

NEW ISSUE

STANDARD & POOR'S RATING: "AA"

See "RATINGS" herein.

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 EXEMPTION" herein, interest on the 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 Bonds will be included in the adjusted current earnings of certain corporation. The Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof. 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 EXEMPTION" herein.

CITY OF ROSWELL, NEW MEXICO

\$18,355,000

**Gross Receipts Tax Improvement Revenue Bonds
Series 2017**

Book-Entry Only

Dated: Date of Delivery

Due: August 1, as shown on inside cover

The City of Roswell, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2017 (the "Series 2017 Bonds" or the "Bonds") are being issued by the City of Roswell, Chaves County, New Mexico (the "City") to provide funds to pay the costs of (1) acquiring, constructing, reconstructing, repairing or otherwise improving a City recreation center; and (2) paying costs of issuance related to the issuance of the Series 2017 Bonds. See "PURPOSE AND PLAN OF FINANCING" herein. The Series 2017 Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 through 3-31-12 NMSA 1978, as amended (the "Act"), and enactments of the City Council relating to the issuance of the Series 2017 Bonds, including the Bond Ordinance (as defined herein).

The Series 2017 Bonds are issuable only as fully registered bonds in denominations of \$5,000 each or any integral multiple thereof. The Series 2017 Bonds will bear interest from the delivery date and interest is payable on August 1 and February 1 of each year commencing February 1, 2018, as more fully described herein. The Paying Agent and Registrar is the City Finance Director (or Successor in Function), Roswell, New Mexico.

SEE MATURITY SCHEDULE SET FORTH ON THE INSIDE COVER OF THIS OFFICIAL STATEMENT.

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") 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 "DESCRIPTION OF THE BONDS – Book-Entry Only System" herein.

The Series 2017 Bonds maturing on and after August 1, 2028 are subject to optional redemption on and after August 1, 2027, in whole or in part at any time. See "DESCRIPTION OF THE BONDS – REDEMPTION OF BONDS" herein.

The Series 2017 Bonds are offered when, as and if issued by the City, subject to the approval of validity by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, and certain other conditions. Certain legal matters will be passed on 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 anticipated that the Series 2017 Bonds will be available for delivery on or about August 22, 2017 through the facilities of DTC, New York, New York.

**GEORGE K. BAUM & COMPANY
BAIRD**

Dated: August 9, 2017

MATURITY SCHEDULE

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Number</u>
2018	\$ 320,000	2.000%	0.850%	77854PAL3
2019	670,000	3.000%	1.020%	77854PAM1
2020	690,000	3.000%	1.160%	77854PAN9
2021	710,000	3.000%	1.300%	77854PAP4
2022	730,000	4.000%	1.420%	77854PAQ2
2023	760,000	4.000%	1.580%	77854PAR0
2024	790,000	4.000%	1.750%	77854PAS8
2025	825,000	4.000%	1.940%	77854PAT6
2026	855,000	4.000%	2.110%	77854PAU3
2027	890,000	4.000%	2.270%	77854PAV1
2028	925,000	4.000%	2.480%*	77854PAW9
2029	965,000	4.000%	2.630%*	77854PAX7
2030	1,000,000	4.000%	2.740%*	77854PAY5
2031	1,040,000	4.000%	2.830%*	77854PAZ2
2032	1,085,000	4.000%	2.950%*	77854PBA6
2033	1,125,000	4.000%	3.010%*	77854PBB4
2034	1,170,000	4.000%	3.060%*	77854PBC2
2035	1,220,000	4.000%	3.100%*	77854PBD0
2036	1,265,000	4.000%	3.150%*	77854PBE8
2037	1,320,000	4.000%	3.180%*	77854PBF5

* Yield to first optional redemption date of August 1, 2027.

CITY OF ROSWELL, NEW MEXICO

City Hall, 425 N. Richardson
Roswell, NM 88201
(575) 624-6700

MAYOR

Dennis J. Kintigh

CITY COUNCIL

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

CITY ADMINISTRATION

Joseph Neeb, City Manager
Monica Garcia, Finance Director
Sharon Coll, City Clerk
Aaron Holloman, City Attorney

FINANCIAL ADVISOR

RBC Capital Markets, LLC
6301 Uptown Boulevard, N.E., Suite 110
Albuquerque, New Mexico 87110
(505) 872-5999

BOND COUNSEL & DISCLOSURE COUNSEL

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500 Fourth Street N.W., Suite 1000
P.O. Box 2168 (87103-2168)
Albuquerque, New Mexico 87102
(505) 848-1800

PAYING AGENT AND REGISTRAR

City Finance Director (or Successor in Function)

UNDERWRITERS

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

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

No dealer, salesman or other person has been authorized by the City of Roswell, New Mexico (the “City”) to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth or included in this Official Statement has been provided by the City and from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. 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 Bonds have not been registered under the Securities Act of 1933 in reliance upon exemptions contained in such Act. The registration and qualification of the Bonds in accordance with applicable provisions of the securities law of the states in which the Bonds have registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is “deemed final” by the City for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission. The City has covenanted to provide such annual financial statements and other information in the manner as may be required by regulations of the Securities and Exchange Commission or other regulatory body.

This Official Statement contains statements 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,” “project,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Copies of the Bond Ordinance authorizing the issuance of the Bonds are available upon request at the office of the City Clerk, City Hall, 425 N. Richardson, Roswell, New Mexico 88201, (575) 624-6700.

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CITY OF ROSWELL, NEW MEXICO

\$18,355,000

Gross Receipts Tax Improvement Revenue Bonds Series 2017

SUMMARY OF INFORMATION

The following is a summary of certain provisions discussed in this Official Statement. SUCH 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 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 August 1 of the years set forth on the inside cover page of this Official Statement.
- Interest Payment:** Interest will be payable semiannually on August 1 and February 1, commencing February 1, 2018.
- Purpose:** The City of Roswell, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2017 (the “Series 2017 Bonds” or the “Bonds”) are being issued by the City of Roswell, Chaves County, New Mexico (the “City”) to provide funds to pay (1) the costs of acquiring, constructing, reconstructing, repairing or otherwise improving a City recreation center; and (2) the costs of issuance related to the issuance of the Bonds. See “PURPOSE AND PLAN OF FINANCING” herein.
- Authorization:** The Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 through 3-31-12 NMSA 1978, as amended (the “Act”), the Charter and enactments of the City Council relating to the issuance of the Bonds, including the Bond Ordinance.
- Security:** The Bonds are special limited obligations. The Bonds are payable solely from and secured by an irrevocable and first lien (but not necessarily an exclusive first lien) upon the revenues of the 1.225% state-shared gross receipts tax (the “Pledged Revenues”). See “SECURITY FOR THE BONDS” herein.
- Special Obligations:** THE PRINCIPAL OF AND INTEREST ON THE BONDS WILL BE PAYABLE SOLELY FROM PLEDGED REVENUES, AND WILL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE

BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL 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 NOR THE GENERAL TAXING POWER OF THE CITY IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, AND 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.

Series 2017 Reserve Fund: No deposit to the Series 2017 Reserve Fund will be made from the proceeds of the Series 2017 Bonds. No deposit shall be required in the Series 2017 Reserve Fund so long as the Pledged Revenues in each Fiscal Year equal or exceed 200% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity Obligations. If the Pledged Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the City shall begin making substantially equal monthly deposits in the Series 2017 Reserve Fund from the first legally available Pledged Revenues so that after 24 months an amount equal to the Series 2017 Reserve Requirement will be held in the Series 2017 Reserve Fund.

Series 2017
Reserve Requirement:

The Series 2017 Reserve Requirement, if required, shall be an amount equal to the least of (i) ten percent of the principal amount of the outstanding Series 2017 Bonds, (ii) the maximum annual debt service on the outstanding Series 2017 Bonds, or (iii) 125% of the average annual debt service on the outstanding Series 2017 Bonds. The Series 2017 Reserve Requirement shall be recalculated every year on or about August 1.

Optional Prior
Redemption:

The Bonds maturing on and after August 1, 2028 are subject to prior redemption at par at the option of the City, in one or more units of principal of \$5,000 on and after August 1, 2027. If the Bonds are optionally redeemed in part, the Bonds to be so redeemed shall be selected by lot by the Registrar in such manner as the Registrar shall consider appropriate and fair. The redemption price will be the principal amount of each \$5,000 unit so redeemed, plus accrued interest thereon to the redemption date.

Parity Obligations:

The City has the following outstanding obligations with a parity lien on the Pledged Revenues: (i) the "City of Roswell, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2008" in the original aggregate principal amount of \$3,190,000, authorized by City Ordinance No. 08-09 adopted by the City Council on November 20, 2008, as supplemented by City Resolution No. 08-50 adopted on December 11, 2008, and currently outstanding in the aggregate principal amount of \$390,000; and (ii) the "City of Roswell, New Mexico Gross Receipts Tax Improvement Revenue Notes, Series 2015" in the original aggregate principal amount of \$3,570,000, authorized by City Ordinance No. 15-18 adopted by the City Council on November 12, 2015 and currently outstanding in the aggregate principal amount of \$3,130,000.

Subordinate Obligations: The City has no outstanding obligations with a subordinate lien on the Pledged Revenues.

Additional Bonds: In addition to the Series 2017 Bonds, additional bonds may hereafter be issued and secured by and paid from the Pledged Revenues on parity with the Series 2017 Bonds. The City will not issue additional bonds payable from the Pledged Revenues with a lien prior and superior to the lien of the Series 2017 Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the City of additional bonds payable from the Pledged Revenues with a lien thereon subordinate and junior to the lien of the Series 2017 Bonds thereon, nor to prevent the issuance of bonds or other obligations refunding all or part of the Series 2017 Bonds as permitted by the Bond Ordinance. See “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES” herein.

Tax Exemption: In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, 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 of New Mexico or any political subdivision thereof. See “TAX EXEMPTION” herein.

Secondary Market Disclosure: The City has entered into an undertaking (the “Undertaking”) for the benefit of the holders of the Bonds to send certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board of certain 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.

Delivery: The delivery of the Bonds is expected on or about August 22, 2017.

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

Paying Agent/Registrar: City Finance Director (or Successor in Function), Roswell, New Mexico.

OFFICIAL STATEMENT

CITY OF ROSWELL, NEW MEXICO

\$18,355,000

Gross Receipts Tax Improvement Revenue Bonds

Series 2017

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering of \$18,355,000 aggregate principal amount of Gross Receipts Tax Improvement Revenue Bonds, Series 2017 (the “Bonds”), to be issued by the City of Roswell, Chaves County, New Mexico, pursuant to Ordinance No. 17-17, adopted on July 13, 2017 (the “Bond Ordinance”).

The Series 2017 Bonds are payable and collectible solely from the Pledged State Shared Gross Receipts Tax Revenues (“Pledged Revenues”).

Pledged Revenues means the revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted to the City monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6 and 7-1-6.4 NMSA 1978, and which remittances currently equal one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported for the City for the month for which such remittances is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City by the State as set forth above, or (ii) the maximum amount at any time provided hereafter to be remitted to the City under applicable law, and includes the distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, as that distribution relates to the gross receipts tax revenues received pursuant to Section 7-1-6.4 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93 NMSA 1978 (the “Hold Harmless Distribution”); and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance (the term “Pledged State Shared Gross Receipts Tax Revenues” does not include any local option gross receipts tax income received by the City).

The Series 2017 Bonds will be secured by an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged Revenues. See “SECURITY FOR THE BONDS” herein.

The Series 2017 Bonds are being issued by the City of Roswell, Chaves County, New Mexico (the “City”) to provide funds to pay (1) the costs of acquiring, constructing, reconstructing, repairing or otherwise improving a City recreation center; and (2) the costs of issuance related to the issuance of the Series 2017 Bonds. See “THE PROJECT” herein

Pursuant to the Bond Ordinance, the City has covenanted not to repeal or amend any law, ordinance, or resolution in a manner that impairs any of the outstanding Bonds.

Additional bonds may hereafter be issued and secured by the Pledged Revenues having a lien on the Pledged Revenues on a parity with, or subordinate and junior to, the lien on the Pledged Revenues securing the Series 2017 Bonds. Additional Obligations may not be issued with a lien superior to the lien on the

Pledged Revenues securing the 2017 Bonds. See “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED STATE SHARED GROSS RECEIPTS TAX REVENUES -- Parity Obligations.”

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Bond Ordinance.

THE PROJECT

The proceeds of the Series 2017 Bonds will be used to (1) acquire, construct, reconstruct, repair or otherwise improve a City recreation center; and (2) pay costs of issuance related to the issuance of the Series 2017 Bonds. See “SOURCES AND USES OF PROCEEDS OF THE BONDS” herein.

SPECIAL FACTORS RELATING TO THE BONDS

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 Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Bonds, and should confer with their own legal and financial advisors before deciding to purchase the Bonds.

Gross Receipts Tax Collections are Subject to Fluctuation

Gross receipts tax collections are subject to the fluctuations in spending related, in part, to national and local economic conditions, which influence the amount of gross receipts taxes collected. This causes gross receipts tax revenues to increase along with the increasing prices brought about by inflation, but also causes collections to be vulnerable to adverse economic conditions and reduced spending. The City’s economic base and the future collections of Pledged Revenues are directly affected by economic activities in the City. The City’s retail sales are affected by general economic circumstances.

The Pledged Revenues are based on the total gross receipts of the City. Various circumstances and developments, most of which are beyond the control of the City, may have an adverse effect on the future level of Pledged Revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the City, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the City, the County, the State and the region and various other factors. For the Fiscal Year ended June 30, 2016, total Pledged Revenues were \$13,321,014, approximately 5.6% lower than for the previous fiscal year. See table under “PLEDGED REVENUES” for historical collections. There can be no assurance that Pledged Revenues will increase in subsequent years.

Bankruptcy and Foreclosure

The ability and willingness of an owner or operator of a business to pay gross receipts taxes may be adversely affected by the filing of a bankruptcy proceeding by the owner. The ability to collect delinquent gross receipts taxes using foreclosure and sale for non-payment of taxes may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner or operator of a

business. The Federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Delays in the exercise of remedies could result in gross receipts tax collections that may be insufficient to pay debt service on Bonds when due.

Limited Obligations

The Series 2017 Bonds constitute a lien only on the Pledged Revenues. Therefore, the security for the punctual payment of the principal of and interest on the Bonds is dependent on the City's receipt of the Pledged Revenues in amounts sufficient to meet the debt service requirements of the Bonds. See "SECURITY FOR THE BONDS" and "PLEDGED REVENUES" herein. The Bonds and the interest thereon do not constitute a debt or indebtedness of the City within the meaning of any provision or limitation of the Constitution or laws of the State and do not give rise to a pecuniary liability of the City or a charge against its general credit or taxing power. Further, the Bonds are not obligations of the State, and the owners of the Bonds may not look to the State for payment of the principal of or interest on the Bonds.

Additional Parity Obligations and Subordinate Obligations

The City may issue additional Parity Obligations without Bondholder consent, upon meeting coverage or other financial tests. See "ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED STATE SHARED GROSS RECEIPTS TAX REVENUES -- Parity Obligations" herein. Parity Obligations would have a lien on the Pledged Revenues on parity with the lien of the Series 2017 Bonds. As a result, if Pledged Revenues are insufficient to pay debt service on the Series 2017 Bonds and the Parity Obligations in any year, debt service will be paid on a proportionate basis. The City is permitted to issue additional obligations with a lien on the Pledged Revenues subordinate to the lien thereon of the Series 2017 Bonds.

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 the Bonds should be prepared to hold their Bonds to maturity or prior redemption.

State Legislation

The State Legislature of the State of New Mexico (the "Legislature") may amend the laws relating to the levy, calculation and/or the distribution of or otherwise impacting the City's gross receipts tax revenues. In some cases, the Legislature has made amendments which negatively impacted the amount of gross receipts tax revenues received by local government.

In 2004, the Legislature adopted legislation creating a deduction from gross receipts tax for receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods) as defined for federal food stamp program purposes. Retailers are required to report receipts from sales of such groceries and then claim the deduction. The statute provides for payments to be made from the State general fund to reimburse local governments for revenues lost as a result of the new deduction (the "Hold Harmless Distributions"). Those distributions are included within Pledged Revenues. In the same year the Legislature created a deduction from gross receipts tax for receipts of licensed medical care providers from Medicare Part C and managed health plans that by contract do not reimburse providers for gross receipts tax. This legislation includes provision for payments from the State general fund to reimburse local governments for revenues lost as a result of this deduction. Those distributions are included within Pledged Revenues but, as described below, will be phased out over a 15-year period beginning July 1, 2015. See "SPECIAL FACTORS RELATING TO THE BONDS-- Gross Receipts Tax Hold Harmless Distributions", "PLEDGED REVENUES" and "ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES" herein.

Other amendments to State laws affecting taxed activities and distribution of gross receipts tax revenues have been proposed from time to time, including a significant tax reform package that was proposed in the 2017 regular legislative session. Notwithstanding the foregoing, the provisions of State law authorizing the issuance of revenue bonds (including gross receipts tax bonds such as the Bonds) include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenue “shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any such outstanding revenue bonds.”

Gross Receipts Tax Hold Harmless Distributions

In 2013 the New Mexico Legislature enacted House Bill 641 which amended several provisions of New Mexico’s tax code, including a phased reduction in the Hold Harmless Distributions to certain municipalities and counties, including the City, over 15 years starting in the Fiscal Year beginning July 1, 2015. House Bill 641 also authorized municipalities and counties to impose a new Hold Harmless Gross Receipts Tax of up to three-eighths (3/8th) of one percent. The City has not enacted any increment of the Hold Harmless Gross Receipts Tax.

The law as currently enacted will result in annual reductions and ultimately the elimination of the Hold Harmless Distributions to the City beginning on July 1, 2015, as follows:

Fiscal Year beginning July 1	% of Total Hold Harmless Distribution *
2015	94%
2016	88%
2017	82%
2018	76%
2019	70%
2020	63%
2021	56%
2022	49%
2023	42%
2024	35%
2025	28%
2026	21%
2027	14%
2028	7%
2029	-0-

* Based on percentage of total deductions from gross receipts claimed for sale of food at retail food stores and services provided by health care practitioners.

It is possible that the New Mexico Legislature will further amend the recently enacted law and provide for additional decreases in Hold Harmless Distributions in the event that a municipality or county imposes any increment of the Hold Harmless Gross Receipts Tax. As of the date of this Official Statement, the City has not enacted the Hold Harmless Gross Receipts Tax. See “PLEDGED REVENUES” herein.

City Cannot Increase Distribution of Taxes

The City has no control over the rate at which the Pledged Revenues are distributed to the City; the rate of distribution can be increased only by action of the Legislature. Although it is possible that the

Legislature will increase the rate of distribution to the City, there is currently no legislation proposed or pending to increase the rate of distribution to the City.

Bond Ratings

There is no assurance that the ratings assigned to the Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price or the marketability of the Bonds. See the information herein under the caption "RATINGS."

DESCRIPTION OF THE BONDS

General

The Series 2017 Bonds are being issued in the aggregate principal amount of \$18,355,000 in order to provide funds for the Project. See "PURPOSE AND PLAN OF FINANCING" herein.

The Bonds will be dated the date of delivery. The Bonds will bear interest from their dated date at the rates, and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semi-annually on August 1 and February 1 of each year, commencing February 1, 2018. The Bonds will bear interest from the most recent interest payment date to which interest has been fully paid or duly provided for or, if no interest has been paid, from the date of issuance. The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof.

Payment - Regular Record Date

Principal and interest on the Bonds shall be payable in lawful money of the United States of America, without deduction for exchange or collection charges. Principal shall be payable in immediately available funds at maturity or redemption thereof upon presentation and surrender of such Bond at the principal office of the Paying Agent or at the designated office of any successor Paying Agent. Upon any partial prior redemption of any Bond, the registered owner, in its discretion, may request the Registrar to authenticate a new Bond or to make a notation on the Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case the Bond must be presented to the Paying Agent prior to payment. Interest on the Bonds shall be payable by check or draft mailed to the registered owner thereof (or in such other manner as may be agreed upon by the Paying Agent and the registered owner), as shown on the registration books maintained by the Registrar at the address appearing therein on the 15th day of the calendar month next preceding the Interest Payment Date (the "Record Date"). Any interest which is not timely paid or provided for shall cease to be payable to the owner thereof (or of one or more predecessor Bonds) as of the Record Date, but shall be payable to the owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to Bond owners not less than ten days prior thereto. If any Bond presented for payment remains unpaid at maturity or redemption, it shall continue to bear interest at the rate or rates designated in, and applicable to, such Bond from time to time. If any Bond is not presented for payment at maturity or redemption when funds available therefor have been deposited with the Paying Agent, it shall cease bearing interest on and from the date of maturity or redemption.

Optional Redemption

The Series 2017 Bonds maturing on or after August 1, 2028 are subject to prior redemption at the City's option in whole or in part at any time on and after August 1, 2027 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 Series 2017 Bonds of such maturity is called, such selection by lot to be made by the Registrar in such manner as considered appropriate and fair) for the principal amount so redeemed plus accrued interest to the redemption date. Redemption shall be made upon prior notice mailed to each registered owner of each Series 2017 Bond selected for redemption as shown on the registration books kept by the Registrar in the manner and upon the conditions provided in the Bond Ordinance.

Redemption Procedures

Notice of redemption shall be given by the Registrar by sending a copy of such notice in the manner required by the Depository or by first-class, postage prepaid mail at least thirty (30) days prior to the redemption date to the registered owner of each Series 2017 Bond, or portion thereof, to be redeemed at the address shown as of the close of business of the Registrar on the fifth day prior to the mailing of notice on the registration books kept by the Registrar. The City shall give notice of optional redemption of the Series 2017 Bonds to the Registrar at least forty-five (45) days prior to the redemption date (unless such deadline is waived by the Registrar). The Registrar's failure to give such notice to the registered owner of any Series 2017 Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Series 2017 Bonds for which proper notice was given. Notices of redemption shall specify the maturity dates and the number or numbers of the Series 2017 Bonds to be redeemed (if less than all are to be redeemed) and if less than the full amount of any Series 2017 Bond is to be redeemed, the amount of such Series 2017 Bond to be redeemed, the date fixed for redemption, and that on such redemption date there will become and be due and payable upon each Series 2017 Bond to be redeemed at the office of the Paying Agent the principal amount to be redeemed plus accrued interest to the redemption date and that from and after such date interest will cease to accrue on such amount. Notice having been given in the manner hereinbefore provided, the Series 2017 Bond or Bonds so called for redemption shall become due and payable on the redemption date so designated and if an amount of money sufficient to redeem all Series 2017 Bonds called for redemption shall on the redemption date be on deposit with the Paying Agent, the Series 2017 Bonds to be redeemed shall be deemed not outstanding and shall cease to bear interest from and after such redemption date. Upon presentation of the Series 2017 Bonds to be redeemed at the office of the Paying Agent, the Paying Agent will pay the Series 2017 Bond or Bonds so called for redemption with funds deposited with the Paying Agent by the City.

Conditional Redemption

If money or Defeasance Obligations (as defined in the Bond Ordinance) sufficient to pay the optional redemption price of the Series 2017 Bonds to be called for optional redemption are not on deposit with the Paying Agent prior to the giving of notice of optional redemption referred to above, such notice shall state such Series 2017 Bonds will be redeemed in whole or in part on the optional redemption date in a principal amount equal to that part of the optional redemption price received by the Paying Agent on the applicable optional redemption date. If the full amount of the optional redemption price is not received as set forth in the preceding sentence, the notice shall be effective only for those Series 2017 Bonds for which the optional redemption price is on deposit with the Paying Agent. If all Series 2017 Bonds called for optional redemption cannot be redeemed, the Series 2017 Bonds to be redeemed shall be selected in the manner deemed reasonable and fair by the City and the Registrar shall give notice, in the manner in which the original notice of optional redemption was given, that such money was not received. In that event, the Registrar shall promptly return to the Owners thereof the Series 2017 Bonds or certificates which it has received evidencing the part thereof which have not been optionally redeemed.

Registration, Transfer and Exchange of Bonds

The City shall cause books for registration, transfer, and exchange of the Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any fully registered Bond at the principal office of the Registrar duly endorsed by the registered owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and duly executed, the Registrar shall authenticate and deliver, not more than three (3) business days after receipt of the Bond or Bonds to be transferred, in the name of the transferee or registered owner, as appropriate, a new Bond or Bonds in authorized denominations, in fully registered form of the same aggregate principal amount, maturity and interest rate.

The Registrar shall not be required to transfer or exchange any Bond (i) during the period of fifteen (15) days next preceding the mailing of notice calling any Series 2017 Bonds for redemption, or (ii) after the mailing to registered owners of notice calling such Series 2017 Bonds or portion thereof for redemption. The Registrar shall close books for change of registered owners' addresses on each Record Date; transfers will be permitted within the period from each Record Date to each Interest Payment Date, but such transfers shall not include a transfer of accrued interest payable.

The person in whose name any Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either the principal of or interest on any such Bond shall be made only to or upon the order of the registered owner thereof or his legal representative as stated in the Bond Ordinance, but such registration may be changed as provided in the Bond Ordinance. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

If any Bonds shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such Bond, if mutilated, and such evidence, information or indemnity relating thereto as the Registrar may reasonably require, if lost, stolen or destroyed, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity and interest rate, bearing a number or numbers not contemporaneously outstanding. If any such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, the Registrar may request 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 neither the City nor the Underwriters takes any responsibility for the accuracy thereof.

Source of Payment

The Series 2017 Bonds are payable and collectible solely from an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged Revenues. See "PLEDGED REVENUES" herein.

All of the Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of Pledged Revenues, which are irrevocably so pledged by the Bond Ordinance. The registered owner or

owners of the Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the City.

Funds and Accounts

The Bond Ordinance creates or continues the following funds and accounts for the Bonds: (i) a Series 2017 Acquisition Account, (ii) a Gross Receipts Tax Income Fund, (iii) a Series 2017 Debt Service Fund, and (iv) a Series 2017 Reserve Fund.

Disposition of Bond Proceeds

The proceeds from the sale of the Bonds shall be applied by the City simultaneously with the delivery of the Bonds to the Purchaser in the following manner and priority:

Expenses. An amount necessary, together with other legally available funds of the City, shall be used to pay costs of issuance of the Bonds.

Accrued Interest. Upon the sale of the Bonds, all moneys received as accrued interest, if any, shall be deposited into the Series 2017 Debt Service Fund, to apply on the payment of interest next due on the Bonds.

Series 2017 Acquisition Account. Proceeds derived from the sale of the Series 2017 Bonds shall be deposited promptly upon the receipt thereof in the Series 2017 Acquisition Account. Until the Completion Date, the money in the Series 2017 Acquisition Account shall be used and paid out solely for the purpose of the Project in compliance with applicable law.

Series 2017 Reserve Fund. No deposit of proceeds of the Bonds or other City moneys into the Series 2017 Reserve Fund shall be required on the date of issuance of the Bonds or at any time thereafter, except in the circumstances and on the conditions described in the Bond Ordinance.

Project Completion. As soon as practicable, after the completion of the Project, and in any event not more than 60 days after the completion of the Project, any balance remaining in the Series 2017 Acquisition Account (other than any amount retained by the City for any Project costs not then due and payable) shall be transferred from the Series 2017 Acquisition Account and deposited in the Series 2017 Debt Service Fund and used by the City to pay principal and interest on the Series 2017 Bonds as same become due.

Deposit of Pledged Revenues and Flow of Funds

Series 2017 Bonds and Pledged Revenues.

(1) Gross Receipts Tax Income Fund. So long as any of the Series 2017 Bonds are outstanding either as to principal or interest, or both, the City shall credit all Pledged Revenues to the Gross Receipts Tax Income Fund. The following payments shall be made from the Gross Receipts Tax Income Fund.

(2) Series 2017 Debt Service Fund. As a first charge on the Gross Receipts Tax Income Fund, the following amounts shall be withdrawn from the Gross Receipts Tax Income Fund (on parity with other outstanding Parity Bonds) and shall be credited to the Series 2017 Debt Service Fund:

(a) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Series 2017 Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of interest on the Series 2017 Bonds, and monthly thereafter, commencing on each Interest Payment Date, one-sixth (1/6) of the amount necessary to pay the next maturing installment of interest on the Series 2017 Bonds then outstanding.

(b) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Series 2017 Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of principal of the outstanding Series 2017 Bonds and monthly thereafter, commencing on each principal payment date, one-twelfth (1/12) of the amount necessary to pay the next maturing installment of principal on the Series 2017 Bonds then outstanding.

(3) Credit. In making the deposits required to be made into the Series 2017 Debt Service Fund, if there are any amounts then on deposit in the Series 2017 Debt Service Fund available for the purpose for which such deposit is to be made, the amount of the deposit to be made pursuant to paragraph (2) above shall be reduced by the amount available in such fund for such purpose.

(4) Transfer of Money out of Series 2017 Debt Service Fund. Each payment of principal and interest becoming due on the Series 2017 Bonds shall be transferred from the Series 2017 Debt Service Fund to the Paying Agent on or before two Business Days prior to the due date of such payment.

(5) Series 2017 Reserve Fund. No deposit shall be required in the Series 2017 Reserve Fund so long as the Pledged Revenues in each Fiscal Year equal or exceed 200% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity Obligations. If the Pledged Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the City shall begin making substantially equal monthly deposits in the Series 2017 Reserve Fund from the first legally available Pledged Revenues so that after 24 months an amount equal to the Series 2017 Reserve Requirement will be held in the Series 2017 Reserve Fund. After funding the Series 2017 Reserve Fund in an amount equal to the Series 2017 Reserve Requirement, no additional payments need be made into the Series 2017 Reserve Fund so long as the moneys therein shall equal not less than the Series 2017 Reserve Requirement. The moneys in the Series 2017 Reserve Fund shall be accumulated and maintained as a continuing reserve to be used, except as hereinafter provided in paragraph (6) below, only to prevent deficiencies in the payment of the principal of and interest on the Series 2017 Bonds resulting from failure to deposit into the Series 2017 Debt Service Fund sufficient funds to pay the principal and interest as the same accrue. In the event that the funding of the Series 2017 Reserve Fund is required, the City may satisfy that requirement by depositing a Reserve Fund Insurance Policy with coverage in the amount of the Series 2017 Reserve Requirement.

(6) Defraying Delinquencies in the Series 2017 Debt Service Fund and Series 2017 Reserve Fund. If, on any Interest Payment Date, the amount on deposit in the Series 2017 Debt Service Fund is insufficient to pay principal of and interest on the Series 2017 Bonds then due, an amount shall be paid into the Series 2017 Debt Service Fund on such date from the Series 2017 Reserve Fund (if moneys are then on deposit in the Series 2017 Reserve Fund) equal to the amount of the insufficiency. The money deposited in the Series 2017 Debt Service Fund from the Series 2017 Reserve Fund, if any, shall be replaced in the Series 2017 Reserve Fund in 24 substantially equal monthly deposits commencing on the first day of the first month immediately succeeding the draw on the Series 2017 Reserve Fund. Such accumulation shall be made from the Pledged Revenues second to the payments required by paragraph (2) above. If, in any month, the City shall, for any reason, fail to pay into the Series 2017 Reserve Fund the full amount required, the difference between the amount paid and the amount so stipulated shall be paid therein from the first Pledged Revenues

thereafter received and not required to be otherwise applied. The moneys in the Series 2017 Reserve Fund shall be used solely and only for the purpose of paying any deficiencies in the payment of the principal of and the interest on the Series 2017 Bonds; provided, however, that any moneys at any time in excess of the Series 2017 Reserve Requirement in the Series 2017 Reserve Fund may be withdrawn therefrom and applied to any other lawful purpose. Cash accumulated in the Series 2017 Reserve Fund shall not be invested in a manner which could cause the Series 2017 Bonds to become arbitrage bonds within the meaning of the Code. Any investments held in the Series 2017 Reserve Fund shall be valued annually, on or about August 1, at their current fair market value and, if the amount then on deposit in the Series 2017 Reserve Fund exceeds the Series 2017 Reserve Requirement, all amounts in excess of the Series 2017 Reserve Requirement shall be transferred to the Series 2017 Debt Service Fund and used to pay principal of and interest on the Series 2017 Bonds.

(7) Payment of Parity Obligations. Concurrently with the payment of the Pledged Revenues required by paragraphs (2), (5) and (6) above, any amounts on deposit in the Gross Receipts Tax Income Fund shall be used by the City for the payment of principal of, interest on and debt service reserve fund deposits relating to outstanding Parity Obligations payable from the Pledged Revenues as the same become due. If funds on deposit in the Gross Receipts Tax Income Fund are not sufficient to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Series 2017 Bonds and any other outstanding Parity Obligations, then the available funds in the Gross Receipts Tax Income Fund will be used, first, on a pro rata basis, based on the amount of principal and interest then due with respect to each series of outstanding Parity Obligations, for the payment of principal of and interest on all series of outstanding Parity Obligations and, second, to the extent of remaining available funds in the Gross Receipts Tax Income Fund, on a pro rata basis, based on the amount of debt service reserve fund deposits then required with respect to each series of outstanding Parity Obligations, for the required debt service reserve fund deposits for all series of outstanding Parity Obligations.

(8) Termination Upon Deposits to Maturity. No payment shall be made into the Series 2017 Debt Service Fund or the Series 2017 Reserve Fund if the amounts in such funds total a sum at least equal to the entire aggregate amount due as to principal, premium, if any, and interest, on the Series 2017 Bonds to their respective maturities or applicable redemption dates, in which case moneys in the Series 2017 Debt Service Fund and the Series 2017 Reserve Fund in an amount at least equal to such principal and interest requirements shall be used solely to pay such obligations as the same become due, and any moneys in excess thereof in the Series 2017 Debt Service Fund and the Series 2017 Reserve Fund may be used as provided below.

(9) Payment for Subordinate Obligations. Subsequent to the payments required in paragraphs (2), (5), (6) and (7) of this section, any balance remaining in the Gross Receipts Tax Income Fund shall be used by the City for the payment of interest on and the principal of additional obligations, if any, hereafter authorized to be issued and payable from the Pledged Revenues with a lien on the Pledged Revenues junior or subordinate to the lien thereon of the Bonds (provided that such payments may be made at any intervals as may be provided in the ordinance or resolution authorizing such additional obligations).

(10) Surplus Revenues. After making all the payments described above required to be made, the remaining Pledged Revenues, if any, may be applied to any other lawful purpose, as the City may from time to time determine.

General Administration of Funds

The funds designated above shall be administered and invested as follows:

A. Places and Times of Deposits. The funds shall be separately maintained as a trust fund or funds for the purposes established and shall be invested in Permitted Investments or deposited in one or more bank accounts in an Insured Bank or Banks. Each fund or account shall be continuously secured to the extent required by law and shall be irrevocable and not withdrawable by anyone for any purpose other than the designated purpose. Payments shall be made into the proper fund or account on the first day of the month except when the first day shall not be a Business Day, then payment shall be made on the next succeeding Business Day. No later than two Business Days prior to each Interest Payment Date, moneys sufficient to pay interest and principal then due on the Bonds shall be transferred to the Paying Agent. Nothing in the Bond Ordinance shall prevent the City from establishing one or more bank accounts in an Insured Bank or Banks for all the funds required by the Bond Ordinance or shall prevent the combination of such funds and accounts with any other bank account or investments for other funds and accounts of the City.

B. Investment of Moneys. Moneys in the Series 2017 Reserve Fund shall be invested in accordance with the Bond Ordinance, and moneys in any other fund or account not immediately needed may be invested in any investment permitted by the laws of the State or the Charter. The obligations so purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, and the interest accruing thereon and any profit realized therefrom shall be credited to such fund or account, and any loss resulting from such investment shall be charged to such fund or account. 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 or account whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such fund.

C. Series 2017 Reserve Fund. The City shall annually on or about August 1 of each year, value the Series 2017 Reserve Fund on the basis of the current fair market value of deposits and investments credited to the Series 2017 Reserve Fund. For purposes of determining the amount on deposit in the Series 2017 Reserve Fund, any Reserve Fund Insurance Policy held by, or the benefit of which is available to, the City as security for the Bonds shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, except that, if the amount available under a Reserve Fund Insurance Policy has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of such Reserve Fund Insurance Policy and not reinstated or another Reserve Fund Insurance Policy provided, then, in valuing the Series 2017 Reserve Fund, the value of such Reserve Fund Insurance Policy shall be reduced accordingly. If, upon any valuation, the value of the Series 2017 Reserve Fund, including interest earnings, exceeds the Series 2017 Reserve Requirement, the excess amount shall be withdrawn and deposited into the Income Fund; if the value is less than the applicable requirement, the City shall replenish such amounts from the first Pledged Revenues thereafter received not required to be deposited into the Debt Service Fund or in debt service funds for Parity Obligations as set forth above.

At such time as the Bonds are paid in full or are deemed to be paid in full, the amount on deposit in the Series 2017 Reserve Fund may be used to pay the final installments of principal and interest on the Bonds and otherwise may be withdrawn and transferred to the City to be used for any lawful purpose, provided that, if such amounts are used for a purpose other than payment of the Bonds, there shall be delivered an opinion of nationally recognized bond counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the laws of the State of New Mexico and that such use shall not adversely affect the exclusion of interest on any Bonds from gross income of the recipient thereof for federal income tax purposes.

If moneys have been withdrawn from the Series 2017 Reserve Fund or a payment has been made under a Reserve Fund Insurance Policy constituting all or a portion of the Series 2017 Reserve Fund, and deposited into the Debt Service Fund to prevent a default on the Bonds, then the City will pay, from Pledged Revenues, the full amount so withdrawn, together with interest, if any, required under the terms of the Reserve Fund Insurance Policy and as provided hereunder, or so much as shall be required to restore the Series 2017 Reserve Fund to the Series 2017 Reserve Requirement and to pay such interest, if any. Such repayment shall be made as required above.

The City may, in part or in whole, replace money in the Series 2017 Reserve Fund with a Reserve Fund Insurance Policy.

Default, Remedies and City Duties

Each of the following events is declared in the Bond Ordinance to be an “Event of Default”:

- (a) failure to pay the principal of any of the Bonds when the same becomes due and payable, either at maturity, or by proceedings for redemption, or otherwise; or
- (b) failure to pay any installment of interest when the same becomes due and payable; or
- (c) any failure by the City to observe or perform any covenant, condition or agreement contained in the Bonds or in the Bond Ordinance on its part to be performed (other than a default set forth in subparagraphs (a) and (b) above), and the continuance of such default for sixty (60) days after written notice specifying such default and requiring the same to be remedied has been given to the City by the holders of twenty-five percent (25%) in aggregate principal amount of the Series 2017 Bonds then outstanding; or
- (d) (1) the City shall (a) apply for or consent to the appointment of or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the City or of all or a substantial part of its property, (b) commence a voluntary case under the Federal Bankruptcy Code, or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, or reorganization or (2) a proceeding or case shall be commenced, without application or consent of the City, in any court of competent jurisdiction seeking (a) the liquidation, reorganization, dissolution, winding-up or adjustment of debts of the City, (b) appointment of a trustee, receiver, custodian, liquidator or the like of the City or of all or a substantial part of its assets, or (c) similar relief in respect of the City under any law relating to bankruptcy, insolvency, reorganization, winding-up or adjustment of debts.

Upon the occurrence and during the continuance of any Event of Default, the 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, the Council, and its agents, officers and employees to protect and enforce the rights of any owner 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 granted in the Bond Ordinance for the enforcement of any power, legal or equitable remedy as such 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 registered owner, or to require the Council to act as if it were the trustee of an express 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 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 or 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.

Defeasance

When all principal, interest and prior redemption premium, if any, in connection with the Series 2017 Bonds have been duly paid, the pledge and lien for the payment of the Series 2017 Bonds shall be discharged and the Series 2017 Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance. Payment shall be deemed made with respect to any Bond or Bonds when the City has placed in escrow with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Federal Securities in which such amount may initially be invested) to meet all requirements of principal, interest and prior redemption premium, if any, as the same become due to their final maturities or upon designated redemption dates. 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 Council and such bank 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" means direct obligations of, or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

Amendment

The Bond Ordinance may be amended without the consent of the holder of any Bond to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance. Prior to the date of the initial delivery of the Bonds, the provisions of the Bond Ordinance may be amended with the written consent of the Purchaser with respect to any changes which are not inconsistent with the substantive provisions of the Bond Ordinance. In addition, the Bond Ordinance may be amended without receipt by the City of any additional consideration, but with the written consent of the holders of seventy-five percent (75%) of the Series 2017 Bonds then outstanding (not including Bonds which may be held for the account of the City); but no ordinance adopted without the written consent of the holders of all outstanding Series 2017 Bonds shall have the effect of permitting:

- (a) An extension of the maturity of any Bond; or
- (b) A reduction of the principal amount or interest rate of any Bond, the rate of interest thereon or the prior redemption premium due in connection therewith; or
- (c) The creation of a lien upon the Pledged Revenues ranking prior to the lien or pledge created by the Bond Ordinance; or
- (d) A reduction of the principal amount of Bonds required for consent to such amendatory ordinance; or
- (e) The establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Ordinance; or
- (f) The modification of or otherwise affecting the rights of the holders of less than all the outstanding Bonds.

SECURITY FOR THE BONDS

Pledge and Security

Subject to the uses permitted by, and the priorities set forth in the Bond Ordinance, the City will pledge and grant a security interest in the Pledged Revenues and the amounts and securities on deposit in the Series 2017 Debt Service Fund and the Series 2017 Reserve Fund and the proceeds thereof, for the payment of principal of and interest on the Series 2017 Bonds. The Series 2017 Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, on the Pledged Revenues, as set forth in the Bond Ordinance.

Special Limited Obligations

All of the Bonds and all payments of principal, premium, if any, and interest thereon whether at maturity or on a redemption date, together with any interest accruing thereon, shall be special limited obligations of the City and shall be payable and collectible solely from the Pledged Revenues. The owner or owners of the Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor shall they be considered or held to be general obligations of the City. Each of the Series 2017 Bonds shall recite that it is payable and collectible solely out of the Pledged Revenues, as set forth in the Bond Ordinance, and that the holders thereof may not look to any general or other municipal fund for the payment of the principal of and interest on the Bonds. Nothing in the Bond Ordinance shall prevent the City from applying other funds of the City legally available therefor to the payment of the Bonds, in its sole discretion.

PURPOSE AND PLAN OF FINANCING

Purpose

The net proceeds received by the City from the sale of the Series 2017 Bonds, together with other available funds of the City, will be used to provide funds for the construction of a City recreation center. See “THE PROJECT” herein.

Sources and Uses of Funds

The sources and uses for the Series 2017 Bonds are as follows:

<u>SOURCES OF FUNDS</u>	
Par Amount of Series 2017 Bonds	\$18,355,000.00
Original Issue Premium	<u>1,826,967.55</u>
TOTAL SOURCES	<u>\$20,181,967.55</u>
<u>USES OF FUNDS</u>	
Deposit to Series 2017 Acquisition Account	\$20,000,000.00
Costs of Issuance for Series 2017 Bonds ⁽¹⁾	107,250.00
Underwriters' Discount	75,528.77
Deposit to Debt Service Fund	<u>2,188.78</u>
TOTAL USES	<u>\$20,181,967.55</u>

⁽¹⁾ Includes financial advisor fees, legal fees and other miscellaneous costs and contingencies.

ANNUAL DEBT SERVICE SUMMARY

The following table sets forth for each fiscal year from 2018 through 2038 the amounts required in each such fiscal year to pay scheduled annual debt service on the Series 2017 Bonds and outstanding Parity Obligations, as well as the debt service coverage ratio, based on fiscal year 2017 Pledged Revenues.

Fiscal Year Ending June 30	Debt Service on Outstanding Parity Obligations	Series 2017 Bonds <u>Debt Service/Coverage</u>			Debt Service Coverage ^{*(1)}	% of Estimated FY 2017 Hold Harmless Distribution
		Debt Service on 2017 Bonds	Total Debt Service	Estimated Pledged Revenues ⁽¹⁾		
2018	\$752,817	\$ 312,303.00	\$1,065,120	\$14,014,278	13.16x	82
2019	345,500	1,023,900.00	1,369,400	13,766,243	10.05x	76
2020	344,062	1,360,650.00	1,704,712	13,518,209	7.93x	70
2021	342,513	1,360,250.00	1,702,763	13,228,834	7.77x	63
2022	345,853	1,359,250.00	1,705,103	12,939,460	7.59x	56
2023	343,971	1,354,000.00	1,697,971	12,650,086	7.45x	49
2024	346,978	1,354,200.00	1,701,178	12,360,712	7.27x	42
2025	344,763	1,353,200.00	1,697,963	12,071,338	7.11x	35
2026	342,437	1,355,900.00	1,698,337	11,781,964	6.94x	28
2027	352,659	1,352,300.00	1,704,959	11,492,590	6.74x	21
2028	-	1,352,400.00	1,352,400	11,203,216	8.28x	14
2029	-	1,351,100.00	1,351,100	10,913,842	8.08x	7
2030	-	1,353,300.00	1,353,300	10,624,468	7.85x	0
2031	-	1,349,000.00	1,349,000	10,624,468	7.88x	0
2032	-	1,348,200.00	1,348,200	10,624,468	7.88x	0
2033	-	1,350,700.00	1,350,700	10,624,468	7.87x	0
2034	-	1,346,500.00	1,346,500	10,624,468	7.89x	0
2035	-	1,345,600.00	1,345,600	10,624,468	7.90x	0
2036	-	1,347,800.00	1,347,800	10,624,468	7.88x	0
2037	-	1,343,100.00	1,343,100	10,624,468	7.91x	0
2038	-	1,346,400.00	1,346,400	10,624,468	7.89x	0

⁽¹⁾ Estimated Pledged Revenues are based on actual Pledged Revenues received by the City for Fiscal Year ending June 30, 2017. Of the \$14,262,313 in Pledged Revenues received by the City in Fiscal Year 2017, \$3,637,845 constituted the Hold Harmless Distribution. The decline in Estimated Pledged Revenues shown for Fiscal Years 2018 through 2030 reflects the statutory phase-out of Hold Harmless Distributions that began in Fiscal Year 2016 and concludes in Fiscal Year 2030, when the Hold Harmless Distributions are eliminated. There is no assurance that Pledged Revenues received in the future will equal the Pledged Revenues used in coverage computations. See "Gross Receipts Tax Hold Harmless Distributions" and "PLEDGED REVENUES-- *State Shared Gross Receipts Tax Report*" herein.

PLEGGED REVENUES

Pledged Revenues consist of the revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted to the City monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6 and 7-1-6.4 NMSA 1978, and which remittances currently equal one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported for the City for the month for which such remittances is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City by the State as set forth above, or (ii) the maximum amount at any time provided hereafter to be remitted to the City under applicable law, and includes the Hold Harmless Distribution; and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance (the term “Pledged State Shared Gross Receipts Tax Revenues” does not include any local option gross receipts tax income received by the City).

The “Hold Harmless Distribution” is the distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, as that distribution relates to the gross receipts tax revenues received pursuant to Section 7-1-6.4 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93 NMSA 1978; provided that the percentage of such distribution decreases annually as provided in Section 7-1-6.46 NMSA 1978 each year beginning on July 1, 2015 until the distribution is eliminated after July 1, 2029. See “Gross Receipts Tax Hold Harmless Distributions” herein.

Taxed Activities. For the privilege of engaging in business in the State of New Mexico, the Gross Receipts Tax is imposed upon any person engaging in business in the State. “Gross Receipts” is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value or other consideration received from selling property in the State of New Mexico (including tangible personal property handled on consignment in the State), from leasing property employed in the State of New Mexico, from performing services in the State of New Mexico and from selling services outside New Mexico, the product of which is initially used in New Mexico. The definition excludes cash discounts allowed and taken, the Gross Receipts Tax payable on transactions for the reporting period and any county sales tax, county fire protection excise tax, county and municipal gross receipts taxes, any time or time-price differential and certain gross receipts or sales taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes sales of services, including legal services and certain medical services.

Legislative Changes. Revisions to laws of the State affecting taxed activities and distributions of gross receipts tax revenues could be adopted in the future by the State Legislature. Proposals affecting taxed activities and distributions are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City. See “SPECIAL FACTORS RELATING TO THE BONDS - State Legislation” herein.

Exemptions. Some activities and industries are exempt from the Gross Receipts Tax, many by virtue of their taxation under other laws. Exemptions include, but are not limited to, certain receipts of governmental agencies and certain organizations, receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are allowed including but not limited to receipts from various types of sales and leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products,

receipts from certain publication sales, certain receipts from interstate commerce transactions, receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods), and receipts of licensed medical care providers from Medicare Part C. There are over one hundred specified exemptions and deductions from gross receipts taxation, nevertheless, the general presumption is that all receipts of a person engaging in business in the State of New Mexico are subject to the Gross Receipts Tax.

Manner of Collection and Distribution of Gross Receipts Tax. Businesses must make their payments of Gross Receipts Tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the State Gross Receipts Tax is administered by the Revenue Division of the Taxation and Revenue Department of the State (the “Revenue Division”), pursuant to Section 7-1-6, NMSA. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less disbursements to the municipalities in the State.

Remedies for Delinquent Taxes. The Revenue Division may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 36 months. Interest is due on any delinquent tax from the first day following the day on which it is due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the Gross Receipts Tax is paid within 10 days after demand is made, no interest shall be imposed for the period after the date of demand.

The Revenue Division may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent Gross Receipts Taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer, which lien may be foreclosed as provided by State statutes.

State Shared Gross Receipts Tax Report. Set forth below is a 5-year history of the State Shared Gross Receipts Tax Revenues received by the City:

Fiscal Year Ended 6/30	State Gross Receipts Tax Rate	Percentage Distributed to City	State Shared Gross Receipts Tax Revenues ⁽¹⁾	Percent Increase (Decrease)
2017 ⁽²⁾	5.125%	1.225%	\$14,262,313	7.07%
2016	5.125%	1.225%	13,321,014	(5.67)%
2015	5.125%	1.225%	14,122,487	4.23%
2014	5.125%	1.225%	13,548,931	5.69%
2013	5.125%	1.225%	12,818,736	0.43%
2012	5.125%	1.225%	12,763,520	-

⁽¹⁾ Figures are net of administrative fee imposed by the New Mexico Taxation and Revenue Department. Figures do not include other gross receipts taxes imposed by the City, but do include the share of Hold Harmless Distributions attributable to the State Shared Gross Receipts Tax. While the share of Hold Harmless Distributions attributable to the State Shared Gross Receipts tax are included in Pledged Revenues, the Hold Harmless Distributions will be phased out over a 15-year period, which began July 1, 2015. See “Gross Receipts Tax Hold Harmless Distributions” herein.

⁽²⁾ Unaudited.

Source: Finance Department, City of Roswell and New Mexico Taxation and Revenue Department.

Other Gross Receipts Taxes (not pledged)

Pledged Revenues consist of the 1.225% State Shared Gross Receipts Tax Revenues. The City also imposes certain other gross receipts taxes which are not pledged to the repayment of the Bonds. These include six 0.25% increments of Municipal Gross Receipts Tax (1.50% total) and a 0.125% Municipal Infrastructure Gross Receipts Tax. The total gross receipts tax rate within the City is 7.6875% (reflecting the combined State (5.125%), County (0.9375%) and City (1.625%) gross receipts tax rates).

Gross Receipts Reported by Standard Industrial Classification

The following represents total taxable gross receipts reported in the City by Standard Industrial Classification:

Classification	Fiscal Year ended June 30				
	2012	2013	2014	2015	2016
Agriculture, Forestry, Fishing & Hunting	\$ 849,919	\$ 1,123,580	\$ 969,992	\$ 1,043,731	\$ 916,567
Mining/Oil & Gas Extraction	24,873,661	29,671,349	27,168,241	25,151,075	10,333,110
Utilities	37,276,996	49,730,948	42,329,817	40,803,050	43,684,035
Construction	86,817,207	85,875,720	103,324,708	112,180,162	98,389,420
Manufacturing	8,737,156	9,140,242	9,953,818	11,262,767	10,843,473
Wholesale Trade	17,622,569	17,905,542	18,812,560	26,254,987	26,584,018
Retail Trade	325,607,132	340,025,355	348,050,120	417,705,288	263,325,218
Transportation & Warehousing	3,065,726	3,975,829	8,617,650	2,175,178	3,013,527
Information & Cultural Industries	44,379,026	42,658,389	43,377,383	44,533,061	42,544,139
Finance and Insurance	4,974,164	6,158,728	5,772,779	6,863,219	6,182,092
Real Estate, Rental & Leasing	12,537,580	12,830,018	11,361,326	12,303,045	11,428,273
Professional, Scientific & Technical Services	59,231,415	60,913,532	67,353,920	74,967,256	61,593,580
Management of Companies & Enterprises	1,386,647	1,203,476	1,586,054	2,029,290	1,769,988
Admin & Support, Waste Mgt & Remed	7,939,800	9,146,493	9,486,127	12,365,807	12,590,139
Educational Services	324,360	367,884	696,942	830,587	846,601
Health Care and Social Assistance	68,082,941	48,698,277	63,728,777	80,461,919	77,532,338
Arts, Entertainment & Recreation	2,059,236	2,097,816	1,926,820	3,139,192	3,967,094
Accommodation & Food Services	80,366,218	88,940,270	95,999,410	118,806,847	103,786,166
Other Services (except Public Admin)	117,557,737	124,361,458	118,757,491	143,545,408	114,664,786
Public Administration	*	*	31,331	240,556	218,533
Unclassified Establishments	943,763	1,755,334	2,886,584	5,997,500	7,757,045
TOTAL TAXABLE	\$ 904,978,382	\$ 924,210,126	\$ 982,174,490	\$1,142,659,925	\$ 901,970,141

Source: New Mexico Taxation and Revenue Department.

* Not disclosed.

Historical Total Gross Receipts Reported For City, County and State

The following represents the total gross receipts and total retail gross receipts reported in the City and the State. Total gross receipts and total taxable gross receipts reported in the tables below include amounts representing the sale of items which may not be subject to Gross Receipts Tax. See “PLEDGED REVENUES – Taxed Activities” and “PLEDGED REVENUES – Exemptions” herein for an explanation of activities which are subject to, or exempt from, Gross Receipts Tax.

Fiscal Year	City of Roswell		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2016	\$818,857,643	\$1,825,061,266	\$24,506,857,478	\$107,507,232,815
2015	891,040,363	2,223,143,114	27,481,308,742	119,726,977,705
2014	763,449,676	1,929,492,701	24,395,913,091	107,584,699,939
2013	729,521,675	1,857,231,171	23,873,876,704	106,300,014,071
2012	692,831,398	1,718,244,218	23,914,774,137	104,221,140,366

Source: New Mexico Taxation and Revenue Department.

Historical Taxable Gross Receipts Reported For City and State

Fiscal Year	Taxable Gross Receipts Reported in City of Roswell	Taxable Gross Receipts Reported in State of New Mexico
2016	\$901,970,141	\$51,754,649,990
2015	1,142,659,925	59,811,838,324
2014	982,174,490	51,174,138,495
2013	924,210,126	49,947,373,946
2012	904,978,382	48,664,464,847

Source: New Mexico Taxation and Revenue Department.

ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES

State Shared Gross Receipts Tax Parity Obligations

Parity Bonds Test. The Bond Ordinance does not prevent the issuance of additional Parity Obligations payable from and constituting a lien upon the Pledged Revenues on parity with the lien of the Series 2017 Bonds. Before any additional Parity Obligations are actually issued, it must be determined that:

(1) The City is current in the accumulation of all amounts which are then required to be on deposit in the Series 2017 Debt Service Fund and the Series 2017 Reserve Fund (if any accumulation is then required in the Series 2017 Reserve Fund) in accordance with the Bond Ordinance; and

(2) The Pledged Revenues received by the City for the Fiscal Year immediately preceding the date of the issuance of such additional Parity Obligations shall have been sufficient to pay an amount representing at least two hundred percent (200%) of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding Parity Obligations and the Parity Obligations proposed to be issued (excluding any reserves therefor).

For purposes of the test set forth in clause (2) above, if on the date of issuance of any such Parity Obligations, the full amount of a reserve fund requirement or minimum reserve for the Parity Obligations is immediately funded or capitalized from the proceeds of such Parity Obligations, 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 Parity Obligations.

Certification or Opinion Regarding Pledged State Shared Gross Receipts Tax Revenues. A written certificate or opinion by the City Finance Director or an Independent Accountant that such annual Pledged Revenues are sufficient to pay such amounts shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver such additional bonds or other obligations on a parity with the Bonds herein authorized.

Subordinated and Superior Obligations. The City will not issue additional bonds payable from the Pledged Revenues with a lien on the Pledged Revenues prior and superior to the lien of the Series 2017 Bonds thereon. Except as described above, nothing contained 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 Pledged Revenues and constituting a lien upon the Pledged Revenues subordinate, inferior and junior to the lien on the Bonds.

Refunding Bonds

The provisions of the Bond Ordinance described above are subject to the following exceptions:

Privilege of Issuing Refunding Obligations. If at any time after the Bonds, or any part thereof, shall have been issued and remain outstanding, the City shall find it desirable to refund any outstanding bonds or other outstanding obligations payable from the Pledged Revenues, such bonds or other obligations, or any part thereof, may be refunded (but only with the consent of the registered owner or owners thereof, unless the bonds or other obligations, at the time of their required surrender for payment, shall then mature, or shall then be callable for prior redemption at the City's option), regardless of whether the priority of the lien for the payment of the refunding obligations on the Pledged Revenues is changed by the refunding except that superior obligations are prohibited as provided in the Bond Ordinance and except as provided below.

Limitation Upon Issuance of Parity Refunding Obligations. No refunding bonds or other refunding obligations payable from the Pledged Revenues shall be issued on parity with the Bonds, unless:

(1) The lien on the Pledged Revenues of the outstanding obligations so refunded is on a parity with the lien thereon of the Bonds; or

(2) The refunding bonds or other refunding obligations are issued in compliance with the requirements described above under "State Shared Gross Receipts Tax Parity Obligations."

Refunding Part of an Issue. The refunding bonds or other obligations so issued shall enjoy complete equality of lien with the portion of any bonds or other obligations of the same issue which is not refunded, if any there be; and the registered owner or owners of such refunding bonds or such other refunding obligations shall be subrogated to all of the rights and privileges enjoyed by the registered owner or owners of the bonds or other obligations of the same issue refunded thereby.

Limitation Upon Issuance of Any Refunding Obligations. Any refunding bonds or other refunding obligations payable from the Pledged Revenues shall be issued with such details as the City may by ordinance provide, but without any impairment of any contractual obligations imposed upon the City by any proceedings authorizing the issuance of any unrefunded portion of such outstanding obligations of any one or

more issues (including, without limitation, the Bonds). If only a part of the outstanding Bonds and any other outstanding obligations of any issue or issues payable from the Pledged Revenues are refunded, then such obligations may not be refunded without the consent of the registered owner or owners of the unrefunded portion of such obligations, unless:

(i) The refunding bonds or other refunding obligations do not increase any aggregate annual principal and interest requirements evidenced by such refunding obligations and by the outstanding obligations not refunded on and prior to the last maturity date of such unrefunded obligations; or

(ii) The refunding bonds or other refunding obligations are issued in compliance with Section 22(A) of the Bond Ordinance; or

(iii) The lien on the Pledged Revenues for the payment of the refunding obligations is subordinate to each such lien for the payment of any obligations not refunded.

CITY COVENANTS IN THE BOND ORDINANCE

The City has covenanted in the Bond Ordinance, among other things:

Use of Bond Proceeds. The City will proceed without delay to apply the proceeds of the Bonds to accomplish the Project as set forth in the Bond Ordinance.

Payment of Bonds. The City will promptly pay the principal of and the interest on every Bond at the place, on the date 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 Pledged Revenues; provided that nothing herein shall prevent the City, in its discretion, from paying such principal and interest from any other legally available funds according to the true intent and meaning of the Bond Ordinance.

City's Existence. The City will maintain its corporate identity and existence so long as any of the Bonds 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 Pledged Revenues in place of the City, without materially affecting the privileges and rights of any owner of the Bonds.

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 time for the payment of any claim for interest on any of the Bonds, and the City will not directly or indirectly be a party to or approve any arrangements for any such extension.

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 Pledged Revenues.

Audits. The City will, within two hundred and seventy (270) days following the close of each Fiscal Year, cause an audit of its books and accounts relating to the Pledged Revenues to be commenced by an Independent Accountant showing the receipts and disbursements in connection with the revenues. The City agrees to furnish forthwith a copy of each of such audits and reports to the Purchaser and the holder of any of the Bonds upon written request.

Other Liens. Other than as described in the Bond Ordinance, there are no liens or encumbrances of any nature, whatsoever, on or against the Pledged Revenues.

Impairment of Contract. The City agrees that any law, ordinance or resolution of the City that in any manner affects the Pledged Revenues, or the Bonds, shall not be repealed or otherwise directly or indirectly modified, in such a manner as to impair adversely any Bonds outstanding, unless such Bonds have been discharged in full or provision has been fully made therefor or unless the required consents of the holders of the then outstanding Bonds are obtained pursuant to Section 34 of the Bond Ordinance.

Performing Duties. The City shall faithfully and punctually perform all duties with respect to the Bonds required by Constitution and laws of the State of New Mexico and the home-rule charter of the City, ordinances and resolutions of the City, including but not limited to the proper segregation of the Pledged Revenues and their application to the respective funds and accounts.

Tax Covenant. The City covenants that it will restrict the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code. The Mayor and other officers of the City having responsibility for the issuance of the Bonds shall give an appropriate certificate of the City, for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the City regarding the amount and use of all the proceeds of the Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of interest on the Bonds.

Continuing Disclosure Obligations. The officers of the City are authorized to sign such documents and to take such actions in the future with respect to the City's continuing disclosure obligations as are necessary or desirable to comply with the Continuing Disclosure Undertaking and the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Notwithstanding any other provisions of the Bond Ordinance, failure of the City to comply with the Continuing Disclosure Undertaking shall not be considered an "event of default" under Section 28 of the Bond Ordinance, and holders and beneficial owners of Bonds shall be entitled to exercise only such rights with respect thereto as are provided in the Continuing Disclosure Undertaking.

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.

The City 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.

Government

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

Administrative Officers

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.

City Manager – Joseph Neeb. Mr. Neeb joined the City as City Manager on April 7, 2017. Prior to joining the City, he served as City Administrator for the City of Spearfish, South Dakota for 7 years. He has served as a city manager for over 20 years. Mr. Neeb earned both bachelor’s and master’s degrees in Business Administration from Indiana Wesleyan University.

City Finance Director – 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.

Public Employee Retirement Association

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, as of June 30, 2016 is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2016**

Membership ⁽¹⁾	100,974
Actuarial Information	
Actuarial Accrued Liability ⁽²⁾	\$19,474,241,384
Actuarial Value of Assets	14,654,814,373
Unfunded Actuarial Accrued Liability	4,819,427,011

Source: PERA Annual Actuarial Valuation

⁽¹⁾ Includes active, inactive and retired members from all divisions.

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

As of June 30, 2016, PERA has an amortization or funding period designated as infinite, based on the employer and member contribution rates in effect as of July 1, 2016. Member and employer rates are established pursuant to Sections 10-11-1 through 10-11-141 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 75.3% as of June 30, 2016 and the unfunded accrued actuarial liability of the PERA Fund has been calculated to be \$4,819,427,011. The PERA Board has reviewed the results of its June 30, 2016 actuarial valuation, which indicates that either additional contributions or benefit reductions will be required in order to properly fund the PERA retirement plans. In

the 2013 Legislative session of the New Mexico Legislature, as part of pension reform to reduce the unfunded liability, both chambers passed Senate Bill 27, subsequently signed by the Governor, which includes various changes to both retiree benefits and employer and employee contributions. The Bill reduces the Cost of Living (COLA) percentages, it delays eligibility, it increases employer and employee contributions, and adds a new tier of benefits, among other reforms aimed at extending the plan solvency. The Legislative Finance Committee estimates that the bill will increase the funded ratio to 90% by 2042.

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 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.

City Financial Statements and Budgets

The financial statements for the fiscal year ended June 30, 2016 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 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.

Education

The Roswell Independent School District (the "District") had an enrollment of approximately 10,412 students for school year 2016-2017. The district operates 22 schools, including 12 elementary schools (grades pre-K-5), 5 middle schools (grades 6-8), 4 high schools (grades 9-12), and the Parkview Early Literacy Center, which provides a solid educational foundation to three and four-year-olds. Also located within the City are the All Saints Catholic School, Gateway Christian School, Immanuel Lutheran Church and School and the New Mexico Military Institute.

Eastern New Mexico University-Roswell

Eastern New Mexico University-Roswell (the "University"), was established in 1958. The University offers more than 80 certificate and associate degree programs. Complete bachelor's and master's degree programs are also offered on campus through Eastern New Mexico University-Portales. More than 3,000 students enroll in credit classes each semester, and more the 150 online classes are offered each semester.

The University has the only FAA approved Aviation Maintenance Technology program in Southeast New Mexico. The University's Health Science Center is equipped with the latest in medical equipment and houses the only high-fidelity medical Simulation Center in the Southeastern Region.

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.

Labor Force and Percent Unemployed

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		State of New Mexico		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2017*	28,073	7.0%	931,667	6.7%	4.7%
2016	27,796	6.8%	927,355	6.7%	4.9%
2015	27,484	6.3%	924,114	6.6%	5.3%
2014	26,966	6.2%	922,388	6.7%	6.2%
2013	26,627	6.3%	923,571	7.0%	7.4%
2012	26,974	6.5%	927,795	7.1%	8.1%
2011	27,603	6.8%	930,356	7.5%	8.9%
2010	28,044	7.5%	936,088	8.1%	9.6%
2009	27,308	7.0%	940,352	7.5%	9.3%
2008	26,833	4.3%	944,548	4.5%	5.8%

* Average through April, 2017.

Source: New Mexico Department of Workforce Solutions.

Non-Agricultural Wage and Salary

The following is a history of a non-agricultural wage and salary employment (excluding military and proprietor employment) for Chaves County as reported by the New Mexico Department of Workforce Solutions.

Sector	2013	2014	2015	2016*
Grand Total	20,613	21,021	21,628	21,566
Total Private	16,568	17,015	17,618	17,284
Agriculture, Forestry, Fishing and Hunting	1,196	1,205	1,376	1,389
Mining	528	597	547	417
Utilities	92	70	62	59
Construction	850	839	863	825
Manufacturing	933	928	1,012	813
Wholesale Trade	816	825	872	896
Retail Trade	2,896	3,019	3,057	3,005
Transportation and Warehousing	592	691	709	738
Information	257	248	235	239
Finance and Insurance	622	608	566	570
Real Estate and Rental and Leasing	177	179	178	189
Professional and Technical Services	586	585	595	542
Management of Companies and Enterprises	46	41	41	37
Administrative and Waste Services	554	608	672	686
Educational Services	59	56	57	54
Health Care and Social Assistance	3,194	3,249	3,382	3,469
Arts, Entertainment, and Recreation	150	141	141	136
Accommodation and Food Services	2,493	2,611	2,680	2,726
Other Services, ex. Public Administration	528	513	572	505
Public Administration	4,045	4,006	4,010	4,282
Federal Government	274	254	235	239
State Government	1,287	1,297	1,291	1,419
Local Government	2,484	2,455	2,484	2,624

* Average, Fourth Quarter 2016.

Source: New Mexico Department of Workforce Solutions.

Major Employers

The following are the principal employers located in the Roswell area.

City of Roswell Principal Employers

<u>Employer Name</u>	<u>Number of Employees</u>
Roswell Independent School District	822
Leprino Foods, Inc.	650
Eastern New Mexico Medical Center	595
City of Roswell	561
Sam's Club/Walmart	356
Krumland Auto Group	320
New Mexico Military Institute	300
Community Homecare	287
Chaves County	254
Eastern New Mexico University-Roswell	194

Source: Chaves County Economic Development Corporation, August 2016.

Per Capita Income

The following table sets forth annual per capita personal income levels for Chaves County, the State of New Mexico, and the United States. Chaves County's and the State's per capita income level over this period have been lower than the national average.

<u>Year</u>	<u>Chaves County</u>	<u>New Mexico</u>	<u>United States</u>
2015	\$36,466	\$38,025	\$48,190
2014	36,909	36,701	46,464
2013	33,707	34,752	44,493
2012	34,579	35,427	44,282
2011	34,041	34,737	42,461

Source: New Mexico Department of Workforce Solutions.

Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income ("EBI") and a five-year comparison of the estimated median household income as reported by SPOTLIGHT. EBI is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income, and transfer payments.

Deductions are made for federal, state, and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. The following chart depicts the median household EBI level for the City of Roswell, the State of New Mexico and the United States.

Effective Buying Income Group	City of Roswell	New Mexico	United States
Under \$25,000	28.45%	27.94%	21.91%
\$25,000 – 34,999	11.65%	10.75%	9.68%
\$35,000 – 49,999	14.76%	14.09%	13.22%
\$50,000 and over	15.59%	16.63%	17.38%
\$75,000 and over	29.55%	30.59%	37.81%
2017 Est. Median Household Income	\$44,626	\$46,783	\$56,672
2016 Est. Median Household Income	\$46,952	\$45,445	\$55,551
2015 Est. Median Household Income	\$45,598	\$45,633	\$53,706
2014 Est. Median Household Income	\$39,035	\$44,292	\$51,579
2013 Est. Median Household Income	\$35,981	\$43,273	\$49,297

Source: SPOTLIGHT, July 2017.

Age Distribution

The following table sets forth a comparative age distribution profile for the Roswell MSA, the State of New Mexico and the United States.

Age Group	Chaves County	New Mexico	United States
0-17	26.79%	23.92%	22.77%
18-24	10.68%	9.80%	9.75%
25-34	12.54%	13.28%	13.43%
35-44	11.22%	11.87%	12.62%
45-54	11.36%	11.91%	13.09%
55 and Older	29.22%	29.22%	28.34%

Source: SPOTLIGHT, July 2017.

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*	48,184	65,2821	2,081,015
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

*Estimated.

Source: SPOLTIGHT, July 2017

Historical General Fund Balance Sheet

	Fiscal Year Ending June 30				
	2012	2013	2014	2015	2016
<i>Assets</i>					
Cash, cash equivalents and investments	\$13,965,568	\$14,331,907	\$13,335,243	\$14,181,812	\$10,888,573
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 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
Deferred property tax revenue	233,960	208,875	-	255,737	153,211
<i>Total liabilities and Deferred Inflows</i>	<u>1,880,118</u>	<u>1,969,497</u>	<u>2,133,343</u>	<u>2,816,715</u>	<u>1,922,300</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

Historical General Fund Revenues, Expenditures and Changes in Fund Balances

Fiscal Year Ending June 30

	2012	2013	2014	2015	2016
<i>Revenues</i>					
<i>Taxes</i>					
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
<i>Intergovernmental</i>					
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
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>	37,245,150	38,459,803	46,248,210	41,342,057	43,740,663
<i>Expenditures</i>					
<i>Current</i>					
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
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
<i>Debt service:</i>					
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>	32,371,608	33,115,821	34,654,303	33,685,355	37,557,489
<i>Excess (deficiency) of revenues over expenditures</i>	4,873,542	5,343,982	11,593,907	7,656,702	6,183,174
<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>	(5,340,688)	(4,547,137)	(7,041,745)	(7,076,642)	(7,043,699)
<i>Net change in fund balance</i>	(467,146)	796,845	4,552,162	580,060	(860,525)
<i>Fund balance - beginning of year</i>	18,987,302	18,520,156	19,317,001	18,617,688	19,111,516
<i>Fund balance - end of year</i>	\$18,520,156	\$19,317,001	\$23,869,163	\$19,197,748	\$18,250,991

Source: City of Roswell Audited Financial Statements

Other City Obligations

The City's bonds and loans outstanding as of June 30, 2017 consisted of the following individual issues:

Category of Indebtedness	Issue Date	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding as of 6/30/17
General Obligation Bonds, Series 2008	7/17/2008	\$ 4,100,000	3.05-5.60%	8/1/2022	\$ 1,795,000
Gross Receipts Tax Improvement Bonds, Series 2008	12/30/2008	3,190,000	3.00-4.10%	6/1/2018	390,000
2014 NMFA Drinking Water Loan	10/10/2014	2,020,000	0.25-2.00%	6/30/2036	1,935,906
Joint Water and Sewer Utility Improvement Bonds, Series 2014A	10/15/2014	2,500,000	2.00-5.00%	6/1/2034	2,180,000
Joint Water and Sewer Utility Refunding Bonds, Series 2014B	10/15/2014	7,345,000	2.00-5.00%	6/1/2025	5,495,000
Gross Receipts Tax Improvement Revenue Notes, Series 2015	12/22/2015	3,570,000	2.22%	8/1/2027	3,405,000
Joint Water and Sewer Improvement Revenue Bonds, Subordinate Series 2017	2/21/2017	18,230,000	3.00-5.00%	6/1/2037	18,230,000
		<u>\$40,955,000</u>			<u>\$33,430,906</u>

Source: The City's Fiscal Year 2016 audited financial statements, and EMMA-Municipal Securities Rulemaking Board.

LITIGATION AND INSURANCE

At the time of the original delivery of the Bonds, the City will deliver a certificate to the effect that no litigation or administrative action or proceedings is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Ordinance, the levying or collecting of taxes to pay the principal of and interest on the Bonds or contesting or questioning 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 risks of loss through damage to buildings, contents, and heavy equipment, and losses from employee defalcation are covered by commercial insurance purchased from third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The City has established a self-insurance fund to manage risks related to physical damage to City vehicles, loss associated with actions of employees resulting in damage to the persons or property of others, and for employee injury losses. The risk of loss associated with actions of employees resulting in damage to persons or property of others is subject to limitations of the New Mexico State Tort Claims Act. The self-insurance fund uses excess insurance agreements to reduce its exposure to large losses from employee on-the-job injuries.

FINANCIAL ADVISOR

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.

TRANSCRIPT AND CLOSING STATEMENTS

A complete transcript of proceedings and a no-litigation certificate (described above under “LITIGATION AND INSURANCE”) will be delivered by the City when the Bonds are delivered. The City will at that time also provide a certificate of the City relating to the accuracy and completeness of this Official Statement.

TAX EXEMPTION

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 excludable from net income for present State of New Mexico income tax purposes.

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 Premium

The Bonds were sold 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.

FINANCIAL STATEMENTS

The general purpose financial statements of the City as of June 30, 2016, and for the year then ended, contained in Appendix A to this Official Statement, have been audited by Axiom Certified Public Accountants and Business Advisors LLC, Albuquerque, New Mexico, as set forth in their report thereon included in Appendix A hereto. Axiom Certified Public Accountants and Business Advisors LLC has not been engaged to perform, and has not performed since June 30, 2016, any procedures on the financial statements shown in the excerpt. Further, Axiom Certified Public Accountants and Business Advisors LLC has not been engaged to perform and has not performed any procedures relating to financial information or any other information contained in this Official Statement. Copies of the City’s comprehensive annual financial report may be requested from the City’s Finance Department, 425 N. Richardson, Roswell, New Mexico 88201. The financial statements are included for informational purposes only.

LEGAL MATTERS

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, will render an opinion with respect to the validity of the Bonds and will render the opinions described above under “TAX EXEMPTION.” The proposed form of such opinion is attached hereto as Appendix B. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as Special Counsel to the City in connection with the preparation of the Official Statement. The fees of Bond Counsel and Special Counsel are contingent upon the issuance and delivery of the Bonds.

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 August 9, 2017 (the “Bond Purchase Agreement”), at a price of \$20,109,438.78 being the principal amount of the Bonds less an underwriting discount of \$72,528.77, plus original issue premium of \$1,826,967.55. 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.

RATING

The Series 2017 Bonds have been assigned a rating of “AA” from Stand & Poor’s Financial Services (“S&P”). An explanation of the significance of such ratings may be obtained from S&P.

Such rating reflects only the view of S&P. The rating is not a recommendation to buy, sell or hold the Bonds and there is no assurance that the rating will not be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an effect on the market price of the Bonds.

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 2017, 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.

For example, 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 FY 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 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.

ADDITIONAL INFORMATION

All of the summaries of the statutes, ordinances, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the City Clerk of the City of Roswell, City Hall, 425 N. Richardson, Roswell, New Mexico 88201, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110.

OFFICIAL STATEMENT CERTIFICATION

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.

CITY OF ROSWELL, NEW MEXICO

By: _____
Dennis J. Kintigh, Mayor

APPENDIX A

**EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF
THE CITY OF ROSWELL, NEW MEXICO
FOR FISCAL YEAR ENDING JUNE 30, 2016**

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, 2016

INTRODUCTORY SECTION

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CITY OF ROSWELL
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**STATE OF NEW MEXICO
CITY OF ROSWELL
OFFICIAL ROSTER
JUNE 30, 2016**

City Council

<u>Name</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

Administration

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

To Timothy Keller
New Mexico State Auditor
and
The 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 of the City of Roswell (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, fiduciary funds, and the budgetary comparisons for the major capital projects funds, and all nonmajor 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, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund 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 fund, and fiduciary fund of the City as of June 30, 2016, and the respective changes in financial position thereof, and the respective budgetary comparisons for the major capital projects funds, and all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12, the Schedule of City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions on pages 64-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by 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 of Federal Awards 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 Vendor Information for Purchases exceeding \$60,000 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 14, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Advisors, LLC
Albuquerque, New Mexico
December 14, 2016

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016. 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 \$139,713,293 (*net position*).
- The City's total net position increased by \$9,577,136. The majority of this increase is due to a decrease in deferred inflows related to pensions and the implementation of a new accounting pronouncement (GASB 69) in the prior year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37,266,386, an increase of \$2,696,423 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was a negative \$962,401. This decrease is due to an increase in restricted fund balances for several projects underway in the City and for debt service payments.
- The City's total debt decreased slightly by \$2,767,442 (12.98 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, 2016**

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

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

The basic governmental fund financial statements can be found on pages 17-19 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, 2016**

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 74-111 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 \$139,713,293 at the close of the most recent fiscal year.

The largest portion of the City of Roswell's net position, \$53,547,175, 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, 2016 and June 30, 2015.

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

CITY OF ROSWELL'S NET POSITION
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 40,426	\$ 37,973	\$ 25,053	\$ 27,151	\$ 64,611	\$ 65,124
Noncurrent assets other than capital assets	4,957	3,439	177	119	5,134	3,558
Capital assets, net	60,818	61,028	82,846	71,021	144,531	132,049
Total assets	106,201	102,440	108,075	98,172	214,276	200,731
Current liabilities	9,103	8,925	4,185	4,552	18,028	13,477
Noncurrent liabilities	47,071	34,825	12,960	13,126	60,031	57,118
Total liabilities	56,174	43,750	17,145	17,678	78,059	70,595
Net investment in capital assets	53,547	56,665	70,736	59,568	125,151	116,233
Restricted	19,016	15,458	-	-	19,016	15,458
Unrestricted	(23,662)	(22,601)	20,037	21,045	(4,493)	(1,556)
Total net position	\$ 48,940	\$ 49,522	\$ 90,773	\$ 80,613	\$ 139,117	\$ 130,136

A portion of the City of Roswell's net position of \$19,015,395 (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$22,601,169) 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 \$582,237. Key element of this decrease is as follows:

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

Business-type Activities. Business-type activities increased the City's net position by \$10,159,373. The key element of this increase is as follows:

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

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Revenues						
Taxes	\$ 33,894	\$ 35,701	\$ 859	\$ 791	\$ 34,753	\$ 36,492
Intergovernmental	-	4,340	-	9,008	-	13,348
Charges for services	4,380	3,399	-	19,887	4,380	23,286
Other	(2,089)	24,113	285	(51)	(1,804)	24,062
Total revenues	36,185	51,989	1,144	29,634	36,185	81,623
Expenses						
General government	(2,068)	14,006	-	-	(2,068)	14,006
Public safety	25,374	21,869	-	-	25,374	21,869
Public works	5,312	7,101	-	-	5,312	7,101
Culture and recreation	8,690	7,611	-	-	8,690	7,611
Health and welfare	-	-	-	-	-	-
Interest on long term debt	96	73	343	508	96	581
Other	-	-	-	-	-	-
Airport	-	-	6,431	3,775	6,431	3,775
Solid waste	-	-	714	4,961	714	4,961
Water and sewer	-	-	2,852	10,174	2,852	10,174
Total expenses	37,404	50,661	18,910	18,910	-	69,571
Transfers	638	86	(638)	(86)	-	-
Changes in net position	\$ (582)	\$ 1,414	\$ 10,159	\$ 10,131	\$ 9,577	\$ 11,545

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 \$37,266,386, a decrease of \$2,696,423 in comparison with the prior year. All balances either restricted or committed and there are no unassigned balances for discretionary purposes as of June 30, 2016.

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance totaled \$18,250,991. \$101,876 of this balance is in non-spendable form and the remainder is restricted for future use. There is no unassigned balance for discretionary purposes as of June 30, 2016.

The fund balance of the City's general fund decreased by \$860,525 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 \$90,772,991, an increase of \$10,159,373 from the prior fiscal year.

General Fund Budgetary Highlights

There were several amendments to the City of Roswell's fiscal year 2016 operating and capital budget. A statement reporting the original and final budget amount compared to the City's actual financial activity for the general fund is provided in this report on page 21.

The net favorable variance of \$9,412,596 in general fund expenditures was primarily due to not expending all the funds budgeted. There was \$11,339,511 not expended in general government, \$873,054 not expended in public safety, \$874,087 not expended in culture and recreation, \$3,484,047 over expended for capital outlay, and \$190,000 over expended for debt service principal and interest.

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016, amounts to \$143,664 (in thousands, net of accumulated depreciation). This investment in capital assets includes land, land-right of ways, land improvements, library collection, historical treasures, buildings and improvements, computers, machinery and equipment, furniture and fixtures, vehicles, and infrastructure.

The significant additions to capital assets, which increased \$13,906 (in thousands) during the year, were as follows:

- \$19,356,626 for Infrastructure, net of depreciation
- \$2,687,872 for Land Improvements
- \$3,737,111 for vehicles, net of depreciation
- \$478,068 for construction in progress
- These increases were offset by disposals of machinery and equipment for \$11,414,422

CITY OF ROSWELL'S CAPITAL ASSETS
(In thousands)

	Governmental		Business-type		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,575	\$ 3,575	\$ 4,609	\$ 4,609	\$ 8,184	\$ 8,184
Land-right of way	5,149	5,143	-	-	5,149	5,143
Construction in progress	692	214	341	141	1,033	335
Library collection	3,000	2,823	-	-	3,000	2,823
Historical treasures	437	437	-	-	437	437
Water rights- intangible assets	-	-	12,145	12,145	12,145	12,145
Land improvements	15,943	14,640	12,583	10,966	28,526	25,606
Buildings and improvements	33,363	33,126	85,030	80,598	118,393	113,724
Machinery and equipment	12,129	23,544	16,868	16,976	28,997	40,520
Furniture and fixtures	134	136	118	118	252	254
Vehicles	16,023	14,360	8,445	6,321	24,468	20,681
Infrastructure	167,727	153,999	70,534	62,180	238,261	216,179
Total capital assets	245,319	251,997	193,577	194,055	438,896	446,052
Less: accumulated depreciation	197,295	190,969	127,826	123,034	325,121	314,003
Capital assets, net	\$ 60,818	\$ 61,027	\$ 82,846	\$ 71,021	\$ 143,664	\$ 132,049

**STATE OF NEW MEXICO
CITY OF ROSWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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

CITY OF ROSWELL'S DEBT
(In thousands)

	Governmental		Business-type		Total	
	2016	2015	2016	2015	2016	2015
Bonds	\$ 5,970	\$ 2,869	\$ 10,175	\$ 10,175	\$ 16,145	\$ 13,044
Loans	-	-	-	-	-	-
Capital Leases	1,301	1,494	-	-	1,301	1,749
Total debt outstanding	\$ 7,271	\$ 4,363	\$ 10,175	\$ 10,175	\$ 17,446	\$ 14,793

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 42-50 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, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash, cash equivalents and investments	\$ 29,648,770	21,155,433	50,804,203
Receivables:			
Property taxes receivable	272,432	-	272,432
Other taxes receivable	8,687,363	-	8,687,363
Grants Receivable	1,715,791	-	1,715,791
Customer receivables, net of allowance of \$0 and \$395,591, respectively	-	1,800,696	1,800,696
Note receivable	-	-	-
Inventory	101,876	2,096,718	2,198,594
Total current assets	<u>40,426,232</u>	<u>25,052,847</u>	<u>65,479,079</u>
Noncurrent assets			
Capital assets	258,112,761	210,671,728	468,784,489
Less: accumulated depreciation	<u>(197,294,595)</u>	<u>(127,825,771)</u>	<u>(325,120,366)</u>
Total noncurrent assets	<u>60,818,166</u>	<u>82,845,957</u>	<u>143,664,123</u>
Total Assets	<u>101,244,398</u>	<u>107,898,804</u>	<u>209,143,202</u>
Deferred Outflows			
Pension Related	<u>4,956,790</u>	<u>177,475</u>	<u>5,134,265</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF NET POSITION
June 30, 2016**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Liabilities			
Current liabilities			
Accounts payable	\$ 1,676,642	1,484,300	3,160,942
Accrued payroll expenses	1,033,114	263,531	1,296,645
Accrued compensated absences	1,286,699	209,141	1,495,840
Accrued interest	133,541	19,548	153,089
Meter and other deposits	296,879	145,694	442,573
Workers' compensation liability	4,018,080	-	4,018,080
Current portion of bonds and notes payable	658,298	1,070,000	1,728,298
	<u>9,103,253</u>	<u>3,192,214</u>	<u>12,295,467</u>
Total current liabilities			
Noncurrent liabilities			
Landfill closure	-	1,354,387	1,354,387
Bonds and notes payable	6,612,693	10,047,689	16,660,382
Net pension liability	40,458,065	1,558,085	42,016,150
	<u>47,070,758</u>	<u>12,960,161</u>	<u>60,030,919</u>
Total noncurrent liabilities			
	<u>56,174,011</u>	<u>16,152,375</u>	<u>72,326,386</u>
Total liabilities			
Deferred Inflows			
Debt reacquisition price in excess of carrying value	-	992,380	992,380
Pension Related	1,086,875	158,533	1,245,408
Total Deferred Inflows	<u>1,086,875</u>	<u>1,150,913</u>	<u>2,237,788</u>
Net Position			
Net investment in capital assets	53,547,175	70,735,888	124,283,063
Restricted for			
Debt service	361,759	-	361,759
Capital projects	10,218,972	-	10,218,972
Other purposes - special revenue	8,434,664	-	8,434,664
Unrestricted	<u>(23,622,268)</u>	<u>20,037,103</u>	<u>(3,585,165)</u>
Total Net Position	<u>\$ 48,940,302</u>	<u>90,772,991</u>	<u>139,713,293</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 7,938,221	5,618,207	4,388,378	-
Public safety	25,373,857			-
Public works	7,436,653		880,551	1,243,806
Culture and recreation	8,690,827			-
Health and welfare	41	-		-
Interest on long-term debt	96,332	-	-	-
<i>Total government activities</i>	<u>49,535,931</u>	<u>5,618,207</u>	<u>5,268,929</u>	<u>1,243,806</u>
Business-type Activities				
Airport	3,974,913	3,502,302	-	6,903,684
Solid Waste	5,291,326	6,004,921	-	-
Water and sewer	9,639,863	12,491,734	-	-
<i>Total business-type activities</i>	<u>18,906,102</u>	<u>21,998,957</u>	<u>-</u>	<u>6,903,684</u>
<i>Total primary government</i>	<u>\$ 68,442,033</u>	<u>27,617,164</u>	<u>5,268,929</u>	<u>8,147,490</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				
Net position, ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
2,068,364	-	2,068,364
(25,373,857)	-	(25,373,857)
(5,312,296)	-	(5,312,296)
(8,690,827)	-	(8,690,827)
(41)	-	(41)
<u>(96,332)</u>	<u>(343,052)</u>	<u>(439,384)</u>
<u>(37,404,989)</u>	<u>(343,052)</u>	<u>(37,748,041)</u>
-	6,431,073	6,431,073
-	713,595	713,595
-	<u>2,851,871</u>	<u>2,851,871</u>
-	<u>9,996,539</u>	<u>9,996,539</u>
<u>(37,404,989)</u>	<u>9,653,487</u>	<u>(27,751,502)</u>
4,750,676	-	4,750,676
384,881	-	384,881
28,758,294	858,703	29,616,997
994,321	-	994,321
3,385,980	-	3,385,980
48,261	37,939	86,200
812,658	160,877	973,535
(2,950,412)	86,460	(2,863,952)
<u>638,093</u>	<u>(638,093)</u>	<u>-</u>
<u>36,822,752</u>	<u>505,886</u>	<u>37,328,638</u>
<u>(582,237)</u>	<u>10,159,373</u>	<u>9,577,136</u>
49,522,539	80,613,618	130,136,157
\$ <u>48,940,302</u>	<u>90,772,991</u>	<u>139,713,293</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund 101	Road Fund 223	Capital Improvement Fund 301	Other Governmental Funds	Total Governmental Funds
<i>Assets</i>					
Cash, cash equivalents and investments	\$ 10,888,573	\$ 169,966	\$ 9,973,534	\$ 8,616,697	\$ 29,648,770
Receivables:					
Property taxes	262,188	-	-	10,244	272,432
Other taxes receivable	8,569,379	117,984	-	-	8,687,363
Grants Receivable- State	345,787	-	895,683	474,321	1,715,791
Inventory	101,876	-	-	-	101,876
Due from other funds	5,488	-	-	-	5,488
<i>Total assets</i>	<u>\$ 20,173,291</u>	<u>\$ 287,950</u>	<u>\$ 10,869,217</u>	<u>\$ 9,101,262</u>	<u>\$ 40,431,720</u>
<i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ 609,297	\$ 52,267	\$ 604,481	\$ 410,597	\$ 1,676,642
Accrued payroll expenses	862,913	46,073	45,764	78,364	1,033,114
Accrued sales tax payable	-	-	-	-	-
Deposits payable	296,879	-	-	-	296,879
Due to other funds	-	-	-	5,488	5,488
<i>Total liabilities</i>	<u>1,769,089</u>	<u>98,340</u>	<u>650,245</u>	<u>494,449</u>	<u>3,012,123</u>
<i>Deferred Inflows</i>					
Unearned revenue - property taxes	153,211	-	-	-	153,211
<i>Total Deferred Inflows</i>	<u>153,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,211</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>1,922,300</u>	<u>98,340</u>	<u>650,245</u>	<u>494,449</u>	<u>3,165,334</u>
<i>Fund balances</i>					
Nonspendable	101,876	-	-	538,545	640,421
Spendable					
Restricted	19,111,516	136,888	10,218,972	8,077,922	37,545,298
Committed	-	52,722	-	-	52,722
Assigned	-	-	-	-	-
Unassigned	(962,401)	-	-	(9,654)	(972,055)
<i>Total fund balances</i>	<u>18,250,991</u>	<u>189,610</u>	<u>10,218,972</u>	<u>8,606,813</u>	<u>37,266,386</u>
<i>Total liabilities and fund balances</i>	<u>\$ 20,173,291</u>	<u>\$ 287,950</u>	<u>\$ 10,869,217</u>	<u>\$ 9,101,262</u>	<u>\$ 40,431,720</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, 2016

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

Fund balances - total governmental funds	\$ 37,266,386
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds	4,956,790
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	60,818,166
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	153,211
Defined benefit pension plan deferred inflows are not payable in the current period and, therefore, not reported in the funds.	(1,086,875)
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	(40,458,065)
Accrued interest	(133,541)
Worker's comp liability	(4,018,080)
Accrued compensated absences	(1,286,699)
Bonds and notes payable	(7,270,991)
Net position of governmental activities	<u>\$ 48,940,302</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, 2016**

	General Fund 101	Road Fund 223	Capital Improvement Fund 301	Other Governmental Funds	Total Governmental Funds
<i>Revenues</i>					
<i>Taxes:</i>					
Property	\$ 4,853,202	-	-	384,881	5,238,083
Gross receipts	28,758,294	-	-	-	28,758,294
Gasoline and motor vehicle	226,661	767,660	-	-	994,321
Other taxes	2,134,588	162,491	-	1,088,901	3,385,980
<i>Intergovernmental</i>					
Federal operating grants	107,906	-	115,500	765,051	988,457
Federal capital grants	-	-	-	-	-
State operating grants	2,848,700	-	-	1,431,772	4,280,472
State capital grants	-	-	1,243,806	-	1,243,806
Charges for services	1,753,489	-	-	1,277,527	3,031,016
Licenses and fees	492,852	-	-	-	492,852
Fines, forfeitures, and penalties	2,094,339	-	-	-	2,094,339
Investment income	21,139	250	19,432	7,440	48,261
Miscellaneous	449,493	22,419	5,040	314,979	791,931
<i>Total revenues</i>	<u>43,740,663</u>	<u>952,820</u>	<u>1,383,778</u>	<u>5,270,551</u>	<u>51,347,812</u>
<i>Expenditures:</i>					
<i>Current:</i>					
General government	6,359,978	-	-	590,341	6,950,319
Public safety	21,634,643	-	-	749,346	22,383,989
Public works	-	3,400,174	1,264,566	1,911,685	6,576,425
Culture and recreation	5,695,493	2,218	-	1,969,048	7,666,759
Health and welfare	-	-	-	41	41
Capital outlay	3,484,047	168,175	2,330,236	2,562,178	8,544,636
Debt service					
Principal	381,708	-	-	280,000	661,708
Interest and other charges	1,620	-	-	94,712	96,332
<i>Total expenditures</i>	<u>37,557,489</u>	<u>3,570,567</u>	<u>3,594,802</u>	<u>8,157,351</u>	<u>52,880,209</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>6,183,174</u>	<u>(2,617,747)</u>	<u>(2,211,024)</u>	<u>(2,886,800)</u>	<u>(1,532,397)</u>
<i>Other Financing Sources (Uses)</i>					
Proceeds from loans	-	-	-	3,570,000	3,570,000
Transfers, in	1,314,770	3,067,176	2,626,310	2,321,574	9,329,830
Transfers, out	(8,379,196)	(312,541)	-	-	(8,691,737)
Proceeds from sale of capital assets	20,727	-	-	-	20,727
<i>Total other financing sources (uses)</i>	<u>(7,043,699)</u>	<u>2,754,635</u>	<u>2,626,310</u>	<u>5,891,574</u>	<u>4,228,820</u>
<i>Net change in fund balances</i>	(860,525)	136,888	415,286	3,004,774	2,696,423
<i>Fund balances - beginning 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>
<i>Fund balances, end of year</i>	<u>\$ 18,250,991</u>	<u>189,610</u>	<u>10,218,972</u>	<u>8,606,813</u>	<u>37,266,386</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, 2016**

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

Net change in fund balances - total governmental funds	\$ 2,696,423
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds:	
Decrease in Pension expense	264,136
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	8,544,636
Depreciation expense	(5,804,018)
Loss on disposal of assets	(2,950,412)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds	
Decrease in deferred revenue	(102,526)
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	(280,845)
Increase in accrued interest	(59,536)
Decrease in worker's comp liability	18,197
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	661,708
Proceeds from bond issuance	<u>(3,570,000)</u>
Change in net position of governmental activities	<u>\$ (582,237)</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, 2016

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	
Revenues:				
Taxes:				
Property	\$ 4,816,233	4,816,233	4,900,365	84,132
Gross Receipts	30,759,167	30,759,167	28,758,294	(2,000,873)
Gasoline and Motor Vehicle	-	-	-	-
Other Taxes	2,069,500	2,069,500	2,128,403	58,903
Intergovernmental				
Federal Operating Grants	138,282	969,282	100,802	(868,480)
Federal Capital Grants	-	-	-	-
State Operating Grants	3,084,650	3,353,951	2,848,700	(505,251)
State Capital Grants	-	-	-	-
Charges for Services	712,090	712,090	664,526	(47,564)
Licenses and Fees	420,943	420,943	492,852	71,909
Fines, Forfeitures, and Penalties	503,107	503,107	330,710	(172,397)
Investment Income	12,000	12,000	21,139	9,139
Miscellaneous	3,613,100	3,529,844	109,858	(3,419,986)
Total Revenues	<u>46,129,072</u>	<u>47,146,117</u>	<u>40,355,649</u>	<u>(6,790,468)</u>
Expenditures:				
Current:				
General Government	15,986,792	16,929,895	5,590,384	11,339,511
Public Safety	23,045,845	22,607,697	21,734,643	873,054
Public Works	-	-	-	-
Culture and Recreation	6,914,799	6,569,580	5,695,493	874,087
Health and Welfare	-	-	-	-
Capital Outlay	-	-	3,484,047	(3,484,047)
Debt Service				
Principal	-	-	188,389	(188,389)
Interest	-	-	1,620	(1,620)
Total Expenditures	<u>45,947,436</u>	<u>46,107,172</u>	<u>36,694,576</u>	<u>9,412,596</u>
<i>Excess (Deficiency) of Revenues</i>				
<i>Over (Under) Expenditures</i>	<u>181,636</u>	<u>1,038,945</u>	<u>3,661,073</u>	<u>2,622,128</u>
Other Financing Sources (Uses):				
Proceeds from Loans				-
Transfers, In	1,218,790	1,314,770	1,314,770	-
Transfers, Out	(9,197,899)	(8,893,400)	(8,379,196)	514,204
Proceeds from sale of Capital Assets			20,727	(20,727)
Total Other Financing sources (Uses)	<u>(7,979,109)</u>	<u>(7,578,630)</u>	<u>(7,043,699)</u>	<u>493,477</u>
Net Change in Fund Balances	<u>\$ (7,797,473)</u>	<u>(6,539,685)</u>	<u>(3,382,626)</u>	<u>3,115,605</u>
Reconciliation to GAAP Basis:				
Adjustments to Revenues			3,405,741	
Adjustments to Expenditures			(862,913)	
NET CHANGE IN FUND BALANCE			<u>\$ (860,525)</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
Road Fund-223
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	
Revenues:				
Taxes:				
Property	\$ -	-	-	-
Gross Receipts	-	-	-	-
Gasoline and Motor Vehicle	750,000	750,000	794,499	44,499
Other Taxes	-	-	162,491	162,491
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	-	-	250	250
Miscellaneous	170,000	180,228	18,827	(161,401)
Total Revenues	<u>920,000</u>	<u>930,228</u>	<u>976,067</u>	<u>45,839</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	4,340,258	3,994,511	3,427,793	566,718
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	168,175	(168,175)
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>4,340,258</u>	<u>3,994,511</u>	<u>3,595,968</u>	<u>398,543</u>
<i>Excess (Deficiency) of Revenues</i>				
<i>Over (Under) Expenditures</i>	<u>(3,420,258)</u>	<u>(3,064,283)</u>	<u>(2,619,901)</u>	<u>444,382</u>
Other Financing Sources (Uses):				
Proceeds from Loans	-	-	-	-
Transfers, In	3,685,026	3,329,051	3,067,176	(261,875)
Transfers, Out	(300,000)	(300,000)	(312,541)	(12,541)
Proceeds from sale of Capital Assets	-	-	-	-
Total Other Financing sources (Uses)	<u>3,385,026</u>	<u>3,029,051</u>	<u>2,754,635</u>	<u>(274,416)</u>
Net Change in Fund Balances	<u>\$ (35,232)</u>	<u>(35,232)</u>	<u>134,734</u>	<u>169,966</u>
Reconciliation to GAAP Basis:				
Adjustments to Revenues			(23,247)	
Adjustments to Expenditures			(25,401)	
NET CHANGE IN FUND BALANCE			<u>\$ 136,888</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016**

	Airport	Solid Waste	Water and Sewer	Total
Assets				
Current Assets				
Cash, cash equivalents and investments	\$ 2,597,484	5,017,654	13,540,295	21,155,433
Customer receivables, net of allowance	72,071	535,396	1,193,229	1,800,696
Notes receivable	-	-	-	-
Inventory	39,582	53,983	2,003,153	2,096,718
Due from other funds	-	-	-	-
Total current assets	<u>2,709,137</u>	<u>5,607,033</u>	<u>16,736,677</u>	<u>25,052,847</u>
Noncurrent assets				
Notes receivable	-	-	-	-
Capital assets	75,684,098	17,836,412	117,151,218	210,671,728
Less: accumulated depreciation	<u>(41,962,474)</u>	<u>(11,027,475)</u>	<u>(74,835,822)</u>	<u>(127,825,771)</u>
Total noncurrent assets	<u>33,721,624</u>	<u>6,808,937</u>	<u>42,315,396</u>	<u>82,845,957</u>
Total assets	<u>36,430,761</u>	<u>12,415,970</u>	<u>59,052,073</u>	<u>107,898,804</u>
Deferred Outflows				
Pension Related	20,923	47,541	109,011	177,475
Total Deferred Outflows	<u>20,923</u>	<u>47,541</u>	<u>109,011</u>	<u>177,475</u>
Liabilities				
Current Liabilities				
Accounts payable	727,876	65,498	690,926	1,484,300
Accrued payroll expenses	19,065	53,296	191,170	263,531
Accrued sales tax payable	-	-	-	-
Accrued compensated absences	28,636	52,560	127,945	209,141
Accrued interest	-	2,231	17,317	19,548
Meter and other deposits	143,694	2,000	-	145,694
Due to other funds	-	-	-	-
Current portion of bonds and notes payable	-	375,000	695,000	1,070,000
Total current liabilities	<u>919,271</u>	<u>550,585</u>	<u>1,722,358</u>	<u>3,192,214</u>
Noncurrent Liabilities				
Landfill closure	-	1,354,387	-	1,354,387
Bonds and notes payable	-	390,000	9,657,689	10,047,689
Net Pension Liability	<u>185,492</u>	<u>419,172</u>	<u>953,421</u>	<u>1,558,085</u>
Total noncurrent liabilities	<u>185,492</u>	<u>2,163,559</u>	<u>10,611,110</u>	<u>12,960,161</u>
Total Liabilities	<u>1,104,763</u>	<u>2,714,144</u>	<u>12,333,468</u>	<u>16,152,375</u>
Deferred Inflows				
Pension Related	22,966	46,732	88,835	158,533
Debt reacquisition price in excess of carrying value	-	-	992,380	992,380
Total Deferred Inflows	<u>22,966</u>	<u>46,732</u>	<u>1,081,215</u>	<u>1,150,913</u>
Net Position				
Net investment in capital assets	33,721,624	6,043,937	30,970,327	70,735,888
Unrestricted net position	<u>1,602,331</u>	<u>3,658,698</u>	<u>14,776,074</u>	<u>20,037,103</u>
Total Net Position	<u>\$ 35,323,955</u>	<u>9,702,635</u>	<u>45,746,401</u>	<u>90,772,991</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016**

	Airport	Solid Waste	Water and Sewer	Total
<i>Operating Revenues</i>				
Charges for Services	\$ 3,502,302	6,004,921	12,491,734	21,998,957
Operating Grants	6,903,684	-	-	6,903,684
Total operating revenues	10,405,986	6,004,921	12,491,734	28,902,641
<i>Operating Expenses</i>				
General and administrative	32,010	185,706	556,153	773,869
Personnel services	706,631	1,651,995	4,165,821	6,524,447
Contractual services	127,591	432,783	384,912	945,286
Supplies and purchased power	19,637	183,074	196,907	399,618
Maintenance and materials	1,007,038	1,571,969	1,178,674	3,757,681
Utilities	167,317	28,559	570,902	766,778
Gross receipts tax expense	17,486	275,408	531,343	824,237
Amortization	-	-	-	-
Closure costs	-	-	-	-
Depreciation	1,897,203	961,832	2,055,151	4,914,186
<i>Total operating expenses</i>	<i>3,974,913</i>	<i>5,291,326</i>	<i>9,639,863</i>	<i>18,906,102</i>
<i>Operation income (loss)</i>	<i>6,431,073</i>	<i>713,595</i>	<i>2,851,871</i>	<i>9,996,539</i>
<i>Non-operating revenues (expenses)</i>				
Interest income	3,863	9,424	24,652	37,939
Interest expense	(11,638)	(28,046)	(303,368)	(343,052)
Gross receipts tax revenue	20,855	278,812	559,036	858,703
Miscellaneous	65,552	12,300	83,025	160,877
Gain (loss) from sale of capital assets	21,911	760	63,789	86,460
Total non-operating revenues (expenses)	100,543	273,250	427,134	800,927
Income (Loss) Before Contributions and Transfers	6,531,616	986,845	3,279,005	10,797,466
<i>Other Financing Sources (Uses)</i>				
Transfers in	107,071	1,066,494	1,034,335	2,207,900
Transfers out	(563,700)	(750,987)	(1,531,306)	(2,845,993)
<i>Net transfers</i>	<i>(456,629)</i>	<i>315,507</i>	<i>(496,971)</i>	<i>(638,093)</i>
Change in net position	6,074,987	1,302,352	2,782,034	10,159,373
<i>Beginning net position</i>	<i>29,248,968</i>	<i>8,400,283</i>	<i>42,964,367</i>	<i>80,613,618</i>
<i>Net position, end of year</i>	<i>\$ 35,323,955</i>	<i>9,702,635</i>	<i>45,746,401</i>	<i>90,772,991</i>

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2016

	Airport	Solid Waste	Water Sewer	Total
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 6,037,401	6,134,532	12,803,554	24,975,487
Cash paid for goods and services	(1,935,754)	(2,790,303)	(4,159,091)	(8,885,148)
Cash paid to employees	(723,125)	(1,699,879)	(4,314,567)	(6,737,571)
Net cash provided by operating activities	3,378,522	1,644,350	4,329,896	9,352,768
Cash Flows From Investing Activities				
Interest income	3,863	9,424	24,652	37,939
Net cash provided by investing activities	3,863	9,424	24,652	37,939
Cash Flows From Non-Capital Financing				
Internal transfers and loans	(456,629)	315,507	(496,971)	(638,093)
Net cash provided (used) by non-capital financing activities	(456,629)	315,507	(496,971)	(638,093)
Cash Flows From Capital and Related Financing Activities				
Proceeds from capital grants	6,903,684	-	-	6,903,684
Proceeds from debt	-	1,982,689	-	1,982,689
Purchases of capital assets	(10,326,057)	(2,868,486)	(3,160,844)	(16,355,387)
Debt payment	-	(1,015,718)	(695,000)	(1,710,718)
Interest paid	-	(359,075)	(9,039)	(368,114)
Net cash used by capital and related financing activities	(3,422,373)	(2,260,590)	(3,864,883)	(9,547,846)
Net decrease in cash and cash equivalents	(496,617)	(291,309)	(7,306)	(795,232)
Cash and restricted cash and cash equivalents, beginning of year	3,094,101	5,308,963	13,547,601	21,950,665
Cash and restricted cash and cash equivalents, end of year	\$ 2,597,484	5,017,654	13,540,295	21,155,433
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 6,431,073	713,595	2,851,871	9,996,539
Adjustments to operating (loss) income to net cash provided by operating activities:				
Depreciation	1,897,203	961,832	2,055,151	4,914,186
Pension Expense				
Reclassification of miscellaneous assets	(1,885,774)	(32,650)	(82,210)	(2,000,634)
Change in assets and liabilities:				
Receivables	(2,454,796)	162,261	394,030	(1,898,505)
Inventory	(39,582)	(53,983)	(549,457)	(643,022)
Accounts payable	(525,093)	(58,821)	(190,743)	(774,657)
Accrued Payroll	(16,644)	(48,152)	(149,399)	(214,195)
Accrued compensated absences	150	268	653	1,071
Meter other refundable deposits	(28,015)	-	-	(28,015)
Net cash provided by operating activities	\$ 3,378,522	1,644,350	4,329,896	9,352,768

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
June 30, 2016**

Assets

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

Deposits held in trust for others	\$	<u>513,895</u>
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**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016**

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, 2016**

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, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The City reports the following major governmental funds:

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

The *Road Fund (223)* 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 (301)* accounts for the construction of street, sidewalks and curbs, parking lot paving, ADA improvements to intersections, channel reconstruction and related activities for the City. Overall administration and construction as well as all other activities necessary to manage and complete these projects are accounted for in this fund.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, 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, 2016**

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, 2016 in the proprietary funds was \$2,096,718 and \$101,876 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, 2016**

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, 2016, 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, 2016. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016 on the governmental funds balance sheet is \$52,722.

For assigned fund balance the City includes amounts that are intended to be spent for a specific purpose, but are not restricted or committed. The City has latitude in spending the funds for general fund requirements if the City Council approves such in the budget. At June 30, 2016, there were no assigned fund balances.

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

Nonspendable Fund Balance. At June 30, 2016, the Nonspendable fund balance in the general fund is made up of inventory in the amount of \$101,876 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 \$538,545 that is legally required to be maintained intact and not available to be expended.

Restricted Fund Balance. At June 30, 2016, the restricted fund balance on the governmental funds balance sheet is made up of \$37,545,298 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, 2016**

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 70.
- c. Unrestricted net position*
All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY

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

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

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2016.

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, 2016**

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, 2016, \$41,388,493 of the City’s bank balances of \$41,888,493 were exposed to custodial credit risk. \$20,307,771 was collateralized by securities held by the pledging bank’s trust department, not in the City’s name, and \$21,080,724 was uninsured and uncollateralized.

	Pioneer Bank	Washington Federal Bank	Total
Amount of Deposits	\$ 26,333,495	\$ 15,555,000	\$ 41,888,495
Less: FDIC Coverage	<u>250,000</u>	<u>250,000</u>	<u>500,000</u>
 Total uninsured public funds	 <u>26,083,495</u>	 <u>15,305,000</u>	 <u>41,388,495</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City’s name	 <u>12,643,429</u>	 <u>7,664,342</u>	 <u>20,307,771</u>
Uninsured and uncollateralized	<u>13,440,064</u>	<u>7,640,658</u>	<u>21,080,724</u>
Collateral requirement (50% of uninsured public funds)	13,041,747	7,652,500	20,694,247
Pledged collateral	<u>12,643,429</u>	<u>7,664,342</u>	<u>20,307,771</u>
Over (under) collateralized	\$ <u>(398,318)</u>	\$ <u>11,842</u>	\$ <u>(386,476)</u>

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, 2016**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City’s investments at June 30, 2016 include the following:

Investments	Rated	Weighted Average Maturity (R)	Weighted Average Maturity (F)	Fair Market Value
LGIP	*AAAm	44 Days	77 Days	\$ 11,303,256
				<u>\$ 11,303,256</u>

**Based off Standard & Poor’s rating*

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

Concentration of Credit Risk – Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in the New MexiGROW LGIP represent 100% of the investment portfolio. Since the City only 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	\$ 50,804,203
Agency funds cash	513,895
Plus outstanding checks	1,987,618
Less: deposits in transit	(109,215)
Less: petty cash	(4,750)
Less: investments	<u>(11,303,256)</u>
Bank balance of deposits	<u>\$ 41,888,495</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – RECEIVABLES

Governmental funds receivables as of June 30, 2016 are shown as follows:

	General	Road Fund	Capital Improvements	Nonmajor Governmental Funds	Total
Property Taxes	\$ 262,188	-	-	10,244	272,432
Other Taxes	8,569,379	117,984	-	-	8,687,363
Intergovernmental grants:					
State	345,787	-	895,683	474,321	1,715,791
Licenses and fees	--	-	-	-	-
Totals by category	<u>\$ 9,177,354</u>	<u>117,984</u>	<u>895,683</u>	<u>484,565</u>	<u>10,675,586</u>

In accordance with GASB 33 property tax revenues in the amount of \$153,211 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements.

Proprietary fund receivables as of June 30, 2016 are shown as follows:

	Airport	Solid Waste	Water and Sewer	Total
Grants Receivable	-	-	-	
Customer receivables	103,132	628,267	1,514,962	2,246,361
Less: Allowance for doubtful accounts	(31,061)	(92,871)	(321,733)	(445,665)
Total by category	<u>\$ 72,071</u>	<u>535,396</u>	<u>1,193,229</u>	<u>1,800,696</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2016 is as follows:

Due from Other Funds	Due to Other Funds	Amount
Library Grants Fund	General Fund	\$ 5,102
Cemetery	General Fund	87
Beatification Grant	General Fund	299
		<u>\$ 5,488</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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	\$ 1,314,770	\$ 8,379,196
Road	3,067,176	312,541
Capital Improvement	2,626,310	-
Cemetery	57,872	-
Mass Transit	481,959	-
Recreation	1,631,743	-
Correction Fees	150,000	-
Total Governmental Activities	<u>9,329,830</u>	<u>8,691,737</u>
 <i>Business-type Activities</i>		
Airport	107,071	563,700
Solid Waste	1,066,494	750,987
Water and Sewer	<u>1,034,335</u>	<u>1,531,306</u>
Non-Business-Type Activities	<u>2,207,900</u>	<u>2,845,993</u>
<i>Governmental Activities</i>		
	\$ <u>11,537,730</u>	\$ <u>11,537,730</u>

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

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2016, 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, 2015	Additions	Deletions	Adjustments	Balance June 30, 2016
Governmental Activities					
Capital Assets not being depreciated:					
Land	\$ 3,574,883	-	-	-	3,574,883
Land-right of way	5,143,067	5,538	-	-	5,148,605
Construction in Progress	214,135	478,068	-	-	692,203
Library Collection	2,822,829	204,585	(87,175)	-	3,000,239
Historical Treasures	437,204	-	-	-	437,204
Total	<u>12,192,118</u>	<u>688,191</u>	<u>(87,175)</u>	<u>-</u>	<u>12,793,134</u>
Capital Assets being depreciated:					
Land improvements	14,640,285	1,302,684	-	-	15,942,969
Buildings and improvements	33,126,156	329,070	(92,458)	-	33,362,768
Machinery and equipment	23,543,789	393,730	(1,996,358)	(9,811,794)	12,129,367
Furniture and fixtures	135,948	492	(2,694)	-	133,746
Vehicles	14,360,118	1,908,913	(245,591)	-	16,023,440
Infrastructure	153,998,572	3,921,556	(4,585)	9,811,794	167,727,337
Total	<u>239,804,868</u>	<u>7,856,445</u>	<u>(2,341,686)</u>	<u>-</u>	<u>245,319,627</u>
Less accumulated depreciation:					
Land improvements	7,220,408	605,968	-	779,220	8,605,596
Buildings and improvements	20,405,856	1,157,152	-	(836,892)	20,726,116
Machinery and equipment	12,825,537	846,161	-	(3,926,269)	9,745,429
Furniture and fixtures	127,621	1,353	(2,774)	-	126,200
Vehicles	11,573,369	1,189,691	-	884,098	13,647,158
Infrastructure	138,816,235	2,003,693	-	3,624,168	144,444,096
Total	<u>190,969,026</u>	<u>5,804,018</u>	<u>(2,774)</u>	<u>524,325</u>	<u>197,294,595</u>
Total capital assets, net	<u>\$ 61,027,960</u>	<u>2,740,618</u>	<u>2,426,087</u>	<u>524,325</u>	<u>60,818,166</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2016 was charged to governmental activities as follows:

General government	\$	925,701
Public safety		2,981,286
Public works		875,903
Culture and recreation		<u>1,021,128</u>
Total depreciation expense	\$	<u><u>5,804,018</u></u>

	Balance June 30, 2015	Additions	Deletions	Adjustments	Balance June 30, 2016
Business-Type Activities					
Capital assets not being depreciated:					
Land	\$ 4,609,059	-	-	-	4,609,059
Construction in progress	141,740	198,327	-	-	340,067
Water rights-intangible assets	<u>12,145,238</u>	-	-	-	<u>12,145,238</u>
Total	<u>16,896,037</u>	<u>198,327</u>	<u>-</u>	<u>-</u>	<u>17,094,364</u>
Capital assets being depreciated:					
Land improvements	10,966,041	1,617,344	-	-	12,583,385
Buildings and improvements	80,597,904	4,720,655	(288,280)	-	85,030,279
Machinery and equipment	16,976,562	302,962	(411,483)	-	16,868,041
Furniture and fixtures	117,930	-	-	-	117,930
Vehicles	6,321,312	763,011	-	1,359,753	8,444,076
Infrastructure	<u>62,179,549</u>	<u>10,051,102</u>	<u>(337,244)</u>	<u>(1,359,753)</u>	<u>70,533,654</u>
Total	<u>177,159,298</u>	<u>17,455,074</u>	<u>(1,037,007)</u>	<u>-</u>	<u>193,577,365</u>
Less accumulated depreciation:					
Land improvements	3,500,230	568,069	(174,794)	-	3,893,505
Buildings and improvements	56,678,835	1,910,500	(129,579)	(524,325)	59,935,431
Machinery and equipment	15,594,299	449,307	(411,484)	-	15,632,122
Furniture and fixtures	107,712	6,105	-	-	113,817
Vehicles	4,911,849	683,614	943,057	-	6,538,521
Infrastructure	<u>40,240,993</u>	<u>1,296,591</u>	<u>174,793</u>	<u>-</u>	<u>41,712,377</u>
Total	<u>123,033,918</u>	<u>4,914,186</u>	<u>401,993</u>	<u>(524,325)</u>	<u>127,825,773</u>
Total capital assets, net of depreciation	\$ <u>71,021,417</u>	\$ <u>12,739,214</u>	\$ <u>(1,439,000)</u>	\$ <u>524,325</u>	\$ <u>82,845,956</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2016 was charged to business-type activities as follows:

Airport	\$ 1,897,203
Solid Waste	961,832
Water	<u>2,055,152</u>
 Total depreciation expense	 \$ <u>4,914,186</u>

NOTE 8 – LONG TERM DEBT

Governmental Activities. During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Bonds Payable	\$ 2,680,000	\$ 3,570,000	\$ (280,000)	\$ 5,970,000	\$ 460,000
Notes Payable	188,389	-	(188,389)	-	-
Capital leases payable	1,494,310	-	(193,320)	1,300,990	198,298
Workers' Compensation	4,036,277	76,867	(95,064)	4,018,080	-
Compensated Absences	1,005,854	1,352,293	(1,071,448)	1,286,699	-
Totals	\$ <u>9,404,830</u>	\$ <u>4,999,160</u>	\$ <u>(1,828,221)</u>	\$ <u>12,575,769</u>	\$ <u>658,298</u>

Compensated Absences – Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year 2016, compensated absences increased \$280,845 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, 2016**

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 6-1 5-22 NMSA 1978, and acts amendatory and supplemental thereto. In order to pay the 2008 Bonds and all payments of principal and interest thereon whether at maturity or on a redemption date, there shall be an annual assessment and levy upon all the taxable property of the City subject to taxation.

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

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

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2016
General Obligation Series 2008	\$ 4,100,000	8/1/2022	3.05-5.30%	\$ 2,400,000
GRT Bond 2015	3,570,000	8/1/2027	2.22%	3,570,000
Total				\$ 5,970,000

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, 2016
Sun Trust Equipment Finance (fire truck)	\$ 375,052	7/3/2018	4.28%	\$ 129,281
Sun Trust Equipment Finance (fire truck)	1,623,422	9/14/2022	2.13%	1,171,709
Total				\$ 1,300,990

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – LONG TERM DEBT (CONTINUED)

Debt Service Requirements. Debt service requirements on long-term debt for governmental activities at June 30, 2016 are as follows:

Bonds Payable

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2017	\$ 460,000	\$ 169,820	\$ 629,820
2018	585,000	145,836	730,836
2019	610,000	128,426	738,426
2020	630,000	110,070	740,070
2021	655,000	90,622	745,622
2022-2028	3,030,000	211,055	3,241,055
Total	\$ 5,970,000	\$ 855,829	\$ 6,825,829

Capital Leases Payable

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2017	\$ 198,296	\$ 30,492	\$ 228,788
2018	203,420	25,369	228,789
2019	208,691	20,099	228,790
2020	167,239	14,675	181,914
2021	170,793	11,121	181,914
2022-2025	352,551	11,277	363,828
Total	\$ 1,300,990	\$ 113,033	\$ 1,414,023

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – LONG TERM DEBT (CONTINUED)

Worker's Compensation. The Worker's Compensation liability of \$4,018,080 reported at June 30, 2016 is based on the requirements of GASB Statements No. 10 and No. 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probably that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability also includes an estimate for claims incurred but not reported.

Changes in the Worker's Compensation liability amount in fiscal year 2015 and 2016 are summarized below:

		Compensation
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
Current year claims insurance and changes in estimates		76,867
Claims and insurance payments		(95,064)
Claims liability, June 30, 2016	\$	<u>4,018,080</u>

Business-Type Activities. During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the proprietary funds statement of net position:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Bonds payable	\$ 10,175,000	1,982,689	(1,040,000)	11,117,689	1,070,000
Capital leases payable	254,671	-	(254,671)	-	-
Landfill closure and post closure	1,298,727	55,660	-	1,354,387	-
Compensated absences	208,070	194,617	(193,546)	209,141	-
Totals	<u>\$ 11,936,468</u>	<u>2,232,966</u>	<u>(1,488,217)</u>	<u>12,681,217</u>	<u>-</u>

Compensated Absences. Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year 2016, compensated absences increased \$1,071 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, 2016**

NOTE 8 – LONG TERM DEBT (CONTINUED)

The Gross Receipts Tax Improvement Revenue Bonds, Series December 30, 2008, were issued to provide funds to defray the cost of acquiring, constructing, and improving solid waste disposal and recycling facilities and all costs incidental to the foregoing and the issuance of the Bonds. The Bonds were issued pursuant to Sections 3-3 1-1 through 3-1- 1-12 NMSA 1978, as amended. The 2008 Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the revenues distributed to it by the New Mexico Taxation and Revenue Department pursuant to Sections 7-1-6.4 NMSA 1978, as amended.

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

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

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

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2016
Gross Receipts Tax Improvement Series 2008	3,190,000	6/1/2018	3.00-4.10%	\$ 765,000
Joint Water and Sewer Utility Improvement Bonds Series 2014A	2,500,000	06/01/2034	2.00-5.00%	2,300,000
Joint Water and Sewer Utility Refunding Bonds Series 2014B	7,345,000	06/01/2025	2.00-5.00%	6,070,000
Total				\$ <u>9,135,000</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – LONG TERM DEBT (CONTINUED)

During the year, the City executed a Drinking Water State Revolving Loan with the New Mexico Finance Authority. The maximum principal amount to be drawn on is \$2,020,000. Interest on the drawn amounts ranges from 0.250% to 2.000% over the course of the loan. Interest payments are due in June and December of each year starting in the year of the first draw on the loan. The City made its first draw on the loan in the amount of \$1,982,689 during the year ending June 30, 2016. The loan matures in June of 2036.

Debt Service Requirements. Debt service requirements on long-term debt for business-type activities at June 30, 2016 are as follows:

Bonds Payable			
Fiscal Year Ending			
June 30,	Principal Payment	Interest Payment	Total Debt Service
2017	\$ 1,040,000	\$ 404,665	\$ 1,444,665
2018	1,070,000	370,965	1,440,965
2019	1,105,000	335,115	1,440,115
2020	740,000	291,775	1,031,775
2021	770,000	263,425	1,033,425
2022-2026	4,365,000	805,375	5,170,375
Thereafter	1,085,000	181,238	1,266,238
Total	\$ <u>10,175,000</u>	\$ <u>2,652,558</u>	\$ <u>12,827,558</u>
NMFA Loan Payable			
Fiscal Year Ending			
June 30,	Principal Payment	Interest Payment	Total Debt Service
2017	\$ 84,094	\$ 29,900	\$ 113,994
2018	85,776	28,218	113,994
2019	87,492	26,503	113,995
2020	89,242	24,753	113,995
2021	91,026	22,968	113,994
2022-2036	1,582,370	127,545	1,709,915
Total	\$ <u>2,020,000</u>	\$ <u>259,887</u>	\$ <u>2,279,887</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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	\$	<u>3,683,649</u>
Total capacity used to date (approx. 80.69 acres) as a % of total capacity (229 acres)	\$	36.50%
Estimated closure and post closure costs		1,354,387
Prior liability recognized		1,354,387
Total current year addition to liability		-
Estimated liability for the year ended June 30, 2016	\$	<u>1,354,387</u>

NOTE 9 – RISK MANAGEMENT

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

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

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

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

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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 \$4,018,080 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, 2016**

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

The City's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$474,237, \$437,272 and \$432,809 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, 2016. 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, 2016**

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, 2016 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.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 FY15 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 FY15 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, Municipal Police Plan 5, and Municipal Fire Plan 5. Statutorily required contributions to the pension plan from the City were \$3,304,037 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2016.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date 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, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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, 2016, the City reported a liability of \$14,363,937 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 1.4088 % percent.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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

For the year ended June 30, 2016, the City recognized PERA Fund Division Municipal Plan 2 pension expense of \$507,627. At June 30, 2016, 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	\$ -	\$ 318,168
Changes in assumptions	-	5,596
Net difference between projected and actual earnings on pension plan investments	-	45,438
Changes in proportion and differences between City's contributions and proportionate share of contributions	-	135,816
City's contributions subsequent to the measurement date	<u>1,188,865</u>	<u>-</u>
Total	<u>\$ 1,188,865</u>	<u>\$ 505,018</u>

\$1,188,865 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 380,444
2018	380,444
2019	380,444
2020	(636,314)
2021	-

PERA Fund Division Municipal Police Plan 5, at June 30, 2016, the City reported a liability of \$11,033,723 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 2.2946% percent.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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

For the year ended June 30, 2016, the City recognized PERA Fund Division Municipal Police Plan 5 pension expense of \$747,467. At June 30, 2016, 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	\$ 770,991	\$ -
Changes in assumptions	-	456,488
Net difference between projected and actual earnings on pension plan investments	-	30,606
Changes in proportion and differences between City's contributions and proportionate share of contributions	54,266	-
City's contributions subsequent to the measurement date	1,137,827	-
Total	\$ 1,963,084	\$ 487,094

\$1,137,827 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$	93,950
2018		93,950
2019		93,950
2020		205,244
2021		-

For PERA Fund Division Municipal Fire Plan, at June 30, 2016, the City reported a liability of \$16,618,490 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 3.2199 %.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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

For the year ended June 30, 2016, the City recognized PERA Fund Division Municipal Fire Plan 5 pension expense of \$1,520,580. At June 30, 2016, 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	654,471	-
Changes in assumptions	350,500	-
Net difference between projected and actual earnings on pension plan investments	-	19,990
Changes in proportion and differences between City's contributions and proportionate share of contributions	-	233,305
City's contributions subsequent to the measurement date	<u>977,345</u>	<u>-</u>
Total	<u>\$1,982,316</u>	<u>253,295</u>

\$977,345 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$	197,341
2018		197,341
2019		197,341
2020		(338,728)
2021		-

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2014
Actuarial cost method	Entry age normal
Amortization method	Level of percentage pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumption	RP Mortality tables with projection to 2018 using scale AA
Experience study dates	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0%</u>	

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City’s proportionate share of the net pension liability	\$ 24,456,085	\$ 14,363,937	\$ 5,973,001

PERA Fund Division Municipal Police Plan 5

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City’s proportionate share of the net pension liability	\$ 18,221,528	\$ 11,033,723	\$ 5,137,288

PERA Fund Division Municipal Fire Plan

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City’s proportionate share of the net pension liability	\$ 22,538,788	\$ 16,618,490	\$ 11,739,362

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan: There were no payables to the plan at June 30, 2016.

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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 \$19,015,395 of restricted net position, of which \$361,759 is restricted for debt service, \$10,218,972 is restricted for capital projects and \$8,434,664 is restricted by enabling legislation referred to on page 36.

NOTE 15 – CONCENTRATIONS

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

NOTE 16 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2016 which is the date on which the financial statements were issued.

NOTE 17 – RECENT 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-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

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 17 – RECENT PRONOUNCEMENTS (CONTINUED)

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, 2016.

- 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*
- GASB Statement No. 76, *Heirarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 79, *Certain External Investment Pool Participants*
- GASB Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*

**STATE OF NEW MEXICO
CITY OF ROSWELL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016**

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	\$ 101,876	\$ -	\$ -	\$ -	\$ 101,876
South park cemetery	-	-	-	538,545	538,545
Restricted:					
Convention Center	-	-	-	538,416	538,416
Lodger's Tax	-	-	-	1,075,293	1,075,293
Community Development Revolving Loan	-	-	-	1,258,759	1,258,759
Beautification Grant	-	-	-	1	1
Law Enforcement Grant	-	-	-	1,829	1,829
HIDTA Grant	-	-	-	63,514	63,514
Emergency Medical Services	-	-	-	7,174	7,174
Emergency Medical Services Grant-Fire	-	-	-	2,159	2,159
Hazardous Materials	-	-	-	34,768	34,768
Fire Protection	-	-	-	956,495	956,495
Federal Narcotic Seizure	-	-	-	-	-
JAG Grant	-	-	-	1,361	1,361
Debt repayment	-	-	-	3,148,019	3,148,019
Capital projects	-	136,888	10,218,972	-	10,355,860
Government operations	19,111,516	-	-	644,531	19,756,047
Committed:					
Roads	-	52,722	-	-	52,722
Transit services	-	-	-	345,603	345,603
Assigned:					
Unassigned:	(962,401)	-	-	(9,654)	(972,055)
Total fund balances:	<u>\$ 18,250,991</u>	<u>\$ 189,610</u>	<u>\$ 10,218,972</u>	<u>\$ 8,606,813</u>	<u>\$ 37,266,386</u>

APPENDIX B

FORM OF BOND COUNSEL OPINION

_____, 2017

City of Roswell
Roswell, New Mexico

\$18,355,000
Gross Receipts Tax Improvement Revenue Bonds
Series 2017

Ladies and Gentlemen:

We have acted as bond counsel to the City of Roswell, New Mexico (the “City”) in connection with the issuance and sale by the City of its \$18,355,000 Gross Receipts Tax Improvement Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”) and Ordinance No. 17-17, adopted on July 13, 2017 (the “Bond Ordinance”). Except as expressly defined herein, capitalized terms used herein have the same meanings as such terms have in the Bond Ordinance.

We have examined those portions of the Constitution and the laws of the State and the United States of America relevant to the opinions herein, a certified transcript of proceedings of the Council, the governing body of the City (the “Transcript”), and other proceedings and documents relevant to the authorization and issuance by the City of the Bonds, including the form of the Bonds in the Bond Ordinance. As to the questions of fact material to our opinion, we have relied upon the Transcript and other representations and certifications of public officials 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 constitute 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. As more fully described in the Bond Ordinance, the Series 2017 Bonds are payable as to principal and interest, solely from, and are secured by a first lien pledge (but not an exclusive first lien pledge) of Pledged State Shared Gross Receipts Tax Revenues of the City. The owners of the Bonds have no right to have property 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 Pledged State Shared Gross Receipts Tax Revenues that it purports to create.
5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from 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. Although we are of the 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. 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 Bond Ordinance and 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 legislation as of the date of issuance and delivery of the Bonds, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation. 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 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 \$18,355,000 Gross Receipts Tax 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, Ordinance No. 17-17 adopted by the City Council on July 13, 2017 (the “Ordinance”). Pursuant to the 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 included in the section of the Official Statement entitled “PLEDGED REVENUES.” Annual Financial Information will include Audited Financial Statements if available.

(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 August 10, 2017, delivered in connection with the original issue and sale of the Bonds.

(g) “Report Date” means March 31 of each year, beginning in 2018.

(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 Ordinance, and none of the rights and remedies provided by the 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 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 Ordinance).

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

Date: _____, 2017.

CITY OF ROSWELL, NEW MEXICO

[CITY SEAL]

By: _____
Dennis J. Kintigh, Mayor

Attest:

By: _____
Sharon Coll, City Clerk