	58,893	212,688	153,795
Total Revenues	42,362,436	43,143,240	41,342,057	(1,801,183)
Expenditures:				
Current:				
General Government	8,576,891	7,071,674	4,743,943	2,327,731
Public Safety	24,128,783	22,925,471	20,955,010	1,970,461
Public Works	-	-	-	-
Culture and Recreation	6,880,488	5,996,964	5,528,955	468,009
Health and Welfare	1,535,489	-	-	-
Capital Outlay	-	5,392,646	2,079,148	3,313,498
Debt Service				
Principal	187,013	187,246	375,724	(188,478)
Interest	2,576	2,576	2,575	1
Total Expenditures	41,311,240	41,576,577	33,685,355	7,891,222
<i>Excess (Deficiency) of Revenues</i>				
<i>Over (Under) Expenditures</i>	1,051,196	1,566,663	7,656,702	6,090,039
Other Financing Sources (Uses):				
Designated Cash (Budget Cash Increase)				-
Proceeds from Loans	-	-	-	-
Transfers, In	1,112,000	1,112,000	1,112,000	-
Transfers, Out	(8,134,021)	(8,144,758)	(8,287,547)	(142,789)
Proceeds from sale of Capital Assets	-	-	98,905	(98,905)
Total Other Financing sources (Uses)	(7,022,021)	(7,032,758)	(7,076,642)	(241,694)
Net Change in Fund Balances	(5,970,825)	(5,466,095)	580,060	5,848,345
Fund Balances - Beginning of Year	-	-	18,617,688	18,617,688
Fund Balances, End of Year	\$ (5,970,825)	(5,466,095)	19,197,748	24,466,033
Reconciliation to GAAP Basis:				
Adjustments to Revenues			(327,403)	
Adjustments to Expenditures			241,171	
NET CHANGE IN FUND BALANCE			\$ 493,828	

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
Road Fund-223
For the Year Ended June 30, 2015

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:				
Taxes:				
Property	\$ -	-	-	-
Gross Receipts	-	-	-	-
Gasoline and Motor Vehicle	750,000	750,000	798,566	48,566
Other Taxes	-	110,000	110,000	-
Intergovernmental				
Federal Operating Grants	-	-	-	-
Federal Capital Grants	-	-	-	-
State Operating Grants	-	-	-	-
State Capital Grants	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Fines, Forfeitures, and Penalties	-	-	-	-
Investment Income	700	700	169	(531)
Miscellaneous	-	-	7,320	7,320
Total Revenues	<u>750,700</u>	<u>860,700</u>	<u>916,055</u>	<u>55,355</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	3,998,807	4,068,541	3,670,429	398,112
Culture and Recreation	2,000	2,200	2,169	31
Health and Welfare	-	-	-	-
Capital Outlay	354,000	378,566	369,613	8,953
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>4,354,807</u>	<u>4,449,307</u>	<u>4,042,211</u>	<u>407,096</u>
<i>Excess (Deficiency) of Revenues</i>				
<i>Over (Under) Expenditures</i>	<u>(3,604,107)</u>	<u>(3,588,607)</u>	<u>(3,126,156)</u>	<u>462,451</u>
Other Financing Sources (Uses):				
Designated Cash (Budget Cash Increase)				-
Proceeds from Loans	320,000	320,000	-	(320,000)
Transfers, In	3,131,655	3,118,655	3,029,727	(88,928)
Transfers, Out	(305,000)	(305,000)	(314,474)	(9,474)
Proceeds from sale of Capital Assets	-	-	-	-
Total Other Financing sources (Uses).	<u>3,146,655</u>	<u>3,133,655</u>	<u>2,715,253</u>	<u>(418,402)</u>
Net Change in Fund Balances	<u>(457,452)</u>	<u>(454,952)</u>	<u>(410,903)</u>	<u>44,049</u>
Fund Balances - Beginning of Year	-	-	472,660	472,660
Fund Balances, End of Year	<u>\$ (457,452)</u>	<u>(454,952)</u>	<u>61,757</u>	<u>516,709</u>
Reconciliation to GAAP Basis:				
Adjustments to Revenues			(4,682)	
Adjustments to Expenditures			(4,353)	
NET CHANGE IN FUND BALANCE			<u>\$ (419,938)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Airport	Solid Waste	Water and Sewer	Total
Assets				
Current Assets				
Cash, cash equivalents and investments	\$ 3,094,101	5,308,963	13,547,601	21,950,665
Customer receivables, net of allowance	2,526,867	373,135	799,199	3,699,201
Notes receivable	47,357	-	-	47,357
Inventory	-	-	1,453,696	1,453,696
Due from other funds	-	-	-	-
Total current assets	5,668,325	5,682,098	15,800,496	27,150,919
Noncurrent assets				
Notes receivable	-	-	-	-
Capital assets	64,971,773	16,118,157	112,965,405	194,055,335
Less: accumulated depreciation	(39,458,934)	(10,250,408)	(73,324,576)	(123,033,918)
Total noncurrent assets	25,512,839	5,867,749	39,640,829	71,021,417
Total assets	31,181,164	11,549,847	55,441,325	98,172,336
Deferred Outflows				
Pension Related	14,495	32,347	72,195	119,037
Total Deferred Outflows	14,495	32,347	72,195	119,037
Liabilities				
Current Liabilities				
Accounts payable	1,252,969	124,319	881,669	2,258,957
Accrued payroll expenses	35,709	101,448	293,910	431,067
Accrued sales tax payable	-	-	-	-
Accrued compensated absences	28,486	52,292	127,292	208,070
Accrued interest	-	19,775	165,825	185,600
Meter and other deposits	171,709	2,000	-	173,709
Due to other funds	-	-	-	-
Current portion of bonds and notes payable	254,671	365,000	675,000	1,294,671
Total current liabilities	1,743,544	664,834	2,143,696	4,552,074
Noncurrent Liabilities				
Landfill closure	-	1,298,727	-	1,298,727
Bonds and notes payable	-	765,000	8,370,000	9,135,000
Net Pension Liability	145,949	325,705	726,946	1,198,600
Total noncurrent liabilities	145,949	2,389,432	9,096,946	11,632,327
Total Liabilities	1,889,493	3,054,266	11,240,642	16,184,401
Deferred Inflows				
Pension Related	57,198	127,645	284,893	469,736
Debt reacquisition price in excess of carrying value	-	-	1,023,618	1,023,618
Total Deferred Inflows	57,198	127,645	1,308,511	1,493,354
Net Position				
Net investment in capital assets	25,258,168	4,737,749	29,572,211	59,568,128
Unrestricted net position	3,990,800	3,662,534	13,392,156	21,045,490
Total Net Position	\$ 29,248,968	8,400,283	42,964,367	80,613,618

STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Airport	Solid Waste	Water and Sewer	Total
<i>Operating Revenues</i>				
Charges for Services	\$ 3,115,793	5,384,717	11,386,524	19,887,034
Operating Grants	9,007,798	-	-	9,007,798
Total operating revenues	12,123,591	5,384,717	11,386,524	28,894,832
<i>Operating Expenses</i>				
General and administrative	37,221	201,987	660,230	899,438
Personnel services	658,350	1,487,181	3,419,346	5,564,877
Contractual services	115,971	295,366	719,521	1,130,858
Supplies and purchased power	117,410	270,635	519,307	907,352
Maintenance and materials	1,415,042	1,492,848	1,799,639	4,707,529
Utilities	154,724	33,381	640,527	828,632
Gross receipts tax expense	20,461	264,491	507,785	792,737
Amortization	-	-	-	-
Closure costs	-	-	-	-
Depreciation	1,583,998	914,876	1,907,481	4,406,355
Total operating expenses	4,103,177	4,960,765	10,173,836	19,237,778
<i>Operation income (loss)</i>	8,020,414	423,952	1,212,688	9,657,054
<i>Non-operating revenues (expenses)</i>				
Interest income	7,635	6,624	17,421	31,680
Interest expense	(24,037)	(47,158)	(436,380)	(507,575)
Gross receipts tax revenue	20,741	263,189	507,047	790,977
Miscellaneous	36,657	28,652	82,027	147,336
Gain (loss) from sale of capital assets	55,754	12,711	28,954	97,419
Total non-operating revenues (expenses)	96,750	264,018	199,069	559,837
Income (Loss) Before Contributions and Transfers	8,117,164	687,970	1,411,757	10,216,891
<i>Other Financing Sources (Uses)</i>				
Transfers in	532,059	1,113,668	12,775,721	14,421,448
Transfers out	(620,374)	(704,335)	(13,183,100)	(14,507,809)
Net transfers	(88,315)	409,333	(407,379)	(86,361)
Change in net position	8,028,849	1,097,303	1,004,378	10,130,530
<i>Beginning net position</i>	21,417,177	7,742,742	42,941,501	72,101,420
<i>Prior period adjustment</i>	(197,058)	(439,762)	(981,512)	(1,618,332)
<i>Beginning net position restated</i>	21,220,119	7,302,980	41,959,989	70,483,088
<i>Net position, end of year</i>	\$ 29,248,968	8,400,283	42,964,367	80,613,618

STATE OF NEW MEXICO
CITY OF ROSWELL
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2015

	Airport	Solid Waste	Water Sewer	Total
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 9,937,842	5,370,495	11,486,419	26,794,756
Cash paid for goods and services	(1,786,803)	(2,473,101)	(4,790,874)	(9,050,778)
Cash paid to employees	(674,933)	(1,488,274)	(3,330,751)	(5,493,958)
Net cash provided by operating activities	7,476,106	1,409,120	3,364,794	12,250,020
Cash Flows From Investing Activities				
Interest income	7,635	6,624	17,421	31,680
Payments received on notes	399,566	-	-	399,566
Net cash provided by investing activities	407,201	6,624	17,421	431,246
Cash Flows From Non-Capital Financing				
Gross receipts taxes and other income received	20,741	263,189	507,047	790,977
Internal transfers and loans	(357,557)	409,333	(138,137)	(86,361)
Net cash provided (used) by non-capital financing activities	(336,816)	672,522	368,910	704,616
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets	(6,958,306)	(464,813)	(1,301,360)	(8,724,479)
Gain on sale of capital assets	55,754	12,711	28,954	97,419
Debt payment	(243,541)	(348,957)	1,273,618	681,120
Interest paid	(24,037)	(59,233)	(436,380)	(519,650)
Net cash used by capital and related financing activities	(7,170,130)	(860,292)	(435,168)	(8,465,590)
Net increase in cash and cash equivalents	376,361	1,227,974	3,315,957	4,920,292
Cash and restricted cash and cash equivalents, beginning of year	2,717,740	4,080,989	10,231,644	17,030,373
Cash and restricted cash and cash equivalents, end of year	\$ 3,094,101	5,308,963	13,547,601	21,950,665
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 8,020,414	423,952	1,212,688	9,657,054
Adjustments to operating (loss) income to net cash provided by operating activities:				
Depreciation	1,583,998	914,876	1,907,481	4,406,355
Pension Expense	(8,406)	(18,759)	(41,868)	(69,033)
Disposition of Assets	(1,106,396)	31,987	(453,728)	(1,528,137)
Change in assets and liabilities:				
Receivables	(2,185,749)	(14,222)	99,895	(2,100,076)
Inventory	-	-	(121,715)	(121,715)
Accounts payable	1,149,722	53,620	630,659	1,834,001
Accrued Payroll	(2,511)	16,380	109,387	123,256
Accrued compensated absences	(5,666)	1,286	21,076	16,696
Meter other refundable deposits	30,700	-	919	31,619
Net cash used by operating activities	\$ 7,476,106	1,409,120	3,364,794	12,250,020

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
June 30, 2015

Assets

Cash	\$	528,611
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Liabilities

Deposits held in trust for others	\$	528,611
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See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015**

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, 2015

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, 2015**

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* 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 *Road Fund* accounts 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.

The *Capital Improvement Capital Projects Fund* accounts for the construction of street, sidewalks and curbs, parking lot paving, ADA improvements to intersections, channel reconstruction and related activities for the City. 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, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Airport Fund* 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* 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* 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, 2015**

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, 2015, 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, 2015**

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, 2015 in the proprietary funds was \$1,453,696 and \$101,498 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, 2015**

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, 2015, 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, are expensed as incurred. Bonds payable are reported net of the applicable bond premium or discount. There were no bond premiums or discounts at June 30, 2015. 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 an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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. Committed fund balance at June 30, 2015 on the governmental funds balance sheet is \$515,194.

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. Assigned fund balance at June 30, 2015 on the governmental funds balance sheet is \$369,906.

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, 2015, the Nonspendable fund balance in the general fund is made up of inventory in the amount of \$101,498 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 \$345,000 that is legally required to be maintained intact and not available to be expended.

Restricted Fund Balance. At June 30, 2015, the restricted fund balance on the governmental funds balance sheet is made up of \$15,662,310 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, 2015**

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 72.
- 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 ACCOUNTABILITY

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, 2015**

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, 2015 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, 2015.

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, 2015**

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, 2015, \$41,338,621, of the City's bank balances of \$42,170,392 were exposed to custodial credit risk. \$20,832,417 was insured and collateralized by securities held by the pledging bank's trust department, not in the City's name and \$20,506,204 was uninsured and uncollateralized.

	NM Finance Authority	Pioneer Bank	Washington Federal Bank	Total
Amount of Deposits	\$ 81,771	\$ 26,533,621	\$ 15,555,000	\$ 42,170,392
Less: FDIC Coverage	81,771	500,000	250,000	831,771
Total uninsured public funds	-	26,033,621	15,305,000	41,338,621
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	-	13,081,847	7,750,570	20,832,417
Uninsured and uncollateralized	\$ -	\$ 12,951,774	\$ 7,554,430	\$ 20,506,204
Collateral requirement (50% of uninsured public funds)				
Pledged collateral	\$ -	\$ 13,016,811	\$ 7,652,500	\$ 20,669,311
Over (under) collateralized	\$ -	\$ 65,037	\$ 98,070	\$ 163,107

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, 2015**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments at June 30, 2015 include the following:

Investments	Rated	Weighted Average Maturity (R)	Weighted Average Maturity (F)	Fair Market Value
LGIP	*AAAm	59 Days	96 Days	\$ 11,276,598
				\$ 11,276,598

**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 purchase 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	\$ 51,734,052
Agency funds cash	528,611
Plus outstanding checks	1,364,752
Less: deposits in transit	(175,973)
Less: petty cash	(4,452)
Less: investments	(11,276,598)
Bank balance of deposits	\$ 42,170,392

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – RECEIVABLES

Governmental funds receivables as of June 30, 2015 are shown as follows:

	General	Road Fund	Capital Improvements	Nonmajor Governmental Funds	Total
Property Taxes	\$ 352,707	-	-	-	352,707
Other Taxes	4,903,609	139,060	-	-	5,042,669
Intergovernmental grants:					
State	199,537	-	93,858	-	293,395
Licenses and fees	2,557,433	2,171	-	247,490	2,807,094
Less: Allowance for doubtful accounts	(407,947)	-	-	-	(407,947)
Totals by category	\$ 7,605,339	141,231	93,858	247,490	8,087,918

In accordance with GASB 33 property tax revenues in the amount of \$255,737 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements.

Proprietary fund receivables are shown as follows:

	Airport	Solid Waste	Water and Sewer	Total
Grants Receivable	\$ 2,057,778	-	-	2,057,778
Customer receivables	496,442	454,897	1,085,675	2,037,014
Less: Allowance for doubtful accounts	(27,353)	(81,762)	(286,476)	(395,591)
Total by category	\$ 2,526,867	373,135	799,199	3,699,201

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, 2015 is as follows:

Due from Other Funds	Due to Other Funds	Amount
Library Grants Fund	General Fund	\$ 39,582
		\$ 39,582

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

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

Major Funds	Transfers In	Transfers Out
<i>Governmental Activities</i>		
General	\$ 1,112,000	\$ 8,287,547
Road	3,029,727	314,474
Capital Improvement	2,784,887	5,000
<i>Business-type Activities</i>		
Airport	532,059	620,374
Solid Waste	1,113,668	704,335
Water and Sewer	12,775,721	13,183,100
Total Major Funds	21,348,062	23,114,830
Non-Major Funds		
<i>Governmental Activities</i>	1,766,768	-
	\$ 23,114,830	\$ 23,114,830

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

NOTE 6 - NOTES RECEIVABLE

The City had the following notes receivable at year end:

	Original Amount	Interest Rate	Term	Outstanding Receivable June 30, 2015	Due Within One Year
<i>Business-Type Activities:</i>					
Dean Baldwin					
Painting	\$ 528,406	4.00%	2006-2016	\$ 47,357	\$ 47,357
Total				\$ 47,357	\$ 47,357

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

Business-Type Activities				
Fiscal Year Ending June 30,		Principal	Interest	Total
2015	\$	47,357	793	\$ 48,150
Total	\$	47,357	793	\$ 48,150

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2015, 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, 2014	Additions	Deletions	Reclass	Balance June 30, 2015
Governmental Activities					
Capital Assets not being depreciated:					
Land	\$ 3,274,882	300,001	-	-	3,574,883
Land-right of way	5,143,067	-	-	-	5,143,067
Construction in Progress	163,147	73,593	22,605	-	214,135
Library Collection	2,691,863	130,966	-	-	2,822,829
Historical Treasures	437,204	-	-	-	437,204
Total	11,710,163	504,560	22,605	-	12,192,118
Capital Assets being depreciated:					
Land improvements	13,228,570	1,419,045	7,330	-	14,640,285
Buildings and improvements	31,607,341	1,551,355	32,540	-	33,126,156
Machinery and equipment	11,447,011	4,355,613	365,194	8,106,359	23,543,789
Furniture and fixtures	128,689	8,427	1,168	-	135,948
Vehicles	14,606,900	755,910	1,002,692	-	14,360,118
Infrastructure	164,486,204	1,203,888	3,585,161	(8,106,359)	153,998,572
Total	235,504,715	9,294,238	4,994,085	-	239,804,868
Less accumulated depreciation:					
Land improvements	6,710,741	509,667	-	-	7,220,408
Buildings and improvements	19,232,065	1,208,074	34,283	-	20,405,856
Machinery and equipment	8,691,629	4,133,908	-	-	12,825,537
Furniture and fixtures	128,689	100	1168	-	127,621
Vehicles	11,512,821	1,417,619	1,357,071	-	11,573,369
Infrastructure	140,383,548	2,056,855	3,624,168	-	138,816,235
Total	186,659,493	9,326,223	5,016,690	-	190,969,026
Total capital assets, net	\$ 60,555,385	472,575	-	-	61,027,960

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2015 was charged to governmental activities as follows:

General government	\$	6,715,637
Public works		2,426,713
Culture and recreation		183,873
Total depreciation expense	<u>\$</u>	<u>9,326,223</u>

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2015
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 4,609,059	-	-	4,609,059
Construction in progress	58,466	141,740	58,466	141,740
Water rights-intangible assets	11,786,410	358,828	-	12,145,238
Total	<u>16,453,935</u>	<u>500,568</u>	<u>58,466</u>	<u>16,896,037</u>
Capital assets being depreciated:				
Land improvements	10,595,173	370,868	-	10,966,041
Buildings and improvements	80,287,176	541,175	230,447	80,597,904
Machinery and equipment	16,813,837	288,806	126,081	16,976,562
Furniture and fixtures	118,716	-	786	117,930
Vehicles	8,150,297	639,901	2,468,886	6,321,312
Infrastructure	53,667,315	8,957,208	444,974	62,179,549
Total	<u>169,632,514</u>	<u>10,797,958</u>	<u>3,271,174</u>	<u>177,159,298</u>
Less accumulated depreciation:				
Land improvements	2,962,545	541,393	3,708	3,500,230
Buildings and improvements	57,034,627	1,838,448	194,240	58,678,835
Machinery and equipment	15,312,605	407,774	126,080	15,594,299
Furniture and fixtures	101,994	6,503	785	107,712
Vehicles	6,336,623	681,481	2,106,255	4,911,849
Infrastructure	39,310,237	930,756	-	40,240,993
Total	<u>121,058,631</u>	<u>4,406,355</u>	<u>2,431,065</u>	<u>123,033,918</u>
Total capital assets, net of depreciation	<u>\$ 65,027,818</u>	<u>6,892,171</u>	<u>898,572</u>	<u>71,021,417</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2015 was charged to business-type activities as follows:

Airport	\$	1,583,998
Solid Waste		914,876
Water		<u>1,907,481</u>
Total depreciation expense	\$	<u>4,406,355</u>

NOTE 8 – LONG TERM DEBT

Governmental Activities. During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Bonds Payable	\$ 3,325,000	-	645,000	2,680,000	280,000
Notes Payable	375,635	-	187,246	188,389	188,389
Capital leases payable	1,682,788	-	188,478	1,494,310	193,319
Workers' Compensation	3,369,693	805,107	138,523	4,036,277	4,036,277
Compensated Absences	966,290	119,476	79,912	1,005,854	1,005,854
Totals	\$ 9,719,406	844,671	1,159,247	9,404,830	5,703,839

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 2015, compensated absences increased \$39,564 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 August 1, 1999, were issued to provide funds to defray, in part (i) the cost of constructing, rehabilitating, and remodeling the Roswell Public Library, including additions and improvements thereto, (ii) the cost of constructing, purchasing, rehabilitating, or any combination thereof, municipal fire stations, including additions and improvements thereto, and (iii) all costs incidental to the foregoing and the issuance of the Bonds. The Bonds were issued pursuant to Sections 3-3 1-1 through 3-3 1-12 NMSA 1978, as amended. The 1999 Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the revenues distributed to it by the New Mexico Taxation and Revenue Department pursuant to Sections 7-9-4, NMSA 1978, as amended, 7- 1-6.1 and 7- 1-6.4 NMSA, as amended and 7-1 -6.17 NMSA, 1978 as amended.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – LONG TERM DEBT (CONTINUED)

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 6-15-22 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.

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

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2015
General Obligation Series 2008	4,100,000	8/1/2022	3.05-5.30%	2,680,000
Total				\$ <u>2,680,000</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.

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, 2015
Sun Trust Equipment Finance (fire truck)	\$ 375,052	7/3/2018	4.28%	\$ 168,853
Sun Trust Equipment Finance (fire truck)	1,623,422	9/14/2022	2.13%	1,325,457
Total				\$ <u>1,494,310</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – LONG TERM DEBT (CONTINUED)

Debt Service Requirements. Debt service requirements on long-term debt for governmental activities at June 30, 2015 are as follows:

Bonds Payable

Fiscal Year Ending June 30,		Principal Payment	Interest Payment	Total Debt Service
2016	\$	280,000	93,520	373,520
2017		295,000	83,811	363,811
2018		310,000	73,298	368,298
2019		325,000	62,104	372,104
2020		340,000	50,130	375,130
2021-2024		1,130,000	68,188	1,198,188
Total	\$	2,680,000	431,050	3,051,050

Capital Leases Payable

Fiscal Year Ending June 30,		Principal Payment	Interest Payment	Total Debt Service
2016	\$	193,319	35,471	228,790
2017		198,298	30,492	228,790
2018		203,420	25,369	228,790
2019		208,691	20,099	228,790
2020		167,239	14,675	181,914
2021-2025		523,344	22,398	545,742
Total	\$	1,494,310	148,504	1,642,815

Notes Payable

Fiscal Year Ending June 30,		Principal Payment	Interest Payment	Total Debt Service
2016	\$	188,389	1,809	190,098
Total	\$	188,389	1,809	190,098

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – LONG TERM DEBT (CONTINUED)

Worker's Compensation. The Worker's Compensation liability of \$4,036,277 reported at June 30, 2015 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 probable 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 2014 and 2015 are summarized below:

		Compensation
Claims Liability, June 30, 2013	\$	2,539,370
Current year claims, insurance and changes in estimates		1,176,504
Claims and insurance payments		(346,181)
Claims liability June 30, 2014	\$	3,369,693
Current year claims insurance and changes in estimates		805,107
Claims and insurance payments		(138,523)
Claims liability, June 30, 2015	\$	4,036,277

Business-Type Activities. During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the proprietary funds statement of net position:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Bonds payable	\$ 10,275,000,	9,845,000	9,945,000	10,175,000	1,040,000
Capital leases payable	498,212	-	243,541	254,671	254,671
Landfill closure and post closure	1,298,727	-	-	1,298,727	-
Compensated absences	191,374	172,911	66,215	208,070	208,070
Totals	\$ 12,263,313	9,861,396	10,188,541	11,936,468	1,502,741

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 2015, compensated absences increased \$16,696 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, 2015**

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.

During the year ended June 30, 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.

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

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2015
Gross Receipts Tax Improvement Series 2008	3,190,000	6/1/2018	3.00-4.10%	1,130,000
Joint Water and Sewer Utility Improvement Bonds Series 2014A	2,500,000	06/01/2034	2.00-5.00%	2,415,000
Joint Water and Sewer Utility Refunding Bonds Series 2014B	7,345,000	06/01/2025	2.00-5.00%	6,630,000
Total				\$ <u>10,175,000</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – LONG TERM DEBT (CONTINUED)

Capital Leases. On June 28, 2006 the City negotiated a lease purchase agreement with Suntrust Leasing Corp. for a Fire Suppression System at the Roswell Industrial Air Center in the amount of \$2,100,000 with an interest rate of 4.57%. The lease calls for annual payments of \$266,310 and will be paid in full in fiscal year 2016. 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, 2015
Sun Trust Equipment Finance (fire truck)	\$ 2,100,000	6/28/2016	4.57%	\$ 254,671
Total				\$ 254,671

Debt Service Requirements. Debt service requirements on long-term debt for business-type activities at June 30, 2015 are as follows:

Bonds Payable

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2016	\$ 1,040,000	404,665	1,444,665
2017	1,070,000	370,965	1,440,965
2018	1,105,000	335,115	1,440,115
2019	740,000	291,775	1,031,775
2020	770,000	263,425	1,033,425
2021-2025	4,365,000	805,375	5,170,375
Thereafter	1,085,000	181,238	1,266,238
Total	\$ 10,175,000	2,652,375	12,827,558

Capital Leases Payable

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2016	254,671	11,638	266,310
Total	\$ 254,671	11,638	266,310

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – LONG TERM DEBT (CONTINUED)

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:

Estimated closure construction	\$	283,009
Landfill maintenance		725,400
Environmental monitoring		1,153,440
Phase I & II assessment		1,521,800
Total estimated closure and post closure costs		3,710,649
Total capacity used to date (approx. 79.1 acres) as a % of total capacity (229 acres)		35.00%
Estimated closure and post closure costs		1,298,727
Prior liability recognized		1,298,727
Total current year addition to liability		-
Estimated liability for the year ended June 30, 2015	\$	1,298,727

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.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – RISK MANAGEMENT (CONTINUED)

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 \$4,036,277 is recorded on the government-wide financial statements. These liabilities are based on actuarial information provided by the Fund.

The City's employees have health and accident insurance coverage with the Risk Management Division of the New Mexico General Services Department (RMD). RMD is a public entity risk pool currently operating as a common risk management and insurance program for 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 the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The 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, 2015**

**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.

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 contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$437,272 \$432,809 and \$416,674 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, 2015. 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, 2015**

NOTE 12. –PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT

Plan description: The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

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

Benefits provided: For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions: The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to City are Municipal Plan 2 and Municipal Police Plan 5. Statutorily required contributions to the pension plan from the City were \$1,156,193 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2015.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal Plan 2, at June 30, 2015, the City reported a liability of \$11,168,016 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 1.4316 % percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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

For the year ended June 30, 2015, the City recognized PERA Fund Division Municipal Plan 2 pension expense of \$465,928. At June 30, 2015, the City reported PERA Fund Division Municipal Plan 2 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	4,369,223
Changes in assumptions	-	7,569
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	-	-
City's contributions subsequent to the measurement date	<u>1,109,143</u>	<u>-</u>
Total	<u>\$ 1,109,143</u>	<u>4,376,792</u>

\$1,109,143 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:

2016	\$ 1,094,188
2017	1,094,188
2018	1,094,188
2019	1,094,188
2020	40

PERA Fund Division Municipal Police Plan 5, at June 30, 2015, the City reported a liability of \$7,409,081 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 2.2728% percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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

For the year ended June 30, 2015, the City recognized PERA Fund Division Municipal Police Plan 5 pension expense of \$497,575. At June 30, 2015, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	2,755,023
Changes in assumptions	-	601,870
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	-	-
City's contributions subsequent to the measurement date	<u>1,028,885</u>	<u>-</u>
Total	<u><u>\$ 1,028,885</u></u>	<u><u>3,356,893</u></u>

\$1,028,885 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:

2016	\$ 838,475
2017	838,475
2018	838,475
2019	838,475
2020	2,993

For PERA Fund Division Municipal Fire Plan, at June 30, 2015, the City reported a liability of \$13,745,378 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 3.2931 % percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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

For the year ended June 30, 2015, the City recognized PERA Fund Division Municipal Fire Plan 5 pension expense of \$1,214,153. At June 30, 2015, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	1,903,823
Changes in assumptions	477,166	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	-	-
City's contributions subsequent to the measurement date	943,204	-
Total	<u>\$ 1,420,370</u>	<u>1,903,823</u>

\$943,204 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:

2016	\$ 357,258
2017	357,258
2018	357,258
2019	357,258
2020	2,375

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Actuarial assumptions: As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level of percentage pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

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

asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	4.0%	4.15%
Total	100.0%	

STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

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

PERA Fund Division Municipal Plan 2

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	<u>\$ 21,054,222</u>	<u>11,168,016</u>	<u>3,530,449</u>

PERA Fund Division Municipal Police Plan 5

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	<u>\$ 14,129,129</u>	<u>7,409,081</u>	<u>2,391,312</u>

PERA Fund Division Municipal Fire Plan

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	<u>\$ 19,421,190</u>	<u>13,745,378</u>	<u>9,559,248</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan: The City accrued \$152,385 in PERA benefits at June 30, 2015 for the pay period beginning June 22, 2015, and ending July 5, 2015.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

NOTE 14 – RESTRICTED NET POSITION

The government-wide statement of net position reports \$15,458,447 of restricted net position, of which \$354,902 is restricted for debt service, \$9,803,686 is restricted for capital projects and \$5,299,859 is restricted by enabling legislation referred to in the special revenue fund descriptions on pages 36 and 69 to 71.

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

Subsequent to June 30, 2015, the City entered into the following Debt Agreement:

The City has entered into a new debt agreement September, for \$3.5 million. The purpose of the loan shall be for specific capital projects, including the acquisition of property, construction and reconstruction or rehabilitation of roads, buildings and other capital improvements as determined and approved by the City Council.

The date to which events occurring after June 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 15, 2015 which is the date on which the financial statements were issued.

NOTE 17 – SUBSEQUENT PRONOUNCEMENTS

In August 2012, the GASB issued Statement No.68, Accounting and Financial Reporting for Pensions — an amendment of GASB Statement 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The Agency provides substantially all of its employees with pension benefits through the state's multiple employer cost-sharing defined-benefit retirement plan administered by the Public Employees Retirement Association of New Mexico (PERA). GASB Statement 68 requires cost-

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 17 – SUBSEQUENT PRONOUNCEMENTS (CONTINUED)

sharing employers participating in the PERA program, such as the District, to record their proportionate share, as defined in GASB Statement 68, of District's unfunded pension liability. The Agency has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA. GASB Statement 68 is effective for periods beginning after June 15, 2014. The District adopted GASB Statement No. 68 during fiscal year 2015. The requirement of GASB Statement 68 to record a portion of PERA's unfunded liability has negatively impacted the Agency's unrestricted net position. Information regarding PERA's current funding status can be found in their financial report.

In November 2013, the GASB issued statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of the measurement date, no earlier than the end of its prior fiscal year. If a state or local government employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. If it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition.

Accordingly, Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The City adopted GASB Statement No. 71 during fiscal year 2015.

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 Agency adopted GASB Statement No. 76 during fiscal year 2015, with no significant impact to the Agency's financial statements.

NOTE 18- NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2015.

GASB Statement No. 72, Fair Value Measurement and Application

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 District believes that the above listed new GASB pronouncements will not have a significant financial impact to the Agency 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.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 20 – GOVERNMENTAL FUND BALANCE (CONTINUED)

Detail relating to the fund balance classifications is displayed below:

Fund Balances	General Fund	Road Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$ 101,498	-	-	-	101,498
South park cemetery	-	-	-	345,000	345,000
Restricted:					
Convention Center	-	-	-	1,032,305	1,032,305
Lodger's Tax	-	-	-	1,113,947	1,113,947
Community Development					
Revolving Loan	-	-	-	1,258,759	1,258,759
Beautification Grant	-	-	-	1	1
Law Enforcement Grant	-	-	-	15,178	15,178
HIDTA Grant	-	-	-	29,718	29,718
Emergency Medical Services	-	-	-	1,436	1,436
Emergency Medical Services Grant-Fire	-	-	-	1,277	1,277
Hazardous Materials	-	-	-	27,768	27,768
Fire Protection	-	-	-	692,442	692,442
Federal Narcotic Seizure	-	-	-	351	351
JAG Grant	-	-	-	1,361	1,361
2008 GO Bonds	-	-	-	354,902	354,902
Capital projects	-	-	9,803,686		9,803,686
Government operations	1,329,179	-	-	-	1,329,179
Committed:					
Roads	-	52,722	-	-	52,722
Transit services	-	-	-	462,472	462,472
Assigned:	-	-	-	369,906	369,906
Unassigned:	17,680,839	-	-	(104,784)	17,576,055
Total fund balances:	\$ 19,111,516	52,722	9,803,686	5,602,039	34,569,963

NOTE 21. PRIOR PERIOD ADJUSTMENT

The prior period statements were restated as a result of implementing GASB Statement No. 68 in fiscal year 2015 and as a result of recording the net entries related to the statement of net position and statement of activities, the prior period net position decreased in the amount of \$39,305,161.

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the City of Roswell, New Mexico (the “City”) in connection with the issuance of its \$18,230,000 Joint Utility Improvement Revenue Bonds, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 to 3-31-12 of the New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented, the Charter of the City, other applicable New Mexico laws, and Ordinance No. 16-22 adopted by the City Council of the City on January 12, 2017, as supplemented by Resolution No. 17-04 adopted by the City Council of the City on January 24, 2017 (the “Bond Ordinance”). Pursuant to the Bond Ordinance and to allow the purchaser of the Bonds to comply with the Rule (defined below), the City is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the “Owners”). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) “Annual Financial Information” means the financial information or operating data with respect to the City, delivered at least annually pursuant to Sections 3(a) and 3(b), consisting of information of the type set forth below as contained in the Official Statement:

(i) Table 1 - Combined Debt Service Requirements (but only to the extent the debt service requirements have changed from those set forth in the Official Statement);

(ii) Table 2 - Five-year history of total water and wastewater connections;

(iii) Table 3 - Ten-year history of wastewater volumes treated;

(iv) Table 5 - Eight-year history of water volumes sold;

(v) Table 6 - Ten Largest Water Customers;

(vi) Table 7 - Water Rates (but only to the extent that rates have changed from those set forth in the Official Statement)

(vii) Table 8 - Wastewater Rates (but only to the extent that rates have changed from those set forth in the Official Statement);

(viii) Table 9 - Joint Utility Enterprise Fund – Historical Revenues, Expenses and Changes in Net Position;

(ix) Table 10 - Net Revenues Available for Debt Service; and

(x) Table 11 - Joint Utility – Historical Balance Sheets.

(b) “Audited Financial Statements” means the City’s annual financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time (“GAAP”), for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”), which financial statements have been prepared as may then be required or permitted by the laws of the State.

(c) “EMMA” means the MSRB’s Electronic Municipal Market Access system located on its website at emma.msrb.org.

(d) “Event” means the information or circumstances described in Section 3(d).

(e) “MSRB” means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia, 22314, phone (703) 797-6600 fax (703) 797-6708.

(f) “Official Statement” means the Official Statement dated January 24, 2016, delivered in connection with the original issue and sale of the Bonds.

(g) “Report Date” means March 31 of each year, beginning in 2017.

(h) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12), as the same may be amended from time to time.

(i) “SEC” means the Securities and Exchange Commission.

(j) “State” means the State of New Mexico.

Section 3. Provision of Annual Financial Information and Reporting of Event.

(a) The City, or its designated agent, will provide the Annual Financial Information for the preceding fiscal year to EMMA on or before each Report Date while the Bonds are outstanding.

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the City, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. In such cases, Audited Financial Statements will be provided to EMMA when and if available.

(c) The City, or its designated agent, may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the City, which have been submitted to EMMA or filed with the SEC; provided, however, that if the document so referenced is a “final official

statement” within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) This paragraph (d) shall govern the giving of notices of the occurrence of any of the following Events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issued (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. modifications to the rights of the security holders, if material;
8. bond calls, if material , or tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or a similar event with respect to the City or an obligated person;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(e) At any time the Bonds are outstanding, the City shall file, in a timely manner not in excess of ten (10) business days after the occurrence of an Event, a notice of such occurrence with EMMA.

(f) At any time the Bonds are outstanding, the City shall provide to EMMA, notice in a timely manner not in excess of ten (10) business days after the occurrence of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 3 hereof.

Section 4. Method of Transmission. Unless otherwise required by law, and subject to technical and economic feasibility, the City, or its designated agent, will employ such methods of electronic or physical information transmission as are requested or recommended from time to time by EMMA, the MSRB and the SEC.

Section 5. Enforcement. The obligations of the City under this Undertaking are for the benefit of the Owners. Each Owner is authorized to take action to seek specific performance by court order to compel the City to comply with its obligations under this Undertaking, which action will be the exclusive remedy available to it or any other Owner. The City's breach of its obligations under this Undertaking will not constitute an event of default under the Bond Ordinance, and none of the rights and remedies provided by the Bond Ordinance will be available to the Owners with respect to such a breach.

Section 6. Term. The City's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Bond Ordinance; (ii) the date on which the City is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds. The City shall file a notice of any such termination with EMMA.

Section 7. Amendments. The City may amend this Undertaking from time to time, without the consent of any Owner, upon the City's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment:

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, a change in the identity, nature or status of the City or a change in the availability or character of financial information for the City;

(b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(c) the amendment does not materially impair the interests of the Owners.

Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of

the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Beneficiaries. This Undertaking binds and inures to the sole benefit of the City and the Owners and creates no rights in any other person or entity.

Section 9. Special Funds. This Undertaking is subject to the availability of necessary funds from annual Pledged Revenues (as such term is defined in the Bond Ordinance).

Section 10. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

Date: February __, 2017.

CITY OF ROSWELL, NEW MEXICO

[CITY SEAL]

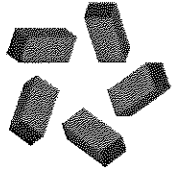
By _____
Dennis Kintigh, Mayor

Attest:

By _____
Sharon Coll, City Clerk

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN