

OFFICIAL STATEMENT DATED JANUARY 192011

\$2,500,000
SOUTHERN SANDOVAL COUNTY ARROYO
FLOOD CONTROL AUTHORITY, NEW MEXICO
General Obligation Bonds
Series 2011

NEW ISSUE
Book-Entry Only

Moody's Rating: Aa2

PURPOSE	The Bonds are being offered for the purpose of (i) providing \$2,500,000 for extending, bettering, altering, reconstructing, repairing and otherwise improving the Authority's flood control system; (ii) to pay the costs of issuance relating to the Bonds; and (iii) to reimburse the Authority for expenditures for its foregoing purposes.
THE BONDS	The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each February 1 and August 1, commencing August 1, 2011. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See "The Bonds - Book-Entry Only System". BOKF, N.A. d/b/a Bank of Albuquerque, N.A. is the Registrar and Paying Agent for the Bonds.
OPTIONAL REDEMPTION	The Series 2011 Bonds are subject to Optional Redemption prior to maturity as provided here. See "The Bonds."
SECURITY	The Bonds are general obligations of the Southern Sandoval County Arroyo Flood Control Authority, New Mexico, payable solely out of general (ad valorem) property taxes which are required to be levied against all taxable property in the Authority without limitation as to rate or amount.
BOND AND TAX OPINION	In the opinion of Hughes Law, LLC, Bond Counsel, under existing regulations, rulings and judicial decisions and assuming continuous compliance with certain covenants set forth in the documents pertaining to the Bonds and certain requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on Bonds will not be treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations; however, interest on the Series 2010B Bonds will be included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may, therefore, affect a corporation's alternative minimum tax environmental tax liabilities. Additionally, in the opinion of Bond Counsel, interest on the Bonds is exempt from taxation by the State of New Mexico and its political subdivisions (See "Tax Matters" herein.) The Authority will designate the Bonds as Qualified Tax-Exempt Obligations for purposes of Section 265(b)(3) of the Code.
DELIVERY	When, as and if issued, through DTC's facilities, on or about March 1, 2011
DATED DATE	Date of Delivery
DUE DATE	August 1, as shown below:

Year				
Maturing (Aug. 1)	Principal	Interest Rate	Price or Yield	Cusip # 843789
2019	\$250,000	3.500%	2.900%	EZ7
2020	200,000	3.500%	3.100%	FA1
2021	450,000	3.500%	3.250%	FB9
2022	450,000	3.750%	3.400%	FC7
2023	550,000	3.750%	3.600%	FD5
2024	600,000	3.750%	3.700%	FE3

MORGAN KEEGAN

**SOUTHERN SANDOVAL COUNTY ARROYO
FLOOD CONTROL AUTHORITY, NEW MEXICO**
1041 Commercial Dr, SE
Rio Rancho, New Mexico 87124
(505) 892-5266

BOARD OF DIRECTORS

Chairman	-	Mark Conkling
Vice Chairman	-	Donald Rudy
Secretary	-	Steven M. House
Treasurer	-	James F, Fahey, Jr.
Member		John Chaney

ADMINISTRATION

Executive Engineer	-	David Stoliker, PE
Fiscal Services Director		Debbie Casaus

FINANCIAL ADVISOR

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

BOND COUNSEL

Hughes Law, LLC
2221 Rio Grande Blvd, SW, Suite 100
Albuquerque, New Mexico 87104
(505) 842-6700

PAYING AGENT/REGISTRAR

BOKF, N.A. d/b/a Bank of Albuquerque
201 3rd Street, N.W.
Suite 1400
Albuquerque, NM 87102
(505) 222-8457

UNDERWRITER

Morgan Keegan
50 N. Front Street, 14th Floor
Memphis, Tennessee 38103
(901) 579-4983

A FEW WORDS ABOUT OFFICIAL STATEMENTS

Official statements for municipal securities issues – like this one – contain the only “official” information about a particular issue of municipal securities. This Official Statement is not an offer to sell or solicitation of an offer to buy Bonds in any jurisdiction where it is unlawful to make such offer, solicitation or sale and no unlawful offer, solicitation or sale of the Bonds may occur through this Official Statement or otherwise. This Official Statement is not a contract and provides no investment advice. Investors should consult their advisors and legal counsel with their questions about this Official Statement, the Bonds or anything else related to this issue.

MARKET STABILIZATION

In connection with this Official Statement, the Underwriter may over-allot or effect transactions, which stabilize and maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. The Underwriter is not obligated to do this and is free to discontinue it at any time.

The estimates, forecasts, projections and opinions in this Official Statement are not hard facts, and no one, including the Authority, guarantees them.

The information set forth or included in this Official Statement has been provided by the Authority and from other sources believed by the Authority 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 Authority described herein since the date hereof. This Official Statement contains statements relating to the Authority’s future financial plans, receipt of future revenues and other matters 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,” “intend,” “anticipate,” “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.

Bond Counsel, Hughes Law, LLC, Albuquerque, New Mexico was not requested and did not take part in the preparation of the Official Statement nor has such firm undertaken to independently verify any of the information contained herein. Such firm has no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Bonds in the Official Statement or otherwise. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent, in part, upon the sale and delivery of such Bonds and all legal fees will be paid from bond proceeds.

Any part of this Official Statement may change at any time, without prior notice. Also, important information about the Authority and other relevant matters may change after the date of this Official Statement.

All document summaries are just that – they are not complete or definitive, and they may omit relevant information. Such documents are qualified in their entirety to the complete documents. Any investor who wishes to review the full text of documents may request them at no cost from the Authority or the Financial Advisor as follows:

Authority

Southern Sandoval County
Arroyo Flood Control Authority
1041 Commercial Dr, SE
Rio Rancho, New Mexico 87124
(505) 892-7246
Attention: David Stoliker

Financial Advisor

RBC Capital Markets, LLC
6301 Uptown Blvd. NE, Suite 110
Albuquerque, NM 87110
(505) 872-5999
Attention: Kevin Powers

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\$2,500,000

**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY,
NEW MEXICO
General Obligation Bonds, Series 2011**

INTRODUCTION AND SUMMARY

Thank you for your interest in learning more about the \$2,500,000 Southern Sandoval County Arroyo Flood Control Authority, New Mexico, General Obligation Bonds, Series 2011 (the "Bonds"). This Official Statement will tell you about the Bonds, their security and some of the risks involved in an investment in the Bonds.

Although the Authority has approved this Official Statement, they do not intend it to substitute for competent investment advice, tailored for your situation.

The Bonds are fully registered bonds in denominations of \$5,000 or integral multiples thereof as described in the Bond Resolution. The Bonds mature and bear interest as presented on the cover page of this Official Statement.

The Financial Advisor

The Authority has retained RBC Capital Markets, LLC as Financial Advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance 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 contained in the Preliminary Official Statement. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds.

The Issuer

The Authority was organized under the provisions of Article 19, Chapter 72 of the New Mexico Statutes Annotated, 1978 Compilation, codification and amendments thereto. The Authority operates under a Board of Directors as a quasi-municipal corporation. The purpose of the Authority is to acquire and maintain a flood control system within its boundaries, in order to promote the health, safety, prosperity, security and general welfare of its inhabitants. Generally stated, the area of the Authority constitutes the portion of southern Sandoval County bounded:

- on the east by the Rio Grande;
- on the south by the Bernalillo and Sandoval County lines;
- on the west by the top of the Rio Puerco drainage; and
- on the north by the top of drainage that lies on the southern boundary of the Zia Indian Reservation and U.S. Highway 550 (formerly State Highway 44).

Security

The Bonds are secured by the Authority's full faith and credit and are general obligations of the Authority payable from ad valorem taxes to be levied, without limitation as to rate or amount, against all taxable property within the Authority. See "SECURITY AND REMEDIES."

Financial Statements

The Authority's audited financial statements for the year ended June 30, 2010, including opinions rendered thereon of certified public accountants, are attached as Appendix B.

Purpose

The Bonds are being offered for the purpose of (i) extending, bettering, altering, reconstructing, repairing and otherwise improving the Authority's flood control system; (ii) to pay the costs of issuance relating to the Bonds; and (iii) to reimburse the Authority for expenditures made by the Authority for its foregoing purposes.

Selected Debt Ratios

2010 Assessed Valuation	\$2,672,702,412
2010 Estimated Actual Valuation ⁽¹⁾	\$8,018,107,236
Authority Net Debt as a Percentage of	
Assessed Valuation	0.98%
Estimated Actual Valuation	0.33%
Direct and Overlapping Debt as a Percentage of	
Assessed Valuation	9.48%
Estimated Actual Valuation	3.16%
Authority General Obligation Debt Outstanding (Including the Bonds)	\$26,725,000
Authority Net General Obligation Debt	\$26,237,451
Estimated Direct & Overlapping G/O Debt	\$253,421,923
Estimated Population	100,000
Authority Net Debt Per Capita	\$262.37
Direct and Overlapping Debt Per Capita	\$2,534.22

(1) Estimated Actual Valuation is computed by multiplying the 2010 assessed valuation by three.

THE BONDS

The Bonds are General Obligation Bonds to be issued by the Authority in the total principal amount of \$2,500,000 and are dated the date of delivery of the bonds. The Bonds are issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof, bearing interest from their date to maturity at the rates specified on the cover page of this Official Statement payable semiannually on February 1 and August 1 each year, commencing on August 1, 2011, and maturing serially, as set forth on the cover page of this Official Statement.

Authorization

The Bonds are being issued pursuant to the Board's powers under Section 72-19-1 through Section 72-19-103, NMSA 1978, as amended and supplemented, the Constitution and other laws of the State, and the Bond Resolution.

Bond Registrar and Paying Agent

BOKF, N.A. d/b/a Bank of Albuquerque will serve as the Bond Registrar (the "Registrar") and Paying Agent (the "Paying Agent") for the Bonds.

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the fifteenth day of the month preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on the date to be fixed by the Registrar whenever moneys become available for the payment of defaulted interest (the "Special Record Date").

Prior Redemption

Bonds maturing on or after August 1, 2022 may be redeemed prior to their scheduled maturities on August 1, 2021, or on any date thereafter in whole or, in part at the option of the Authority, with funds derived from any available and lawful source, and the Authority shall designate the amount that is to be redeemed, and if less than a whole maturity is to be redeemed, the Authority shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturity, for redemption (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of par, plus accrued interest to the date fixed for prepayment or redemption.

Notice of Redemption

Notice of prior redemption shall be given by the Registrar by sending a copy of such notice by registered or certified first-class, postage prepaid mail, not more than 60 days and not less than 30 days prior to the redemption date as shown on the registration books as of the date of selection of the bonds to be redeemed. Failure to give such notice by mailing to the registered owner of any Bond, any defect therein, shall not affect the validity of the proceedings for the redemption of any of the Bonds

While the Bonds remain under the Book-Entry Only System, the Paying Agent/Registrar will send notices only to DTC. Any problems from DTC through its system and on to the Bond investors will not affect the validity of the Bond redemption or any other action based on the Paying Agent/Registrar's notice. Bond investors might consider arranging to receive redemption notices or other communications from DTC which affect them, including notice of interest payments. See "**Book-Entry Only System**" in Appendix C.

Exchange or Transfer of Bonds

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

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

such lost, stolen, destroyed or mutilated Bond shall have matured, the Registrar may direct the Paying Agent to pay such Bond in lieu of replacement.

SECURITY AND REMEDIES

The Bonds are general obligations of the Authority payable from ad valorem taxes that may be levied against all taxable property within the Authority without limitation of rate or amount. It is the duty of the Board of County Commissioners of Sandoval County to levy all taxable property within the Authority the tax levy determined by the Authority to meet the debt service on the Bonds. The Treasurer of Sandoval County is charged with collecting the taxes and paying said taxes, monthly, to the Authority. Such annual levy for debt service creates a statutory tax lien that can be enforced personally against the owner of the property and enforced by sale of the property. Neither the State nor the County has any responsibility to pay the debt service on the Bonds.

Legal Matters

Various State laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no assurance that there will not be any change, interpretation of, or addition to the applicable laws, provisions, and regulations that would have a material effect, directly or indirectly, on the affairs of the Authority.

Limitations on Remedies Available to Owners of Bonds

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the Authority in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

DEBT AND OTHER FINANCIAL OBLIGATIONS

Section 72-19-1 et seq., NMSA 1978, as amended, limits the powers of the Authority to incur general obligation debt extending beyond the fiscal year (e.g., by issuing additional bonds). The Authority must submit any proposition to create such a debt to a vote of the qualified electors of the Authority, and a majority of those voting must vote in favor of creating the debt. The issuance of refunding bonds does not have to be submitted to a vote; and the total indebtedness of the Authority may not exceed \$60,000,000.

The assessed valuation of taxable property within the Authority is \$2,672,702,412 for the tax year 2010, as approved by the State of New Mexico Taxation and Revenue Department, Property Tax Division.

2010 Assessed Valuation		\$2,672,702,412
2010 Estimated Actual Valuation ⁽¹⁾		8,018,107,236
Bonded Debt		
Outstanding Debt	\$24,225,000	
Series 2011 Bonds	2,500,000	\$26,725,000
Less Principal (Sinking) Fund Balance ⁽²⁾		<u>487,549</u>
NET DEBT		\$26,237,451

Ratio of Estimated Net Debt to 2010 Assessed Valuation:	0.98%
Ratio of Estimated Net Debt to 2010 Estimated Actual Valuation:	0.33%
Per Capita Net Bonded Debt:	\$262.37
Estimated Population:	100,000

(1) Estimated Actual Valuation was computed by multiplying the 2009 Assessed Valuation by three.

(2) Actual debt service cash balance is \$793,039 as of December 31, 2010. A ratio of principal to interest coming due in the next 12 months was made indicating 61.4% of such cash is allocable to principal.

Outstanding Debt

The Authority has issued debt in the past for various capital improvements. A list of outstanding issues follows:

<u>Series</u>	<u>Amount Issued</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
2005	\$3,000,000	08/01/2018	\$2,650,000
2005A	3,000,000	08/01/2019	2,275,000
2007	4,000,000	08/01/2020	3,605,000
2007A	6,000,000	08/01/2020	5,080,000
2009	4,000,000	08/01/2022	4,000,000
2010	6,860,000	08/01/2023	6,615,000
2011	<u>2,500,000</u>	08/01/2024	<u>2,500,000</u>
	\$29,360,000		\$26,725,000

After the Bonds are issued, the total net outstanding general obligation (G/O) debt of the Authority will be \$26,725,000, which represents 44.5% of the \$60,000,000 bonding capacity of the Authority.

Debt Service Requirements to Maturity

The Authority schedules principal and interest payments at the time of the bond sales with constraints being general obligation debt capacity and expected property tax revenues. Below is a summary of the currently scheduled principal and interest on the Authority's outstanding debt as well as the proposed principal and interest payments on the Bonds.

FYE	Present Requirements			Series 2011				Total Requirements		
	Principal	Interest	P&I	Principal	Coupon	Interest	P&I	Principal	Interest	Total P&I
6/30										
2011	\$1,595,000	\$893,149	\$2,488,149	\$0		\$38,125	\$38,125	\$1,595,000	\$931,274	\$2,526,274
2012	1,845,000	836,799	2,681,799	-		91,500	91,500	1,845,000	928,299	2,773,299
2013	1,865,000	769,149	2,634,149	-		91,500	91,500	1,865,000	860,649	2,725,649
2014	2,025,000	703,199	2,728,199	-		91,500	91,500	2,025,000	794,699	2,819,699
2015	2,275,000	625,699	2,900,699	-		91,500	91,500	2,275,000	717,199	2,992,199
2016	2,225,000	542,974	2,767,974	-		91,500	91,500	2,225,000	634,474	2,859,474
2017	2,125,000	465,161	2,590,161	-		91,500	91,500	2,125,000	556,661	2,681,661
2018	2,325,000	389,661	2,714,661	-		91,500	91,500	2,325,000	481,161	2,806,161
2019	1,950,000	303,943	2,253,943	250,000	3.50%	91,500	341,500	2,200,000	395,443	2,595,443
2020	1,920,000	230,893	2,150,893	200,000	3.50%	82,750	282,750	2,120,000	313,643	2,433,643
2021	1,650,000	158,000	1,808,000	450,000	3.50%	75,750	525,750	2,100,000	233,750	2,333,750
2022	1,675,000	95,150	1,770,150	450,000	3.75%	60,000	510,000	2,125,000	155,150	2,280,150
2023	750,000	30,000	780,000	550,000	3.75%	43,125	593,125	1,300,000	73,125	1,373,125
2024	-	-	-	600,000	3.75%	22,500	622,500	600,000	22,500	622,500
Total	\$24,225,000	\$6,043,777	\$30,268,777	\$2,500,000		\$1,054,250	\$3,554,250	\$26,725,000	\$7,098,027	\$33,823,027

Statement of Estimated Direct and Overlapping Debt

The following is a calculation which is useful to investors in assessing the debt load and per capita debt of the Authority payable from property taxes. In addition to outstanding debt of the Authority, the calculation takes into account debt attributable to taxing entities which is the responsibility of taxpayers with the boundaries of the Authority. Revenue bonds are payable for sources other than property taxes.

	Assessed Valuation	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	\$50,423,881,858	\$398,580,000	5.30%	\$21,126,611
Sandoval County	3,433,909,053	19,045,000	77.83%	14,823,228
Central NM Community College	16,547,511,215	52,825,000	15.08%	7,965,392
City of Rio Rancho	2,226,367,417	29,575,000	100.00%	29,575,000
Rio Rancho School District	2,252,164,047	121,885,000	100.00%	121,885,000
Village of Corrales	326,912,446	1,460,000	100.00%	1,460,000
Town of Bernalillo	179,125,881	-	37.66%	-
Bernalillo School District	605,524,994	36,320,000	11.14%	4,046,692
Cabazon Public Improvement District	168,702,177	10,140,000	100.00%	10,140,000
Mariposa East Public Improvement District	44,899,601	15,675,000	100.00%	15,675,000
SSCAFCA	\$2,672,702,412	26,725,000	100.00%	26,725,000
Total Direct & Overlapping				\$253,421,923
Ratio of Estimated Direct & Overlapping Debt to 2010 Assessed Valuation				9.48%
Ratio of Estimated Direct & Overlapping Debt to 2010 Estimated Actual Valuation				3.16%
Per Capita Direct and Overlapping Debt				\$2,534.22

TAX BASE

Analysis of Assessed Valuation

Assessed Valuation of property within the Authority is calculated as follows: Of the total estimated actual valuation of all taxable property in the Authority, 33 1/3% is legally subject to ad valorem taxes. After deduction of certain personal exemptions, the 2010 Assessed Valuation is \$2,672,702,412. The actual value of personal property within the Authority (see "Assessments" below) is determined by the County Assessor. The actual value of certain corporate property within the Authority (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of Assessed Valuation follows:

<u>TAX YEAR</u>	<u>PREVIOUS YEAR</u>	<u>CURRENT TAX YEAR</u>		<u>TOTAL</u>
	<u>BASE ASSESSED VALUE</u>	<u>NET NEW VALUE</u>	<u>RE-APPRAISAL</u>	<u>ASSESSED VALUE</u>
2006	\$1,237,525,142	\$129,627,288	\$114,769,022	\$1,481,921,452
2007	1,482,445,607	227,955,354	465,902,605	2,176,303,566
2008	2,183,696,138	151,327,259	158,511,775	2,493,535,172
2009	2,493,535,172	102,916,031	62,338,158	2,658,789,361
2010	2,658,789,361	54,426,694	(40,513,643)	2,672,702,412

Source: Sandoval County Assessor's Office

History of Assessed Valuation

The following is a ten-year history of assessed valuation for the Authority compared with Sandoval County.

<u>Tax Year</u>	<u>SSCAFCA AV</u>	<u>% Growth</u>	<u>Sandoval County AV</u>	<u>% Growth</u>
2001	\$939,528,509	5.00%	\$1,339,176,838	5.08%
2002	1,004,370,291	6.90%	1,429,290,146	6.73%
2003	1,068,688,932	6.40%	1,513,706,569	5.91%
2004	1,143,823,034	7.03%	1,589,098,941	4.98%
2005	1,277,351,604	11.67%	1,786,809,118	12.44%
2006	1,481,921,452	16.02%	2,060,852,068	15.34%
2007	2,176,303,566	46.86%	2,862,819,902	38.91%
2008	2,493,535,172	14.58%	3,236,989,366	13.07%
2009	2,658,789,361	6.63%	3,339,779,974	3.18%
2010	2,672,702,412	0.52%	3,433,909,053	2.82%

Major Taxpayers

The ten largest centrally assessed taxpayers have a combined assessed valuation of \$54,623,359, which represents 2.04% of the 2010 Assessed Valuation of the Authority. This table is useful in assessing the concentration risk of the tax base.

<u>Name</u>	<u>Type of Business</u>	<u>2010 Valuation</u>
Wal-Mart	Retail	\$11,688,758
Presbyterian Healthcare	Medical	9,157,000
Sprint	Call Center	6,122,114
Broadstone High Resort	Real Estate	5,062,066
Lowe's Home Center	Retail	4,770,279
Sandia View LLC	Real Estate	4,682,814
Enchanted Vista	Real Estate	3,640,844
Rio Rancho Community Inc.	Real Estate	3,333,039
MDG Sandoval	Real Estate	3,153,819
Bank of America	Call Center	<u>3,012,626</u>
<i>Total</i>		\$54,623,359

Source: Sandoval County Assessor's Office

Tax Rates

The following table summarizes the tax rates on residential property located within the Authority for Tax Year 2010 and the previous four tax years.

Within 20 Mill Limit for General Purposes

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
State of New Mexico	\$ -	\$ -	\$ -	\$ -	\$ -
Sandoval County	5.253	5.136	5.056	5.116	5.279
SSCAFCA	0.784	0.753	0.612	0.624	0.761
City of Rio Rancho	6.113	5.944	5.847	5.914	6.152
Rio Rancho Schools	<u>0.216</u>	<u>0.210</u>	<u>0.207</u>	<u>0.209</u>	<u>0.217</u>
Total	\$ 12.366	\$ 12.043	\$ 11.722	\$ 11.863	\$ 12.409

Over 20 Mill Limit - Interest, Principal, Judgement, etc.

State of New Mexico	\$ 1.530	\$ 1.150	\$ 1.250	\$ 1.221	\$ 1.291
Sandoval County	0.699	0.673	0.312	0.684	1.000
SSCAFCA	0.870	0.870	0.870	0.870	0.870
City of Rio Rancho	2.060	2.067	2.060	2.060	1.826
Rio Rancho Schools	10.478	10.425	10.692	10.415	10.487
Contracting Hospitals	4.250	4.250	0.000	0.000	0.000
Central NM Community College	<u>3.158</u>	<u>3.046</u>	<u>2.990</u>	<u>2.992</u>	<u>3.027</u>
Total	\$ 23.045	\$ 22.481	\$ 18.174	\$ 18.242	\$ 18.501

Total Levy

State of New Mexico	\$ 1.530	\$ 1.150	\$ 1.250	\$ 1.221	\$ 1.291
Sandoval County	5.952	5.809	5.368	5.800	6.279
SSCAFCA	1.654	1.623	1.482	1.494	1.631
City of Rio Rancho	8.173	8.011	7.907	7.974	7.978
Rio Rancho Schools	10.694	10.635	10.899	10.624	10.704
Contracting Hospitals	4.250	4.250	0.000	0.000	0.000
Central NM Community College	<u>3.158</u>	<u>3.046</u>	<u>2.990</u>	<u>2.992</u>	<u>3.027</u>
Total Residential	\$ 35.411	\$ 34.524	\$ 29.896	\$ 30.105	\$ 30.910

Source: New Mexico Department of Finance & Administration

Yield Control Limitation

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production ad valorem and oil and gas production equipment ad valorem taxes) or assessment that will produce revenues that exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value plus "net new value", as defined by Statute, divided by such prior property tax year's total taxable property value, but if that percentage is less than 100%, then the growth control factor is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication entitled "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. *The growth control factor applies to authorized operating levies and to any capital improvements levies, but does not apply to levies for paying principal and interest on public general obligation debt.*

Developments Limiting Residential Property Tax Increases

In an effort to limit large annual increases in residential property taxes in some areas of the State (particularly the Santa Fe and Taos areas which have experienced large increases in residential property values in recent years), an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution was proposed during the 1997 Legislative Session. The amendment was submitted to voters of the State at the general election held on November 3, 1998 and was approved by a wide margin.

The amendment directs the Legislature to provide for valuation of residential property in a manner that limits annual increases in valuation. The limitation may be applied to classes of residential property taxpayers based on occupancy, age or income. Further, the limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions for applying the limitations.

Bills implementing the constitutional amendment were enacted in 2001 (amended in 2003) and are codified as Sections 7-36-21.2 NMSA 1978 and 7-36-21.3 NMSA 1978.

Section 7-36-21.2 NMSA 1978 establishes a statewide limitation on residential property valuation increases beginning in tax year 2001. Annual valuation increases are limited to 3% over the prior year's valuation or 6.1% over the valuation from two years prior. Subject to certain exceptions, these limitations do not apply:

1. To property that is being valued for the first time;
2. To physical improvements made to the property in the preceding year;
3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code;
4. When a change occurs in the zoning or use of the property; and
5. To property that is subject to the valuation limitations under Section 7-36-21.3 NMSA 1978.

Section 7-36-21.3 NMSA 1978 places a limitation on the increase in value for property taxation purpose for single-family dwellings occupied by low-income owners who are sixty-five years of age or older or who are disabled. The statute fixes the valuation of the property to the valuation in the year that the owner turned 65 or became disabled. The Section 7-36-21.3 limitation does not apply:

1. To property that is being valued for the first time;
2. To a change in valuation resulting from physical improvements made to the property in the preceding year; and
3. To a change in valuation resulting from a change in the zoning or permitted use of the property in the preceding year.

Tax Collections on Locally Assessed and Centrally Assessed Property in Sandoval County

Current taxes for all units of government are collected by the County Treasurer and distributed monthly to the various political subdivisions to which they are due.

SANDOVAL COUNTY TAX COLLECTIONS

Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current Tax Collections ⁽¹⁾	Current Collections as a % of Net Levied	Current/Delinquent Tax Collections ⁽²⁾	Current/Delinquent Collections as a % of Net Levied
2010	10/11	\$115,121,965	\$17,923,333	15.57%	\$17,923,333	15.57%
2009	09/10	113,393,978	104,094,225	91.80%	105,757,704	93.27%
2008	08/09	88,434,467	81,821,415	92.52%	86,048,667	97.30%
2007	07/08	75,464,680	70,795,219	93.81%	74,137,808	98.24%
2006	06/07	61,559,342	56,076,117	91.09%	58,765,532	95.46%
2005	05/06	50,318,727	48,414,225	96.22%	50,575,159	100.51%
2004	04/05	45,070,232	43,062,828	95.55%	44,978,925	99.80%
2003	03/04	41,231,203	39,142,022	94.93%	41,116,278	99.72%
2002	02/03	37,869,572	35,458,508	93.63%	37,638,470	99.39%
2001	01/02	35,704,284	32,989,846	92.40%	35,600,553	99.71%

(1) Current collections are through June 30 of each year

(2) Current collections are through November 2010

Source: Sandoval County Treasurer's Office

Property taxes are payable to the County Treasurer in two installments due on November 10 of the year in which the tax bill was prepared and mailed, and on April 10 of the following year. Pursuant to Section 7-38-46, NMSA 1978, property taxes are delinquent 30 days after the date on which they are due.

Interest on Delinquent Taxes

Pursuant to Section 7-38-49, NMSA 1978, if property taxes are not paid for any reason within 30 days after the date they are due, interest on the unpaid taxes shall accrue from the 30th day after they are due until the date they are paid. Interest accrues at the rate of 1% per month or any fraction of a month.

Penalty for Delinquent Taxes

Pursuant to Section 7-38-50, NMSA 1978, if property taxes become delinquent, a penalty of 1% of the delinquent tax for each month, or any portion of a month, they remain unpaid shall be imposed, but the total penalty shall not exceed 5% of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, 50% of the property tax due or \$50.00, whichever is greater, shall be added as a penalty.

Remedies Available for Non-Payment of Taxes

Pursuant to Section 7-38-47, NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. Pursuant to Section 7-38-65, NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to Section 7-38-53, NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property for which taxes are delinquent.

THE AUTHORITY

The Authority is a quasi-municipal corporation and a political subdivision of the State created and organized for the purpose of operating and maintaining a flood control system in Southern Sandoval County, New Mexico.

Powers

The Authority is authorized, empowered and directed, subject to the provisions of Section 7 (72-19-7 NMSA 1978) of the Southern Sandoval County Arroyo Flood Control Act, to acquire, equip, maintain and operate a flood control system for the benefit of the Authority and the inhabitants thereof. The flood control system consists of such facilities as the board may determine. When a comprehensive program for the acquisition of the flood control system satisfactory to the board is available, it shall be tentatively adopted. A public hearing on the proposed program shall be scheduled, and notice of the hearing shall be given by publication. After the hearing and any adjournments of that hearing which may be ordered, the board may either require changes to be made in the program as the board may consider desirable or the board may approve the program as prepared. If any substantial changes to the program are ordered at any time, a further hearing shall be held pursuant to notice which shall be given by publication. Members serve without compensation for six-year terms of office in non-partisan elections held every two years at the time of the general election under the director of the Sandoval County Clerk.

Board of Directors and Administration

The board may exercise the following powers:

- A. Fix the time and place at which its regular meetings will be held within the Authority and provide for the calling and holding of special meetings;
- B. Adopt and amend or otherwise modify bylaws and rules for procedure;
- C. Select one director as chairman of the board and president of the Authority, and another director as chairman pro tem of the board and president pro tem of the Authority, and choose a secretary and a treasurer of the board and Authority, each of which two positions may be filled by a person who is, or is not, a director, and both of which positions may, or may not, be filled by one person;
- D. Prescribe by resolution a system of business administration and create all necessary offices and establish and re-establish the powers, duties and compensation of all officers and employees;
- E. Require and fix the amount of all official bonds necessary or desirable and convenient in the opinion of the board for the protection of the funds and property of the authority, subject to the provisions of Section 13 (72-19-13 NMSA 1978) of the Southern Sandoval County Arroyo Flood Control Act;
- F. Prescribe a method of auditing and allowing or rejecting claims and demands;
- G. Provide a method for the letting of contracts on a fair and competitive basis for the construction of works, any facility or any project or any interest therein or the performance or furnishing of labor, materials or supplies as required in that act;
- H. Designate an official newspaper published in the authority in the English language and direct additional publication in any newspaper where it deems that the public necessity may so require; and
- I. Make and pass resolutions and orders on behalf of the Authority not repugnant to the provisions of the Southern Sandoval County Arroyo Flood Control Act (72-19-1 to 72-19-103 NMSA 1979), necessary or proper for the government and management of the affairs of the Authority, for the execution of the powers vested in the Authority and for carrying into effect the provisions of that act.

The current Board officers and members are as follows:

Mark Conkling, Chairman; term expires January 1, 2013;

Donald Rudy, Vice Chairman, term expires January 1, 2015;

Steven M. House, Secretary; term expires January 1, 2017;

James F. Fahey, Jr., Treasurer; term expires January 1, 2017;

John Chaney, Member; term expires January 1, 2013

The operations and programs of the Authority are administered by the Executive Engineer. Brief resumes for the Executive Engineer and Accounting Officer follow:

David Stoliker, P.E., Executive Engineer. Mr. Stoliker has been in the position of executive engineer since August 1997 and is a commissioned officer. Prior to his appointment, he served as engineering manager for Bernalillo County for four years and was responsible for engineering and development review throughout the county. During his career, Mr. Stoliker has served as environmental engineer, engineering consultant, project manager and project engineer for the U.S. Department of Energy, U.S. Public Health Service, and the U.S. Environmental Protection Agency. He earned a Master of Science in civil and environmental engineering from Washington State University and a Bachelor of Science in civil and environmental engineering from the University of Michigan.

Deborah Casaus, Fiscal Services Director. Ms. Casaus assumed the position of Fiscal Services Director in September 2009. Prior to this position, she served as the Authority's Accounting Officer. Before her employment with SSCAFCA, Ms. Casaus was the Assistant Finance Director for the City of Las Vegas, New Mexico for 6 years. Ms. Casaus is a Certified Public Accountant and received her Bachelor of Arts in Business Administration from New Mexico Highlands University.

Finances of the Authority

The following is a history of the General Fund Revenues and Expenditures for informational purposes.

Fiscal Year Ending June 30	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:					
Taxes	\$2,080,584	\$1,521,309	\$1,362,352	\$1,181,863	\$965,130
Earnings from Investments	1,165	8,652	31,800	30,432	33,862
Land Sale	-	-	-	-	106,887
Other	133	9,400	300	451,965	71,008
Total revenues	<u>\$2,081,882</u>	<u>\$1,539,361</u>	<u>\$1,394,452</u>	<u>\$1,664,260</u>	<u>\$1,176,887</u>
Expenditures:					
Capital outlay & projects	\$86,432	\$63,641	\$17,228	\$370,927	\$53,614
Operating expenses	<u>1,768,788</u>	<u>1,471,756</u>	<u>1,062,385</u>	<u>1,632,338</u>	<u>861,460</u>
Total expenditures	<u>\$1,855,220</u>	<u>\$1,535,397</u>	<u>\$1,079,613</u>	<u>\$2,003,265</u>	<u>\$915,074</u>
Excess (deficiency) of revenues over expenditures	\$226,662	\$3,964	\$314,839	(\$339,005)	\$261,813
Other financing sources (uses):					
Transfers in	0	0	0	0	0
Transfers out	-	(120,000)	-	-	-
Total other financing sources (uses):		(120,000)	0	0	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	226,662	(116,036)	314,839	(339,005)	261,813
Fund Balance, beginning of year	<u>1,200,053</u>	<u>1,316,089</u>	<u>1,001,250</u>	<u>1,340,255</u>	<u>1,078,442</u>
Fund Balance, End of Year	<u>\$ 1,426,715</u>	<u>\$ 1,200,053</u>	<u>\$ 1,316,089</u>	<u>\$ 1,001,250</u>	<u>\$ 1,340,255</u>

Source: The figures above have been extracted from the Authority's audited financial statements. Such figures are excerpts only and do not purport to be complete. The independent audit report for the year ended June 30, 2010 is attached as Appendix B.

The following is a history of the General Fund Balance Sheet for information purposes.

Fiscal Year Ending June 30	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
ASSETS:					
Cash & Investments	\$1,435,834	\$1,233,855	\$1,348,342	\$1,026,175	\$1,361,010
Receivables	257,202	186,000	110,143	70,222	65,363
Prepaid insurance	<u>30,222</u>	<u>25,532</u>	<u>16,914</u>	<u>15,980</u>	<u>10,603</u>
Total Assets	\$1,723,258	\$1,445,387	\$1,475,399	\$1,112,377	\$1,436,976
LIABILITIES:					
Accounts payable	\$23,464	\$31,846	\$34,169	\$37,301	\$24,730
Due to other funds	12,547	-	-	-	-
Salaries & benefits payable	34,190	50,371	29,794	22,535	16,980
Deferred revenue	<u>226,342</u>	<u>163,117</u>	<u>95,347</u>	<u>51,291</u>	<u>55,011</u>
Total Liabilities	\$296,543	\$245,334	\$159,310	\$111,127	\$96,721
EQUITY:					
Fund balance:					
Reserved for subsequent years expenditures	\$200	\$0	\$0	\$200	\$200
Unreserved, designated for subsequent year's expenditures	\$667,866	\$511,763	\$905,274	\$714,159	\$1,129,213
Unreserved, undesignated	<u>758,649</u>	<u>688,290</u>	<u>410,815</u>	<u>286,891</u>	<u>210,842</u>
Total Equity	\$1,426,715	\$1,200,053	\$1,316,089	\$1,001,250	\$1,340,255
Total Liabilities and Equity	<u>\$1,723,258</u>	<u>\$1,445,387</u>	<u>\$1,475,399</u>	<u>\$1,112,377</u>	<u>\$1,436,976</u>

Source: The figures above have been extracted from the Authority's audited financial statements. Such figures are excerpts only and do not purport to be complete. The independent audit report for the year ended June 30, 2010 is attached as Appendix B.

The following table contains the Authority's annual operating budget for the fiscal year ending June 30, 2010

GENERAL FUND

	<u>Budget 2010</u>	<u>Actual 2010</u>	<u>Budget 2011</u>
Beginning cash balance	\$1,236,702	\$1,233,855	\$1,435,834
Revenues:			
Ad valorem tax	1,952,000	2,072,045	1,952,000
Interest & misc. income	<u>7,500</u>	<u>1,490</u>	<u>3,750</u>
Total revenues	<u>\$1,959,500</u>	<u>\$2,073,535</u>	<u>\$1,955,750</u>
Total resources available	<u>\$3,196,202</u>	<u>\$3,307,390</u>	<u>\$3,391,584</u>
Appropriations:			
Personnel	\$1,151,128	\$1,038,881	\$1,036,154
Contractual Services	207,000	192,210	327,000
Expenses	<u>1,088,074</u>	<u>640,465</u>	<u>1,750,953</u>
Total appropriations	<u>\$2,446,202</u>	<u>\$1,871,556</u>	<u>\$3,114,107</u>
Transfers:			
Transfer to Construction Fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Ending cash balance (estimated)	<u>\$750,000</u>	<u>\$1,435,834</u>	<u>\$277,477</u>

Note: This schedule is presented on a budgetary, non-GAAP basis.

TAX MATTERS

The Authority covenants for the benefit of the owners of the Bonds that it will not make any use of the proceeds of the Bonds, and Funds reasonably expected to be used to pay the principal of or interest on the Bonds, or any other funds of the Authority, and will include in gross income for federal income tax purposes not make use of the Project which (i) would cause the interest on the Bonds to become subject to federal income taxation under the Code (except for the alternative minimum tax imposed on corporations by Section 55 of the Code and except for the environmental tax imposed on corporations by Section 59A of the Code) or (ii) would subject the Authority to any penalties under Section 148 of the Code. The Authority also covenants for the benefit of the owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds of the Bonds or the Project if such action or omission (i) would cause the interest on the Bonds to become subject to federal income taxation under the Code (except for the alternative minimum tax imposed on corporations by Section 55 of the Code and except for the environmental tax imposed on corporations by Section 59A of the Code) or (ii) would subject the Authority to any penalties under Section 148 of the Code.

Tax Exemption

In the opinion of Hughes Law, LLC, Bond Counsel, under existing law and assuming continuous compliance with certain covenants made by the Authority, the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Code and is not treated as an item of tax preference under Section 57 of the Code for purposes of alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be included in the adjusted earnings of certain corporations in the calculations of alternative minimum tax. Bond Counsel is further of the opinion that, under existing law and assuming continuous compliance with certain covenants made by the Authority interest on the Bonds is exempt from taxation by the State of New Mexico and its political subdivisions. Bond Counsel will express no opinion regarding the other federal or New Mexico tax consequences resulting from the receipt or accrual of interest on the Bonds. A form of the opinion of Bond Counsel is attached hereto as Appendix D.

The opinion of Bond Counsel will be based on and will assume continuous compliance with certain covenants of the Authority to be contained in the transcript of proceedings and which are intended to evidence and assure that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of any of the certifications and representations made by the Authority.

The Code prescribes a number of qualifications which must be met and conditions which must be satisfied in order for the interest on state and local government obligations such as the Bonds to be and remain excluded from gross income for federal income tax purposes. Some of these provisions, including provisions for the rebate by the issuer of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income taxes.

Under the Code, the exclusion of interest from gross income for federal income tax purposes can result in certain adverse federal income tax consequences on items of income or deductions for certain taxpayers, including among them financial institutions, insurance companies, recipients of Social Security and Railroad Retirement benefits, and those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other items of income and expenses of the owner of the Bonds. Bond Counsel expresses no opinion regarding such consequences.

Qualified Tax-Exempt Obligations

The Bonds are designated in the Bond Resolution as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The Authority covenants that the Authority, having no "subordinate entities" with authority to issue obligations within the meaning of that Section of the Code, in or during the calendar year in which the Bonds are issued (i) will not designate as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, tax-exempt obligations, including the Bonds, in an aggregate principal amount in excess of \$10,000,000, and (ii) will not issue tax-exempt obligations within the meaning of Section 265(b)(4) of the Code, including the Bonds and qualified 501(c)(3) bonds as defined in Section 145 of the Code (but excluding obligations other than qualified 501(c)(3) bonds, that are private activity bonds as defined in Section 141 of the Code), in an aggregate principal amount exceeding \$10,000,000 unless the Authority receives an opinion of nationally

recognized bond counsel that such designation or issuance, as applicable, will not cause the Bonds to cease to be "qualified tax-exempt obligations."

Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded, however, the Internal Revenue Service could take a contrary view. Were the Internal Revenue Service to conclude that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

CONTINUING DISCLOSURE UNDERTAKING

Pursuant to Securities and Exchange Commission Rule 15c2-12, the Authority will undertake in the Bond Resolution to provide certain ongoing disclosure, including annual operating data and financial information, audited financial statements and notices of the occurrence of certain material events to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's website at www.emma.msrb.org.

Annual Reports

The Authority will provide annually certain updated financial information and operating data to MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Authority of the general type included in this Official Statement under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "General Fund Statement of Revenues and Expenditures," and "General Fund Comparative Balance Sheet." The Authority will update and provide this information within six months after the end of each fiscal year ending in or after 2011. The Authority will provide the updated information to MSRB and to any state information depository ("SID") that is designated by the State of New Mexico and approved by the staff of the United State Securities and Exchange Commission (the "SEC").

The Authority may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the Authority commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide unaudited financial statements by the required time and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with accounting principles described in Appendix B or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation.

The Authority's current fiscal year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify MSRB of the change.

Event Notices

The Authority shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: A) Principal and interest payment delinquencies; B) Non-payment related defaults, if material within the meaning of the federal securities laws; C) Unscheduled draws on debt service reserves reflecting financial difficulties; D) Unscheduled draws on credit enhancements reflecting financial difficulties; E) Substitution of credit or liquidity providers, or their failure to perform; F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds or the Lease, or other events affecting the tax-exempt status of the Bonds; G) Modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws; H) Bond calls, if material within the meaning of the federal securities laws; I) Defeasances; J) Release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws; K) Rating changes; L) Bankruptcy, insolvency, receivership or similar event of the Authority; M) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, 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 within the meaning of the federal securities laws; and N) Appointment of a successor or additional trustee or the change of name of a trustee, if material with the meaning of the federal securities laws.

In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The Authority has agreed to provide the foregoing information only to the MSRB. All documents provided by the Authority to the MSRB described under "Annual Reports" and "Material Event Notices" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 6000, Alexandria, Virginia 22314 and its telephone number is (703) 797-6600.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of material events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Authority to comply with its agreement.

This continuing disclosure agreement may be amended by the Authority from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status or type of operations of the Authority, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The Authority may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The Authority has previously made a continuing disclosure agreement with respect to certain other General Obligation Bonds of the Authority in accordance with SEC Rule 15c2-12 and is in compliance with such agreement.

LITIGATION

At the time of the original delivery of the Bonds, the Authority will deliver a no-litigation 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 Resolution, the levying or collecting of taxes to pay the principal of and interest on the Bonds except as described below 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.

RATING

Moody's Investors Service, Inc. has rated the Bonds "Aa2." An explanation of the significance of the rating given by Moody's Investors Service, Inc. may be obtained from Moody's Investors Service, Inc. at 99 Church Street, New York, New York 10007. There is no assurance that the rating will be obtained or will continue for any given period of time after received or that the rating will be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have effect on the market price of the Bonds.

LEGAL MATTERS

The legality of the Bonds will be approved by Hughes Law, LLC, Bond Counsel, whose unqualified opinion approving the legality of the Bonds will be furnished to the successful bidder at no cost to the successful bidder.

ADDITIONAL MATTERS

All summaries of the statutes, 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 Authority located 1041 Commercial Drive SE, Rio Rancho NM 87124, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Boulevard NE, Suite 110, Albuquerque, New Mexico 87110.

OFFICIAL STATEMENT AUTHORIZATION

The preparation of this Official Statement and its distribution have been authorized by the Board. The Official Statement is hereby duly approved by the Board as of the date on the cover page hereof.

A LAST WORD

Anything in this Official Statement involving matters of opinion or estimates – whether labeled as such or not – are just that. They are not representations of fact. They might not prove true. Neither this Official Statement nor any other written or oral information is to be construed as a contract with the registered owners of the Bonds.

By: _____
Chairman, Board of Directors

By: _____
Secretary, Board of Directors

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION

THE ECONOMY

Population

The following chart sets forth historical and projected population data for the Sandoval County and the State.

<u>U.S. Census</u>	<u>Sandoval County</u>	<u>State of New Mexico</u>
1960	14,201	951,023
1970	17,492	1,017,055
1980	34,400	1,303,143
1990	63,319	1,515,940
2000	89,908	1,819,046
2010*	126,294	2,112,986
2020*	162,409	2,383,116
2030*	197,812	2,626,553

* Projected.

Source: U.S. Census Bureau

Age Distribution

The following table sets forth a comparative age distribution profile for Sandoval County, the State and the United States for 2010.

<u>Percent of Population - 2010</u>			
<u>Age</u>	<u>Sandoval County</u>	<u>New Mexico</u>	<u>United States</u>
0 - 17	25.5%	25.5%	24.4%
18 - 24	9.5%	10.0%	9.7%
25 - 44	27.8%	25.9%	27.0%
45 - 54	14.7%	13.7%	14.4%
55 and older	22.5%	24.9%	24.5%

Source: Claritas Inc., 2010

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 Claritas Inc. 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, nontoxic payments such as fines and penalties, and personal contributions for social security insurance. During the period shown in the following chart, the estimated median household income level for the County compares favorably with the State and has consistently been at or above the national level.

Percent of Household by Effective Buying Income Group - 2010			
Effective Buying Income Group	Sandoval County	New Mexico	United States
Under \$25,000	17.7%	28.1%	22.3%
\$25,000 - \$34,999	9.9%	12.3%	10.6%
\$35,000 - \$49,999	15.3%	16.2%	15.0%
\$50,000 - \$74,999	24.2%	18.8%	19.5%
\$75,000 & Over	32.9%	24.6%	32.6%
2006 Est. Median Household Income	\$53,376	\$41,045	\$48,775
2007 Est. Median Household Income	\$53,266	\$41,569	\$49,314
2008 Est. Median Household Income	\$55,934	\$42,557	\$50,170
2009 Est. Median Household Income	\$55,858	\$42,752	\$51,433
2010 Est. Median Household Income	\$57,345	\$43,932	\$52,795

Source: Claritas Inc., 2010

Gross Receipts

The following table shows the total reported and retail gross receipts generated in Sandoval County for the past ten years. For the purposes of this table, gross receipts means the total amount of money received from selling property in the State of New Mexico, from leasing property employed in the State and from performing services in the State.

FYE 6/30	Sandoval County		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2010	\$ 731,028,412	\$ 2,723,089,727	\$ 18,488,631,499	\$ 70,166,804,087
2009	672,504,486	2,844,191,821	23,812,635,284	104,562,006,074
2008	785,916,864	3,116,744,999	25,711,762,198	110,710,199,751
2007	693,972,681	3,015,405,777	26,012,239,571	104,559,300,501
2006	1,113,412,746	3,290,815,349	24,016,930,713	95,134,945,014
2005	845,451,700	2,253,373,045	20,465,020,295	79,471,570,903
2004	621,762,763	1,778,075,183	18,414,335,199	70,477,791,653
2003	766,271,885	1,826,183,952	18,700,756,931	63,358,239,874
2002	1,025,436,102	2,632,645,246	19,094,649,339	62,280,612,865
2001	1,127,607,934	2,719,687,309	20,743,109,632	65,894,850,915

Source: New Mexico Taxation & Revenue Department

Employment

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

Year	Sandoval County		State of New Mexico		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2010*	56,246	94.00%	962,256	8.30%	9.60%
2009	54,876	8.00%	960,158	7.50%	10.20%
2008	54,442	5.00%	964,413	4.10%	4.80%
2007	52,271	4.40%	947,622	3.80%	4.60%
2006	50,916	4.20%	959,279	4.30%	4.50%
2005	49,297	5.10%	935,888	5.30%	5.10%
2004	47,747	5.50%	911,940	5.70%	5.50%
2003	47,390	8.40%	909,714	7.60%	6.30%
2002	47,263	5.40%	861,215	5.40%	6.00%
2001	44,338	4.70%	846,469	5.60%	4.70%

* As of October 2010

Source: New Mexico Workforce Solutions

Covered Wage and Salary Employment by Major Industrial Sector

The New Mexico Department of Labor publishes quarterly reports of covered employment and wages as classified according to the [North American Industry Classification System \(NAICS\)](#) including non-agricultural wage data.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Grand Total	25,901	27,116	29,138	29,350	29,843
Total Private	19,812	20,592	22,442	22,301	22,373
Agriculture, Forestry, Fishing & Hunting	34	*	*	25	61
Mining	69	58	43	32	59
Utilities	91	90	80	80	89
Construction	1,868	2,212	2,585	2,202	2,374
Manufacturing	6,568	6,423	6,871	5,838	4,712
Wholesale Trade	366	332	329	365	384
Retail Trade	2,675	2,782	3,087	3,374	3,828
Transportation & Warehousing	256	266	311	375	398
Information	*	*	*	891	923
Finance & Insurance	1,116	1,117	1,073	1,074	949
Real Estate & Rental & Leasing	302	316	358	380	386
Professional & Technical Services	516	540	606	673	728
Management of Companies & Enterprises	92	76	68	60	43
Administrative & Waste Services	1,375	1,541	1,631	1,660	1,772
Educational Services	109	239	258	267	326
Health Care & Social Assistance	833	877	1,010	1,142	1,344
Arts, Entertainment & Recreation	288	287	378	470	456
Accommodation & Food Services	1,957	2,037	2,272	2,845	3,025
Other Services, ex. Public Administration	482	508	559	544	517
Unclassified ^{1/}	*	14	*	3	3
Total Government	6,089	6,525	6,695	7,050	7,470
Federal	393	456	452	409	382
State	218	225	224	250	257
Local	5,477	5,843	6,020	6,391	6,830

* Withheld to avoid disclosing confidential data. Data that are not disclosed for individual industries are always included in the totals. Therefore, the individual industries may not sum to the totals.

1/ The unclassified category may include data for other industries that were withheld for reasons of confidentiality.

Source: New Mexico Dept. of Labor, Economic Research and Analysis Bureau.

Major Employers

Following is a list of major employers in the Albuquerque MSA which includes Sandoval County.

<u>Employer</u>	<u>Business</u>
Kirtland AFB (Civilian)	Defense
Albuquerque Public School	Education
University of New Mexico	Education
Sandia National Labs	Research Development
Presbyterian	Healthcare
City of Albuquerque	Government
State of New Mexico	Government
Kirtland AFB (Military)	Air Force Material Command
UNM Hospital	Healthcare
Intel Corporation	Semiconductor Manufacturer
Lovelace	Healthcare
Bernalillo County	Government
Rio Rancho Public Schools	Education
New Mexico Veterans Affairs Hospital	Healthcare
Central NM Community College	Education
T-Mobile	Customer Service Center
Sandia Resort & Casino	Resort & Casino
US Post Office	Government
PNM Electric & Gas Services	Utilities Provider
Los Lunas Public Schools	Education

Source: Albuquerque Economic Development, 2010

APPENDIX B

JUNE 30, 2010 AUDITED FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2010

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
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JUNE 30, 2010

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STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
OFFICIAL ROSTER
JUNE 30, 2010

BOARD OF DIRECTORS

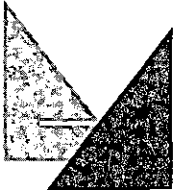
Mark Conkling
Donald Rudy
William Yarbrough
Steve House
John Chaney

Chairman
Chair Pro Tem
Treasurer
Secretary
Director

EXECUTIVE PERSONNEL

David Stoliker, PE
Debbie Casaus, CPA
Sandra Parker
Perry Baird

Executive Engineer
Fiscal Services Director
Accountant
Consultant



MACKIE, REID &
COMPANY, PA

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Southern Sandoval County Arroyo Flood Control Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities and each major fund, and the budgetary comparison for the general fund of the Southern Sandoval County Arroyo Flood Control Authority (the Authority) as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the Authority's budgetary comparison schedules for the debt service fund and the capital projects fund presented as supplementary information in the accompanying individual fund financial statements for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southern Sandoval County Arroyo Flood Control Authority as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the debt service fund and the capital projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010 on our consideration of Southern Sandoval County Arroyo Flood Control Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the budgetary comparison schedules for the debt service fund and the capital projects fund presented as supplementary information. The Schedules of Cash Accounts and Pledged Collateral and Joint Powers Agreements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mackie, Reid + Company

Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
November 2, 2010

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

The Southern Sandoval County Arroyo Flood Control Authority (the "Authority" or "SSCAFCA") management discussion and analysis includes: (i) an explanation of the Authority's basic financial statements, including the relationships of the statements to one another and the significant differences in the information they provide; (ii) an analysis of the overall financial position of the Authority including current year results of operations in comparison with the previous year; (iii) a discussion of the capital assets of the Authority including significant additions to capital assets and any related debt activity; (iv) an analysis of significant variations between budgeted and actual amounts of revenues and expenditures; and (v) a discussion of the Authority's plans for future activities/projects which may have a significant impact on its financial position.

Overview of Financial Statements

The financial statements of the Authority are presented in two parts: government-wide financial statements and fund financial statements. Government-wide financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies and consist of the statement of net assets and the statement of activities. Fund financial statements consist of a balance sheet, a statement of revenues, expenditures and changes in fund balance, and a budgetary comparison schedule for each of the funds used by the Authority: general, debt service and capital projects funds. See Notes to Financial Statements, No. 2-Summary of Significant Accounting Policies for a more detailed discussion of the two types of financial statements of the Authority.

Financial Position and Current Year Results of Operations

Financial information in condensed form comparing fiscal year ending June 30, 2010 (FY10) with fiscal year ending June 30, 2009 (FY09) appears in the tables below:

Comparative Statement of Net Assets (\$000)

	<u>FY10</u>	<u>FY09</u>	<u>Incr/(decr)</u> <u>10 over 09</u>
Assets			
Current Assets	8,474	8,826	(352)
Capital Assets	65,943	60,790	5,153
Other Assets	<u>200</u>	<u>148</u>	<u>52</u>
Total Assets	<u>74,617</u>	<u>69,764</u>	<u>4,853</u>
Liabilities			
Current Liabilities	2,030	2,134	(104)
Noncurrent Liabilities	<u>24,443</u>	<u>21,376</u>	<u>3,067</u>
Total Liabilities	<u>26,473</u>	<u>23,510</u>	<u>2,963</u>
Net Assets			
Investment in capital assets net of related debt	40,192	38,280	1,912
Restricted for:			
Debt Service	2,264	1,864	400
Capital Projects	4,068	4,804	(736)
Unrestricted	<u>1,620</u>	<u>1,306</u>	<u>314</u>
Total Net Assets	<u>48,144</u>	<u>46,254</u>	<u>1,890</u>

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Comparative Statement of Activities (\$000)

	<u>FY10</u>	<u>FY09</u>	<u>Incr/(decr) 10 over 09</u>
Expenses:			
Governmental Activities			
General Government	(2,391)	(2,141)	250
Depreciation	(692)	(603)	89
Interest expense	(902)	(810)	92
Total expenses	<u>(3,985)</u>	<u>(3,554)</u>	<u>431</u>
Program Revenue			
Non-cash capital contributions	1,271	1,903	(632)
Operating grants	-	853	(853)
Other grants	<u>-</u>	<u>1,631</u>	<u>(1,631)</u>
Total program revenue	<u>1,271</u>	<u>4,387</u>	<u>(3,116)</u>
General Revenue			
Property taxes	4,526	3,811	715
Investment	17	60	(43)
Net gains on disposition of property & other	<u>61</u>	<u>-</u>	<u>61</u>
Total General Revenue	<u>4,604</u>	<u>3,871</u>	<u>733</u>
Change in Net Assets	1,890	4,704	(2,814)
Net Assets-beginning of year	<u>46,254</u>	<u>41,550</u>	<u>4,704</u>
Net Assets-end of year	<u>48,144</u>	<u>46,254</u>	<u>1,890</u>

The financial position of the Authority has improved somewhat in FY10. This can be seen in the increase in total net assets of approximately \$2.0 million. Capital assets increased by \$5.1 million which consists of purchased right-of-way, completed capital projects and non-cash capital contributions in the form of easements and fee simple right-of-way, as discussed in detail below. Total liabilities of the Authority increased by \$3.0 million, which is primarily due to the issuance of the Series 2010 Bonds in March 2010.

Property tax revenue in the General Fund increased by approximately \$559,000 in FY10 over FY09. The operational tax rate for FY10 was set at 0.753 mills for residential and 0.83 mills for non-residential. The total assessed value of property within the boundaries of SSCAFCA was \$2,493,535,171 in tax year 2009 and \$2,658,789,361 in tax year 2010 resulting in a 6.6% increase in total assessed valuation. This growth resulted from both new construction (4.1%) and re-assessment activities of the Sandoval County Assessor (2.5%). The total assessed value of taxable property within the boundaries of the Authority has increased an average of 12.4% each year over the past ten years and at an average annual rate of 17.39% over the past five years. For future budgeting purposes, because of the current economic conditions it is expected that a conservative growth rate in the range of 4-8% will be utilized for budgetary purposes in the near term.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

The end of year fund balance in the General Fund increased by approximately \$227,000 in FY10 over FY09. The increase is the result of higher revenues than estimated and the restriction of expenditure growth by management during FY10 due to uncertainty about future economic growth.

The end of year fund balance in the Debt Service Fund increased by approximately \$377,000 in FY10 over FY09 due to the increase in the total assessed valuation and no offsetting decrease in the tax rate. Also, the issuance of refunding bonds resulted in increased resources to the fund (i.e., refunding bonds proceeds).

The end of year fund balance in the Capital Projects Fund was approximately \$4.1 million for FY10 vs. \$4.8 million for FY09, a decrease of approximately \$0.7 million. This lower fund balance is the result of new money bond proceeds being \$0.5 million more in FY10 than in FY09 and other revenues were \$3.1 million less in FY10, i.e., capital grants and miscellaneous revenue. Finally, capital expenditures were \$2.7 million less in FY10 than in FY09.

Capital Assets and Long-Term Debt

Capital assets of the Authority as of 6/30/10 include \$27 million in non-depreciable land and easements. The increase of \$2.5 million over FY09 represents approximately 40 acres of purchased flood control right-of-way.

Other capital assets as of the end of FY10 include infrastructure facilities which have an estimated useful life of 70 years and a value of \$34.7 million, net of accumulated depreciation. Additions to capital assets in FY10 include the Guadalajara Storm Drain, Obregon Pond Drainage Improvements, and other miscellaneous pond improvements costing approximately \$1.1 million (constructed by SSCAFCA). Another addition to capital assets includes a non-cash contribution from Presbyterian Rio Rancho Medical Center in the form of construction of the Tributary "E" Storm Drain, which was completed by Presbyterian and accepted by SSCAFCA in FY10, whereby the Authority assumes responsibility for operation and maintenance of the facility. Construction in progress on future infrastructure facilities amounts to \$848,870 as of 6/30/10. The remainder of the Authority's capital assets as of 6/30/10 is comprised of its office building valued at \$3,063,000, which includes a newly built expansion and parking lot; four vehicles and furniture and equipment valued at \$195,000, all net of accumulated depreciation.

SSCAFCA has \$25,745,000 outstanding in general obligation bonds as of 6/30/10 versus \$22,510,000 at 6/30/09. The increase is attributed to the issuance of \$4,500,000 Series 2010A G.O. Bonds and \$2,360,000 Series 2010B Refunding G.O. Bonds in March 2010. This is the second issuance of \$18,000,000 that was authorized by the voters in November 2008. We are at 43% of our bonding capacity. It should be recognized that SSCAFCA's bonding capacity was increased through unanimous support by the New Mexico Legislature in 2009, and was increased from \$30 million to \$60 million.

Total bonded debt as of 6/30/10 is made up of nine series of general obligation bonds (Series 1998, 2001, 2005, 2005A, 2007, 2007A, 2009, 2010A, and 2010B) which are scheduled to be retired over the next 13 years. The total proceeds of these seven series of bonds amounts to \$31,860,000, which has been, or will be, spent on the acquisition and/or design and construction of flood control system capital projects and to redeem series 1999 and Series 2001 Bonds.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Budgetary Performance

Total general fund expenditures in FY10 were \$562,000 less than total appropriations. Various factors contributed to the budget surplus including two positions that were vacant for a portion of the year. Savings were achieved in other line items such as operations and maintenance in which specific projects were able to be delayed without a loss in functionality until the next fiscal year due to better than anticipated weather conditions. Management takes great pride in these cost savings. Also, extended right-of-way negotiations resulted in delays in acquisitions, resulting in budgetary savings in that line item.

Plans for Future Activities

A \$2.5 million G.O. bond issue for capital projects is planned for early 2011.

The Authority is actively exploring all sources of revenue available to it. We are aggressively seeking grant funding and working with other local governments to pursue the possibility of further joint powers agreements.

The SSCAFCA office 4,257 square foot addition was completed in January 2010. The building addition earned the Leadership in Energy and Environmental Design "LEED" Platinum certification, the highest level of certification available. The building includes bi-facial solar panels to achieve "net-zero" energy use. The building demonstrates to area residents how to incorporate passive solar heating, use of native landscaping, and natural elements into the design to achieve an effective use of natural resources. The SSCAFCA Board and Staff are proud of this accomplishment and sees this as an investment for the future.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash	\$ 283,602
Investments	7,602,669
Receivables:	
Ad valorem assessments	554,930
Interest	1,442
Prepaid expenses	30,222
Bond issue costs, net of accumulated amortization	200,375
Capital assets	
Land and easements	27,040,760
Depreciable buildings, property and infrastructure, net of accumulated depreciation	37,913,483
Intangibles	140,183
Construction in progress	<u>848,870</u>
 Total assets	 <u>74,616,536</u>
Liabilities	
Accounts payable	80,504
Salaries and benefits payable	34,190
Accrued interest payable	373,689
Accrued compensated absences-	
Payable within one year	21,597
Payable after one year	10,814
General obligation bonds payable-	
Portion due within one year	1,520,000
Portion due after one year	24,225,000
Bond premium, net of accumulated amortization	<u>207,024</u>
 Total liabilities	 <u>26,472,818</u>
Net assets	
Invested in capital assets, net of related debt	40,191,647
Restricted:	
For capital projects	4,067,735
For debt service	2,263,690
Unrestricted	<u>1,620,646</u>
 Total net assets	 <u>\$ 48,143,718</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities</u>
Program expenses	
Public Works:	
Personnel services	\$ 633,770
Employee benefits	244,684
Planning and engineering	720,247
General and administrative expenses	571,510
Contractual operating and maintenance services	221,037
Depreciation	692,160
Interest	<u>901,989</u>
Total program expenses	<u>3,985,397</u>
Program revenue	
Charges for services:	
Other revenue	424
Noncash capital contributions	<u>1,270,500</u>
Total program revenue	<u>1,270,924</u>
Net program expense	(2,714,473)
General revenues	
Ad valorem assessments	4,526,083
Investment income	16,700
Gain on equipment and property removal	<u>61,158</u>
Total general revenues	<u>4,603,941</u>
Increase in net assets	1,889,468
Net assets, beginning of year	<u>46,254,250</u>
Net assets, end of year	\$ <u>48,143,718</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

<u>Assets</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash	\$ 283,602	\$ -	\$ -	\$ 283,602
Investments	1,152,232	2,339,243	4,111,194	7,602,669
Receivables:				
Ad valorem assessments	257,059	297,871	-	554,930
Interest	143	265	1,034	1,442
Interfund receivable	-	-	12,547	12,547
Prepaid expenses	<u>30,222</u>	<u>-</u>	<u>-</u>	<u>30,222</u>
Total assets	\$ <u>1,723,258</u>	\$ <u>2,637,379</u>	\$ <u>4,124,775</u>	\$ <u>8,485,412</u>
 <u>Liabilities and fund balances</u>				
Liabilities				
Accounts payable	\$ 23,464	\$ -	\$ 57,040	80,504
Salaries and benefits payable	34,190	-	-	34,190
Interfund payable	12,547	-	-	12,547
Deferred revenue	<u>226,342</u>	<u>262,966</u>	<u>-</u>	<u>489,308</u>
Total liabilities	<u>296,543</u>	<u>262,966</u>	<u>57,040</u>	<u>616,549</u>
 Fund balances				
Reserved for petty cash	200	-	-	200
Reserved for debt service	-	2,374,413	-	2,374,413
Reserved for construction projects and related costs	-	-	4,067,735	4,067,735
Unreserved:				
Designated for subsequent year expenditures	667,866	-	-	667,866
Designated for general budget reserve	218,635	-	-	218,635
Board designated general reserve	<u>540,014</u>	<u>-</u>	<u>-</u>	<u>540,014</u>
Total fund balances	<u>1,426,715</u>	<u>2,374,413</u>	<u>4,067,735</u>	<u>7,868,863</u>
Total liabilities and fund balances	\$ <u>1,723,258</u>	\$ <u>2,637,379</u>	\$ <u>4,124,775</u>	\$ <u>8,485,412</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances – governmental funds (Balance Sheet)		\$ 7,868,863
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources therefore are not reported in the funds.		65,943,296
Delinquent ad valorem assessments receivable are not available to pay current period expenditures and, therefore, are reported as deferred revenues in the fund financial statements.		489,308
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General obligation bonds payable	\$ (25,745,000)	
Accrued interest payable	(373,689)	
Accrued compensated absences	(32,411)	
Total liabilities		(26,151,100)
Bond issue costs are expensed in the period expended for fund financial statements but are capitalized for governmental activities		200,375
Bond premiums received are recognized as other financing sources in the period received for fund financial statements but are amortized for governmental activities		(207,024)
Total net assets (Statement of Net Assets)		\$ <u>48,143,718</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Ad valorem assessments	\$ 2,080,584	\$ 2,345,534	\$ -	\$ 4,426,118
Investment income	1,165	1,500	14,035	16,700
Noncash capital contributions	-	-	1,270,500	1,270,500
Charges for services:				
Other revenue	<u>133</u>	<u>-</u>	<u>291</u>	<u>424</u>
Total revenues	<u>2,081,882</u>	<u>2,347,034</u>	<u>1,284,826</u>	<u>5,713,742</u>
Expenditures				
Current				
Public works	1,768,788	-	756,029	2,524,817
Capital outlay	86,432	-	5,789,976	5,876,408
Debt service				
Principal	-	1,725,000	-	1,725,000
Interest	-	842,560	-	842,560
Bond issuance costs	<u>-</u>	<u>-</u>	<u>67,197</u>	<u>67,197</u>
Total expenditures	<u>1,855,220</u>	<u>2,567,560</u>	<u>6,613,202</u>	<u>11,035,982</u>
Excess (deficiency) of revenues over expenditures	<u>226,662</u>	<u>(220,526)</u>	<u>(5,328,376)</u>	<u>(5,322,240)</u>
Other financing sources (uses)				
Equipment and property disposition proceeds	-	-	91,781	91,781
Bond premium	-	178,180	-	178,180
Refunding bonds proceeds	-	2,360,000	-	2,360,000
Bond proceeds	-	-	4,500,000	4,500,000
Payments to escrow agent for future bond refunding	<u>-</u>	<u>(1,940,534)</u>	<u>-</u>	<u>(1,940,534)</u>
Total other financing sources	<u>-</u>	<u>597,646</u>	<u>4,591,781</u>	<u>5,189,427</u>
Net changes in fund balances	226,662	377,120	(736,595)	(132,813)
Fund balances, beginning of year	<u>1,200,053</u>	<u>1,997,293</u>	<u>4,804,330</u>	<u>8,001,676</u>
Fund balances, end of year	\$ <u>1,426,715</u>	\$ <u>2,374,413</u>	\$ <u>4,067,735</u>	\$ <u>7,868,863</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Net change in fund balances – governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ (132,813)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures, while in the statement of activities the cost of these assets is capitalized	5,876,408
Governmental funds do not report depreciation expense which is recorded in the statement of activities	(692,160)
In the statement of activities, cost of assets disposed is included, whereas in the governmental funds the proceeds from asset dispositions are included. Thus, the change in net assets differs from the change in fund balance by the net book value of assets disposed	(30,623)
Governmental funds do not report the net change in accrued interest payable	(14,397)
Delinquent property taxes receivable are not available financial resources and therefore are reported as deferred revenue in the fund financial statements	99,965
Governmental funds do not report the net change in compensated absences	133,566
Bond and refunding bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets	(6,860,000)
Current year bond premiums received are reported as an other financing source in the fund financial statements but is capitalized in the statement of activities	(178,180)
Bond premium is not amortized for fund financial statement purposes but are for governmental activities – current year amortization	10,662
Current year bond issue costs are reported as an expense in the fund financial statements but are capitalized in the statement of activities	67,197
Bond issuance costs are not amortized for fund financial statement purposes but are for governmental activities – current year amortization	(15,157)
Payments to escrow agent for future bond refunding are an other financing use in the governmental funds, but the payment reduces long term liabilities in the statement of net assets	1,900,000
The repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets	<u>1,725,000</u>
Increase in net assets of governmental activities (Statement of Activities)	\$ <u>1,889,468</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 1,952,000	\$ 1,952,000	\$ 2,072,045	\$ 120,045
Interest	7,500	7,500	1,110	(6,390)
Miscellaneous	-	-	380	380
Total revenues	<u>1,959,500</u>	<u>1,959,500</u>	<u>2,073,535</u>	<u>114,035</u>
Expenditures				
Salaries	818,486	818,486	779,654	38,832
Benefits and taxes	332,642	332,642	259,227	73,415
Administrative fee	42,000	42,000	44,839	(2,839)
Audit expense	10,000	10,000	9,551	449
Board meetings	14,000	14,000	13,559	441
Contractual services	207,000	207,000	192,210	14,790
Equipment rental	1,000	1,000	-	1,000
Insurance and bonds	70,000	70,000	64,614	5,386
Legal ads and notices	10,000	10,000	12,626	(2,626)
Maintenance	30,000	30,000	27,980	2,020
Membership fees	15,000	15,000	9,188	5,812
Miscellaneous	2,074	2,074	12,574	(10,500)
Moving and storage expense	3,000	3,000	1,380	1,620
Office supplies	12,000	12,000	9,056	2,944
Paying agent expense	4,000	4,000	4,582	(582)
Printing	10,000	10,000	7,568	2,432
Planning and engineering	50,000	50,000	6,787	43,213
ROW acquisition and costs	338,000	338,000	37,619	300,381
Property tax	2,000	2,000	1,387	613
Postage	2,000	2,000	2,526	(526)
Staff mileage	2,000	2,000	1,349	651
Training	30,000	30,000	13,062	16,938
Subscriptions	3,000	3,000	2,845	155
Telephone	10,000	10,000	16,084	(6,084)
Utilities	8,000	8,000	11,258	(3,258)
Operations and maintenance	360,000	360,000	291,427	68,573
Furniture and equipment	15,000	15,000	3,562	11,438
Computers, software and mapping	10,000	10,000	13,281	(3,281)
Capital equipment - vehicle	35,000	35,000	34,327	673
Total expenditures	<u>2,446,202</u>	<u>2,446,202</u>	<u>1,884,122</u>	<u>562,080</u>
Excess (deficiency) of revenues over expenditures	\$ (<u>486,702</u>)	\$ (<u>486,702</u>)	\$ <u>189,413</u>	\$ <u>676,115</u>
Prior year fund balance – budget basis	\$ <u>1,231,899</u>			

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(1) Organization

The Southern Sandoval County Arroyo Flood Control Authority (Authority) was created by the Arroyo Flood Control Act and is governed by such New Mexico law created there under designated as 72-19-1 to 72-19-103 NMSA 1978. The purpose of the Act is to provide a flood control system for the benefit of property within the boundaries of the Authority within Southern Sandoval County New Mexico. The Act provides for organization and the governing body and officers; provides for flood control facilities; specifies provisions relating to powers, duties, privileges, liabilities, loans, securities, taxes, revenues and finances; and prescribes reactions with other government bodies and agencies. The Authority is a political subdivision of the State of New Mexico and a body corporate and politic, as well as a quasi-municipal corporation.

(2) Summary of Significant Accounting Policies

The accompanying financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These statements include:

- Presentation of management's discussion and analysis (MD&A) which provides an analysis of the District's overall financial position and results of operations.
- Presentation of financial statements prepared using full accrual accounting for all Authority activities including reporting capital assets and related depreciation.

Other significant accounting policies of the Authority are discussed below:

(a) Reporting Entity

The Authority's basic financial statements include the accounts of all Authority operations which are financially accountable to the Board of Directors. The Authority has no component units.

(b) Government-Wide and Fund Financial Statements

For its government-wide activities, the Authority has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has no business type activities.

The government-wide financial statements (the statement of net assets and the statement of activities) report information based on the Authority as a whole.

The statement of net assets incorporates long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts - invested in capital assets net of related debt; restricted net assets, and unrestricted net assets.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(b) Government-Wide and Fund Financial Statements (continued)

The statement of activities indicates the degree to which the direct expenses of a given function are offset by related program revenues. Program revenues include charges for services and noncash capital contributions.

The net cost (by function) is normally covered by general revenues (ad valorem assessments and interest revenue). The Authority does not currently employ indirect cost allocation systems.

Separate fund financial statements provide reports on the financial condition and results of operations for major individual funds. The Authority's activities are all governmental activities and the Authority did not have proprietary or fiduciary funds during the year ended June 30, 2010. The General Fund, the Debt Service Fund, and the Capital Projects Fund have been classified as major funds. There were no non-major funds.

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Authority's actual experience conforms to the budget or fiscal plan. Since the fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations are presented which briefly explain the differences between the fund financial statements and the government-wide financial statements.

(c) Fund Accounting

The financial activities of the Authority are recorded in individual funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. Authority resources are allocated to and accounted for in individual funds based upon the purpose which they are to be spent and the means by which spending activities are controlled. Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the year that are expected to be paid back within the year are included in interfund receivable/payable in the accompanying balance sheet. The Authority's financial activities have been classified into the following governmental funds:

General Fund - The General Fund is the operating fund of the Authority. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for and the payment of, interest and principal on long-term general obligation bonds.

Capital Projects Fund - The Capital Projects Fund is used to account for the financial resources used for the acquisition and construction of major flood control system projects and related costs.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(d) Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The fund financial statements are presented using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Ad valorem assessments and contract and grant revenue from entities are considered available if collected within thirty days of year end and agreement requirements have been met. Investment earnings are considered available when earned. Other revenues are generally considered measurable and available only when cash is received by the Authority.

(e) Prepaid Expenses

Prepaid expenses consist of insurance costs that have been prepaid for the next fiscal year. These costs will be recognized as expenditures in the next fiscal year.

(f) Capital Assets

Capital assets, which include property, equipment, and infrastructure are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets which have a cost of \$5,000 or more at the date of acquisition. Capital assets purchased, constructed, or acquired are carried at historical cost or estimated historical cost. The Authority capitalizes purchased software and has no internally developed software. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal repairs and maintenance are expensed as incurred.

The Authority does not capitalize interest in regards to any of its capital assets.

The Authority owns certain infrastructure assets including dams, ponds and drainage channels. The Authority also owns title to various sections of land and has drainage easements associated with their infrastructure. The property rights underneath and around all major facilities have been capitalized at actual or estimated historical cost or fair market value for contributed assets.

Intangibles represent the current year cost of an internally developed process manual which is estimated to have a useful life of 15 years when placed in service.

Construction in progress represents projects for which expenditures have occurred, but which have not been placed in service.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(f) Capital Assets (continued)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Authority estimates the useful lives of capital assets as follows:

Buildings and improvements	40 years
Office furniture and equipment	7-12 years
Computer equipment and purchased software	7-8 years
Motor vehicles	10 years
Infrastructure	70 years
Fencing	10 years
Intangibles	15 years

(g) Compensated Absences

Qualified employees are entitled to accumulate amounts of annual leave which is payable to the employee upon termination or retirement. Annual leave accrues at the rate of eighty hours per year. Employees with over five years of service accrue annual leave at the rate of one hundred twenty hours per year. Employees with over ten years of service accrue annual leave at the rate of one hundred sixty hours per year. Employees with over fifteen years of service accrue annual leave at the rate of two hundred hours per year. The maximum accrual of annual leave is 280 hours. At June 30, 2010, accrued vested annual leave totaled \$32,411.

Qualified employees are entitled to accumulate sick leave which is payable to the employee upon retirement. Sick leave accrues at the rate of one hundred four hours per year. Sick leave hours in excess of 1,200 hours may be converted to annual leave hours at the rate of two for one. Employees may convert all or a portion of accumulated sick leave to early retirement leave immediately prior to retirement. The balance of accumulated sick leave may be converted to a cash payment at retirement. At June 30, 2010, there was no accrued accumulated sick leave.

The government-wide financial statements present the cost of accumulated annual leave and sick leave as a liability, valued at the current rate of pay.

h) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims, excluding insurance deductibles, resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(i) Fund Balance Reserves and Designations

Reservations of fund balances are created to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Debt Service – represents funds which are restricted to use for debt service

Reserved for Construction Projects – represents funds which are restricted to use for construction projects and related costs

The designation of fund balance reflects tentative plans for the future use of financial resources. The designation for subsequent year expenditures are amounts necessary to balance the 2010-2011 year budget. The amount designated for general budget reserve is in accordance with State budget guidelines and represents 1/12 of budgeted expenditures for the year ending June 30, 2011. The Authority also records reserves to indicate that a portion of fund balance is segregated for a specific future use or is not available for appropriation or expenditure.

Subsequent to June 30, 2010, the Authority approved a budget adjustment which appropriated the Board designated general reserve. See note 15.

(j) Restricted Net Assets

The Authority records restricted net assets when there are legal limitations imposed on their use by law. These same legal limitations are reflected as reservations of fund balance. If restricted and unrestricted assets are available for the same purpose, then restricted net assets will be used before unrestricted net assets.

(k) Budgets and Budgetary Accounting

The Authority follows defined procedures in establishing the budgetary data reflected in the financial statements. Each year the Authority determines amounts required for construction, maintenance, operations and debt service expenditures. Budget amounts are as originally adopted and as amended by the Board of Directors, and approved by DFA. The Authority submits a proposed budget to the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) for the fiscal year commencing the following July 1. DFA must approve the budget prior to its legal enactment.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(k) Budgets and Budgetary Accounting (Continued)

To meet legal compliance actual expenditures cannot exceed the total budgeted expenditures for the fund. Adjustments to the budget must be submitted to and approved by DFA in the form of a "budget adjustment request". All budget appropriations lapse at year end. The Authority does not use encumbrances.

The budget is prepared on the cash basis, which differs from GAAP. Budgetary comparisons presented in these financial statements are on this Non-GAAP cash budgetary basis.

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and of revenues and expenses during the reporting period, and where applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

(m) Noncash Capital Contributions

The Authority's purpose is to provide a flood control system for the benefit of property within the boundaries of the Authority. Pursuant to Authority policies and practices certain infrastructure assets including land, easements, dams, ponds and drainage channels are contributed to the Authority. These contributions may come from other governmental entities or from private parties whose development activities are subject to the oversight of the Authority. These assets are then the continuing responsibility of the Authority. The Authority records the fair market value of these assets at the date of contribution as program revenues described as noncash capital contributions and as capital expenditures.

(3) Stewardship, Compliance and Accountability

Current year budgeted expenditures and transfers exceeded budgeted revenues in the general fund by \$486,702 and in the Capital projects fund by \$5,012,457. Prior year cash and investment balances were used to complete the budget process for these funds.

(4) Cash

Cash at June 30, 2010 represents amounts deposited in commercial bank accounts and petty cash.

The Authority is authorized to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States government. In accordance with Section 6-10-16, NMSA 1978 Compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year.

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(4) Cash (continued)

Custodial credit risk is the risk that the deposits are not returned in the event of bank failure. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized by securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency, but not in the Authority's name.

At June 30, 2010, the carrying amount of the Authority's cash deposits was \$283,602. The bank balance was \$334,012. Of the bank balance, \$250,000 was covered by federal depository insurance and \$84,012 was collateralized with collateral held in the pledging financial institution's name and are held by an agent of the pledging financial institution. The Authority cash deposit was exposed to custodial risk at June 30, 2010.

(5) Investments

The Authority has adopted an Investment Policy that addresses investment interest rate and credit risks by specifying suitable and authorized investments, defining investment diversification and maturity parameters, and requiring collateralization of investments held at financial institutions.

The Authority's investments at June 30, 2010 consisted of:

- Four accounts in the New Mexico State Treasurer's Local Government Investment Pool (Pool), which are stated at fair value (\$6,596,538), based on quoted market prices as of June 30, 2010.
- Four accounts under the direction of the New Mexico State Treasurer's Local Government Investment Pool upon which certain assets exposed to liquidation litigation were transferred to a Reserve Contingency Fund, which are stated at estimated net recoverable value (\$6,131).
- Certificates of deposit at two local financial institutions which are stated at cost/market value (\$1,000,000).

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

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YEAR ENDED JUNE 30, 2010

(5) Investments (continued)

The State Treasurer Local Government Investment Pool Reserve Contingency Fund represents a portion of the Pool that was invested by the New Mexico State Treasurer's Office in the Reserve Primary Fund. The Reserve Primary Fund's net assets value fell below \$1 on September 16, 2008 and the holdings in the fund were frozen. The Reserve Primary Fund has withheld assets from the fund for anticipated and pending litigation. In March, 2009 the Pool's position in the Reserve Primary Fund was transferred to the Reserve Contingency Fund. The State Treasurer's Office cannot anticipate what the actual loss on the Fund may be or when the actual loss may be realized. The Authority during the year ended June 30, 2009 recorded an estimated loss on the fund amounting to \$17,993.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment in the Pool is subject to credit risk. The Pool is rated AAAm, by Standard and Poor's. The Reserve Contingency Fund is not rated and is a non-performing asset.

The certificates of deposit consist of a \$250,000 (fully insured by FDIC) certificate that carries interest at 0.7%, matures December 21, 2010 and another \$750,000 (\$250,000 FDIC insurance) certificate at a separate financial institution that carries interest at 0.33%, and matures November 21, 2010. This \$750,000 certificate is collateralized with collateral held in the pledging financial institution's name and is held by an agent of pledging financial institution. The Authority's certificates of deposit are exposed to custodial and credit risk at June 30, 2010. The Authority's investment policy with regard to certificates of deposit limits its exposure to risk by limiting investments to authorized financial institutions that have met qualification standards and by requiring collateralization or insurance at 102% of face value.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The prices of securities fluctuate with market interest rates and securities held in a portfolio will decline if market interest rates rise. The Pool's weighted average maturity (WAM) is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. At June 30, 2010 the Pool's WAM is 50 days. The Reserve Contingency Fund is a non-rated, non-performing asset, and its WAM cannot be calculated. In accordance with its investment policy, the Authority manages its exposure to declines in fair values on its certificates of deposit by limiting investments to maturities no longer than three years from the date of purchase.

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(5) Investments (continued)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2010, the Pool investments, the Reserve Contingency Fund, and the Certificates of Deposit were all in U.S. dollar-denominated assets, and as such were not subject to foreign currency risk.

(6) Ad valorem Assessments

Ad valorem assessments are levied each calendar year in November, based on taxable property valuations within the Authority's boundaries as determined by the New Mexico Sandoval County Assessor. The ad valorem assessments are due in two equal installments November 10, and April 10, following the levy, payable to the Sandoval County Treasurer. The ad valorem assessments are collected by the county treasurer and remitted to the Authority on a monthly basis.

Under the modified accrual basis of accounting, all ad valorem assessments collected by the County and remitted to the Authority within thirty days of year end are recorded as a receivable and revenue, with all ad valorem assessments not collected within thirty days following year end being reported as deferred revenue within the governmental funds. Under the full accrual basis of accounting, ad valorem assessments are recorded as a receivable and revenue when billed to taxpayers by the New Mexico Sandoval County Treasurer.

For the year ended June 30, 2010, the ad valorem assessments levied by the Authority were .753 mills for residential and .830 mills for nonresidential property per \$1,000 of taxable value for operating purposes and .87 mills per \$1,000 of taxable value for debt service requirements, respectively. Section 7-37-7.1 NMSA 1978 limits the allowable increase in property taxes for operating purposes from the preceding year, but it does not limit any debt service levy. Lien rights are available to the Authority on all delinquent ad valorem assessments.

(7) Interfund Balances

The Authority may incur temporary interfund balances to facilitate expenditure requirements. Balances have been eliminated in the government-wide financial statements.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(8) Capital Assets

The following is a summary of changes in capital assets:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Transfers/ Dispositions</u>	<u>June 30, 2010</u>
Land and easements -				
Operating land	\$ 228,500	\$ -	\$ -	\$ 228,500
Fee simple and easement land	<u>24,237,139</u>	<u>2,601,423</u>	<u>(26,302)</u>	<u>26,812,260</u>
Total land and easements	<u>24,465,639</u>	<u>2,601,423</u>	<u>(26,302)</u>	<u>27,040,760</u>
Depreciable property				
Building and improvements	1,255,197	-	2,041,313	3,296,510
Furniture, equipment, and vehicles	343,895	63,098	<u>(15,251)</u>	391,742
Flood control system - Dams, ponds and drainage channels	<u>38,784,788</u>	<u>1,288,935</u>	<u>1,102,434</u>	<u>41,176,157</u>
Total depreciable assets	<u>40,383,880</u>	<u>1,352,033</u>	<u>3,128,496</u>	<u>44,864,409</u>
Less accumulated depreciation:				
Building and improvements	<u>(175,267)</u>	<u>(58,042)</u>	-	<u>(233,309)</u>
Furniture, equipment and vehicles	<u>(173,578)</u>	<u>(33,954)</u>	10,930	<u>(196,602)</u>
Flood control systems- Dams, ponds and drainage channels	<u>(5,920,851)</u>	<u>(600,164)</u>	-	<u>(6,521,015)</u>
Total accumulated depreciation	<u>(6,269,696)</u>	<u>(692,160)</u>	<u>10,930</u>	<u>(6,950,926)</u>
Net depreciable buildings, property, and infrastructure	<u>34,114,184</u>	<u>659,873</u>	<u>3,139,426</u>	<u>37,913,483</u>
Intangibles -Process Manuals	-	140,183	-	140,183
Construction in progress	<u>2,209,848</u>	<u>1,782,769</u>	<u>(3,143,747)</u>	<u>848,870</u>
	<u>\$ 60,789,671</u>	<u>\$ 5,184,248</u>	<u>\$ (30,623)</u>	<u>\$ 65,943,296</u>
Total capital assets, net				

Depreciation expense amounted to \$692,160 for the year ended June 30, 2010 and is included under program expenses of governmental activities in the statement of activities.

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(9) Deferred Revenue

Receivables which do not meet the "available" criteria for revenue recognition under the modified accrual basis of accounting are recorded as deferred revenue. Deferred revenue at June 30, 2010 is attributable to ad valorem assessments in the amount of \$489,308.

(10) Long-Term Liabilities

The following changes occurred in long term liabilities during the fiscal year ended June 30, 2010:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>
Accrued Compensated Absences:				
Payable within one year	\$ 79,405	\$ 20,981	\$ 78,789	\$ 21,597
Payable after one year	<u>86,572</u>	<u>-</u>	<u>75,758</u>	<u>10,814</u>
	<u>165,977</u>	<u>20,981</u>	<u>154,547</u>	<u>32,411</u>
General Obligation Bonds Payable:				
Portion due within one year	1,260,000	1,520,000	1,260,000	1,520,000
Portion due after one year	<u>21,250,000</u>	<u>6,860,000</u>	<u>3,885,000</u>	<u>24,225,000</u>
	<u>22,510,000</u>	<u>8,380,000</u>	<u>5,145,000</u>	<u>25,745,000</u>
	\$ <u>22,675,977</u>	\$ <u>8,400,981</u>	\$ <u>5,299,547</u>	\$ <u>25,777,411</u>

The Authority uses the general fund to liquidate annual leave liabilities. General obligation bonds are paid by the debt service fund.

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NOTES TO FINANCIAL STATEMENTS
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(10) Long-Term Liabilities (continued)

The Authority has the following general obligation bonds payable as of June 30, 2010:

Series 1998

\$2,500,000, issued June, 1998, with variable interest from 4.7% to 5.3% paid semi-annually in February and August, principal payments due annually commencing August 1, 2005, maturing August 1, 2010. \$ 250,000

Series 2001

\$2,500,000 issued February 2001, with variable interest from 4.25% to 5.5% paid semi-annually in February and August, principal payments due annually commencing August 1, 2006, maturing August 1, 2010, shown net of advance refunding of \$1,900,000 made March 2, 2010. 200,000

Series 2005

\$3,000,000, issued February, 2005, with variable interest from 3.0% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2005 maturing August 1, 2018. 2,750,000

Series 2005A

\$3,000,000 issued October 25, 2005, with variable interest from 3.7% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2006, maturing August 1, 2019. 2,375,000

Series 2007

\$4,000,000 issued February 1, 2007, with variable interest from 3.75% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2010, maturing August 1, 2020 3,880,000

Series 2007A

\$6,000,000 issued October 10, 2007, with variable interest from 3.65% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2008, maturing August 1, 2020 5,430,000

Series 2009

\$4,000,000 issued February 18, 2009, with variable interest from 3.0% to 3.8% paid semi-annually in February and August, principal payments due annually commencing August 1, 2014, maturing August 1, 2022 4,000,000

Series 2010A

\$4,500,000 issued March 2, 2010, with variable interest from 3.0% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2016, maturing August 1, 2023 4,500,000

Refunding Series 2010B

\$2,360,000 issued March 2, 2010, with interest at 3.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2010, maturing August 1, 2015 2,360,000

\$ 25,745,000

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(10) Long-Term Liabilities (continued)

On March 2, 2010, the Authority used net proceeds (including bond premium) from the issuance of \$2,360,000 in refunding Series 2010B general obligation bonds with an average interest rate of 3% to currently refund \$465,000 of outstanding Series 1999 bonds with an average interest rate of 4.78% and to advance refund (callable August 1, 2010) \$1,900,000 of outstanding Series 2001 bonds with an average interest rate of 4.32%. Advance refunding amounts plus interest were placed into escrow to provide for the future payments on these bonds. As a result, the noted \$1,900,000 of Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The current and advance refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt.

The Authority completed the current redemption and the advance refunding to reduce its total debt service payments over the next 5 years by \$1,060 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$20,100.

The Authority has pledged ad valorem assessment revenues for repayment of the above bonds.

Debt service requirements to maturity are as follows:

<u>Due in Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,520,000	\$ 902,543
2012	1,595,000	864,974
2013-2017	10,235,000	3,291,996
2018-2022	9,970,000	1,362,652
2023-2024	<u>2,425,000</u>	<u>77,575</u>
Total	\$ <u>25,745,000</u>	\$ <u>6,499,740</u>

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YEAR ENDED JUNE 30, 2010

(11) Pension Plan – Public Employees Retirement Association (PERA)

Plan Description

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

Funding Policy

Plan members are required to contribute 3.2875% of their gross salary. (The Authority pays 75% of the employee contribution rate of 13.15%) The Authority is required to contribute 19.0125% of the plan member's gross salary. The contribution requirements of plan members and the Authority are established in state statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ending June 30, 2010, 2009, and 2008 were \$126,699, \$112,966, and \$79,173, respectively, which is equal to the amount of the required contributions for each fiscal year.

(12) Post-Employment Benefits – State Retiree Health Care Plan

Plan Description

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

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

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YEAR ENDED JUNE 30, 2010

(12) Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows for employees who are not members of an enhanced retirement plan:

<u>Fiscal Year</u>	Employer Contribution <u>Rate</u>	Employee Contribution <u>Rate</u>
2011	1.666%	.833%
2012	1.834%	.917%
2013	2.000%	1.000%

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

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

The Authority's contributions to the RHCA for the years ended June 30, 2010, 2009, and 2008 were \$8,688, \$7,344 and \$5,413, respectively, which equal the required contribution for each year.

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YEAR ENDED JUNE 30, 2010

(13) Deferred Compensation Plan

The Authority has adopted a deferred compensation plan. All of the Authority's full-time employees are eligible to participate. The International City Management Association Retirement Corporation is the plan administrator. The plan provides for retirement benefits. Employees may elect to defer any percentage of pre-income tax income up to a federally imposed annual dollar amount. Participation is voluntary. Participants direct their funds into a variety of funds held by Vantage Trust Funds. Accounts are 100% vested at all times.

(14) Budgetary Basis of Accounting

The Budgetary Comparison Schedules for the governmental funds (NON-GAAP Budgetary Basis) Budget and Actual reflects actual results of operations on the budgetary basis of accounting (cash basis).

The major differences between the budgetary and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when measurable and available (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability was incurred (GAAP).

Adjustments necessary to convert the results of operations at June 30, 2010 from the budget basis to the GAAP basis are shown below:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Excess (deficiency) of revenues over expenditures (Budgetary Basis)	\$ 189,413	\$ (223,481)	\$ (5,466,254)
Adjustments:			
To adjust revenue accruals:			
Prior year	(22,883)	(32,215)	(158,484)
Current year	30,860	35,170	1,034
To adjust expenditure accruals and payments:			
Prior year	54,729	-	352,368
Current year	(25,457)	-	(57,040)
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ <u>226,662</u>	\$ (<u>220,526</u>)	\$ (<u>5,328,376</u>)

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YEAR ENDED JUNE 30, 2010

(15) Subsequent Event

On August 23, 2010, a significant storm occurred that caused damage to the Authority's infrastructure. The Authority estimates costs to cleanup and restore the infrastructure could range from \$750,000 to \$1,500,000. The Authority is seeking assistance from governmental entities to partially fund the estimated costs.

In preparation for the needed cleanup and restoration, the Authority has appropriated and increased the fiscal year 2011 budget by the amount of the general fund board designated general reserve in an approximate amount of \$540,000.

STATE OF NEW MEXICO
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BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 2,232,000	\$ 2,232,000	\$ 2,342,524	\$ 110,524
Interest	<u>6,000</u>	<u>6,000</u>	<u>1,555</u>	(4,445)
Total revenues	<u>2,238,000</u>	<u>2,238,000</u>	<u>2,344,079</u>	<u>106,079</u>
Expenditures				
Debt service:				
Principal	1,260,000	1,725,000	1,725,000	-
Interest	<u>840,647</u>	<u>842,561</u>	<u>842,560</u>	<u>1</u>
Total expenditures	<u>2,100,647</u>	<u>2,567,561</u>	<u>2,567,560</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	<u>137,353</u>	(329,561)	(223,481)	<u>106,080</u>
Other financing sources (uses)				
Refunding bond proceeds	-	2,360,000	2,360,000	-
Payments to escrow agent for future bond refunding	-	-	(1,940,534)	(1,940,534)
Bond premiums	<u>-</u>	<u>-</u>	<u>178,180</u>	<u>178,180</u>
Total other financing sources (uses)	<u>-</u>	<u>2,360,000</u>	<u>597,646</u>	(1,762,354)
Net changes in fund balance	\$ <u>137,353</u>	\$ <u>2,030,439</u>	\$ <u>374,165</u>	\$ (1,656,274)
Prior year fund balance budget basis	\$ <u>1,965,078</u>			

See accompanying notes to financial statements.

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BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Interest	\$ 37,500	\$ 37,500	\$ 14,030	\$ (23,470)
Capital grant agreements	157,000	157,000	157,455	455
Other revenue	<u>-</u>	<u>-</u>	<u>291</u>	<u>291</u>
Total revenues	<u>194,500</u>	<u>194,500</u>	<u>171,776</u>	<u>(22,724)</u>
Expenditures				
Bond issuance costs	-	-	67,197	(67,197)
Contractual services	-	-	52,278	(52,278)
Furniture and equipment	-	-	90,443	(90,443)
Capital projects and related costs	<u>5,594,957</u>	<u>10,094,957</u>	<u>5,428,112</u>	<u>4,666,845</u>
Total expenditures	<u>5,594,457</u>	<u>10,094,957</u>	<u>5,638,030</u>	<u>4,456,927</u>
Deficiency of revenues over expenditures	(5,400,457)	(9,900,457)	(5,466,254)	4,434,203
Other Financing Sources				
Equipment and property disposition proceeds	388,000	388,000	91,781	(296,219)
Bond proceeds	<u>-</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>
Total other financing sources	<u>388,000</u>	<u>4,888,000</u>	<u>4,591,781</u>	<u>(296,219)</u>
Net changes in fund balance	\$ (5,012,457)	\$ (5,012,457)	\$ (874,473)	\$ 4,137,984
Prior year fund balance budget basis	\$ <u>4,998,214</u>			

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF CASH ACCOUNT AND PLEDGED COLLATERAL
JUNE 30, 2010

<u>WELLS FARGO BANK NM, NA</u>	<u>Checking</u>	<u>Certificate of deposit</u>	<u>Total</u>
Balance per bank	\$ 334,012	\$ 750,000	\$ 1,084,012
Less: FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	\$ <u>84,012</u>	\$ <u>500,000</u>	584,012
50% Collateral requirement			292,006
Pledged Securities, held by the pledging bank's trust but not in the Authority's name			<u>1,263,935</u>
Over (under)			\$ <u>971,929</u>

Reconciliation to financial statements:

Checking account balance	\$ 283,403
Petty cash	<u>200</u>
Reconciled cash balance per financial statements	\$ <u>283,602</u>

Collateral as follows (Securities held by Wells Fargo Bank Northwest NA, GIB Public Funds Collateral Unit, 608 2nd Avenue South, Minneapolis, MN 55479, not in Authority's name):

<u>Description</u>	<u>Cusip #</u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Due</u>	<u>Collateral Value</u>
FNMA POOL 948092	31413KXV8	\$ 367,190	6.0%	11/01/37	\$ 398,941
FNMA POOL 961294	31415AUT6	796,610	6.0%	06/01/38	<u>864,994</u>
					<u>1,263,935</u>

(continued)

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF CASH ACCOUNT AND PLEDGED COLLATERAL
JUNE 30, 2010

FIRST COMMUNITY BANK

Certificate of Deposit, balance per bank	\$ 250,000
Less: FDIC coverage	(<u>250,000</u>)
50% Collateral requirement	-
Pledged Securities	<u>-</u>
Over (under)	\$ <u><u>-</u></u>

(concluded)

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2010

JPA # 09-21

PARTICIPANTS: Town of Bernalillo
Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

RESPONSIBLE PARTY FOR OPERATIONS: Town of Bernalillo

DESCRIPTION: Plan, design, and construct needed flood control and drainage improvements in Calle Baack in the Town of Bernalillo

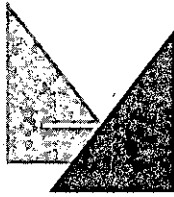
EFFECTIVE DATES: November 17, 2009 until project completion or two years from effective date, whichever comes first.

PROJECT COSTS: Total estimated amount of project: \$ 200,000
Total estimated amount to be contributed by SSCAFCA: \$ 100,000

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR (SSCAFCA): \$ -

AUDIT RESPONSIBILITY: Town of Bernalillo

GOVERNMENT AGENCY WHERE REVENUES AND EXPENDITURES ARE REPORTED: Town of Bernalillo



MACKIE, REID &
COMPANY, PA

Certified Public Accountants

IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the
Southern Sandoval County Arroyo Flood Control Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities and each major fund, the budgetary comparisons of the general fund, and the budgetary comparisons of the capital projects fund and the debt service fund presented as supplemental information of Southern Sandoval County Arroyo Flood Control Authority (Authority), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency in internal control over financial reporting (10-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The Authority's response to the finding indentified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors and the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Mackie, Reid + Company

Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
November 2, 2010

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

Prior Year Findings Reported, Not Repeated

- 9-1 Capitalization procedures
- 9-2 Fixed assets
- 9-3 Documentation of journal entries
- 9-4 Utilization of the GASB 34 fund

Current Year Findings

- 10-1 Budget Adjustment Request for Bond Refunding

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

Current Year Finding

10-1 Budget Adjustment Request for Bond Refunding

Condition:

The Authority issued Refunding General Obligation Bonds during the fiscal year in the amount of \$2,360,000. Proceeds from the issuance were used to currently refund \$465,000 in Series 1999 bonds with interest of \$1,913 and to advance refund \$1,900,000 in Series 2001 bonds with interest of \$40,534. The current refunding of \$465,000 in Series 1999 bonds was properly reported as a current expenditure of the Authority.

The Authority requested a BAR (budget adjustment request) for the \$1,913 in interest to be paid currently with the refunding, but had not requested a BAR for the \$465,000 expenditure for bond principal payment, creating an over-expenditure from budget in the debt service fund. When the condition was noted as part of the audit, the Authority was able to obtain an approved BAR from the New Mexico Department of Finance and Administration.

Criteria:

To meet legal compliance, actual expenditures cannot exceed the total budgeted expenditures for the fund. Authority internal control procedures over the review of internal financial statements should be designed to identify any over expenditures on a timely basis.

Effect:

Authority procedures in effect related to the review of budgeted and actual expenditures did not identify the need for a BAR related to the current refunding of bonds in the amount of \$465,000.

Cause:

The Authority was unsure as to how to account for the \$465,000 payment to retire the 1999 bonds.

Recommendation:

Procedures related to the review of internally prepared financial statements should include a review for over expenditure from budget by fund. When unusual transactions have potential to affect the statements, technical assistance should be requested as needed.

Response:

This was the Authority's first bond refunding, and as a result of recording the transaction, the over-expenditure occurred. A procedure will be written and implemented that ensures the appropriate budget adjustments are requested and approved when needed for the unusual and/or infrequent transactions.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
JUNE 30, 2010

An exit conference was held on November 22, 2010, and the contents of this report were discussed. Present at the conference were:

Steve House	Secretary
Donald Rudy	Board Member
David Stoliker, PE	Executive Engineer
Debbie Casaus	Fiscal Services Director
Sandra Parker	Accountant
Jim Van Der Geest, CPA	Independent Auditor
Debra Saunders	Independent Auditor

Financial Statement Preparation

The Authority's financial statements were prepared substantially by the independent auditor, Mackie Reid, and Company, PA.

APPENDIX C

THE BOOK-ENTRY-ONLY SYSTEM

The Book-Entry-Only System

Initially, DTC will be the securities depository for the Bonds. The Paying Agent/Registrar will register all Bonds in the name of Cede & Co. (DTC's partnership nominee) and provide DTC with one Bond for each maturity.

DTC provided the following information. Neither the Financial Advisor nor the District can vouch for its accuracy or completeness. For further information, please contact DTC or view its website at www.dtc.org.

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New Mexico and New York Uniform Commercial Codes, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of security certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

Purchases of the Bonds under the book-entry system may be made only through brokers and dealers who are, or act through, DTC Participants. Each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's ownership interest in the Bonds. The ownership interest of each actual purchaser of a Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant or the Indirect Participant. Beneficial Owners are to receive a written confirmation of their purchase providing certain details of the Bonds acquired. Transfers of ownership interests in the Bonds will be accomplished only by book entries made by DTC and, in turn, by DTC Participants or Indirect Participants who act on behalf of the Beneficial Owners. Beneficial Owners of the Bonds will not receive nor have the right to receive physical delivery of the bonds, and will not be or be considered to be registered owners under the Bond Resolution except as specifically provided in the Bond Resolution in the event the book-entry system is discontinued.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The District and the Registrar may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Bonds, selecting Bonds and portions thereof to be redeemed, giving any notice permitted or required to be given to registered owners under the Bond Resolution, register the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Registrar will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC Participant, Indirect Participant or other person not shown on the records of the Registrar as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any DTC Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any DTC Participant, Indirect Participant or any Beneficial Owner of any notice that is permitted or required to be given to registered owners under the Bond Resolution; or any consent given or other action taken by DTC as a registered owner.

Neither DTC nor its nominee, Cede & Co., provides consents with respect to any security. Under its usual procedures, DTC mails an omnibus proxy to the issuer of the securities for which it is acting as securities depository as soon as possible after the establishment of a "record date" by the issuer for purposes of soliciting consents from the holders of such securities. The omnibus proxy assigns Cede & Co.'s voting rights to those DTC Participants having such securities credited to their accounts on such record date.

Principal of and interest on the Bonds will be paid to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of the DTC Participants or the Indirect Participants. Upon receipt of any such payments, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners of the Bonds will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Registrar or the District, subject to any statutory and regulatory requirements then in effect.

As long as the DTC book-entry system is used for the Bonds, the Registrar will give any notice required to be given to registered owners of Bonds only to DTC or its nominee. Any failure of DTC to advise any DTC Participant, of any DTC Participant to notify any Indirect Participant, or of any DTC Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of any action premised on such notice. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Beneficial Owners may desire to make arrangements with a DTC Participant or Indirect Participant so that all communications to DTC that affect such Beneficial Owners will be forwarded in writing by such DTC Participant or Indirect Participant.

NEITHER THE DISTRICT NOR THE REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS.

For every transfer and exchange of a beneficial ownership interest in the Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving reasonable notice to the District or the Registrar at any time. In addition, if the District determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds or (ii) continuation of the system of book-entry only transfers through DTC is not in the best interests of the Beneficial Owners of the Bonds or of the District, the District may thereupon terminate the services of DTC with respect to the Bonds. If for any such reason the system of book-entry transfers through DTC is discontinued, the District may within 90 days thereafter appoint a substitute securities depository that, in its opinion, is willing and able to undertake the functions of DTC upon reasonable and customary terms. If a successor is not approved, Bond certificates will be delivered as described in the Bond Resolution in fully registered form in denominations of \$5,000 or any integral multiple thereof in the names of the Beneficial Owners, Indirect Participants or DTC Participants.

In the event the book-entry system is discontinued, the persons to whom Bond certificates are registered will be treated as registered owners for all purposes of the Bond Resolution, including the giving to the District or the Registrar of any notice, consent, request or demand pursuant to the Bond Resolution for any purpose whatsoever. In such event, the Bonds will be transferred to such registered owners, interest on the Bonds will be payable by check of the Paying Agent, as paying agent, mailed to such registered owners, and the principal and redemption price of all Bonds will be payable at the principal corporate trust office of the Paying Agent.

The foregoing material concerning DTC and DTC's book-entry system is based on information furnished by DTC. No representation is made by the District or the Underwriter as to the accuracy or completeness of such information.

Limited Book-Entry Responsibilities

While a book-entry-only system is used for the Bonds, the Paying Agent/Registrar will send redemption and other notices only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any notice and its content or effect will not affect the validity of sufficiency of the proceedings relating to the Bond redemption or any other action based on the notice.

The District and the Financial Advisor have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

The District and the Financial Advisor cannot and do not give any assurances that DTC will distribute payments to DTC Participants or that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices or other notices to the beneficial holders, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

APPENDIX D

FORM OF BOND COUNSEL OPINION

[FORM OF BOND COUNSEL OPINION]

March ____, 2011

Board of Directors
Southern Sandoval County Arroyo
Flood Control Authority, New Mexico
1041 Commercial Drive S.E.
Rio Rancho, New Mexico 87124

\$2,500,000
SOUTHERN SANDOVAL COUNTY ARROYO FLOOD
CONTROL AUTHORITY, NEW MEXICO
GENERAL OBLIGATION BONDS
SERIES 2011

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Board of Directors of the Southern Sandoval County Arroyo Flood Control Authority, New Mexico (the "Authority") of its \$2,500,000 Southern Sandoval County Arroyo Flood Control Authority, New Mexico, General Obligation Bonds, Series 2011 (the "Bonds"). We have examined the Constitution and laws of the State of New Mexico and such certified proceedings and other documentation as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify them by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto (except that we consent to the inclusion of a form of this opinion in the Official Statement).

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, conformed or photostatic copies.

We have examined the form of the Bonds and have found the same to be in due legal form. Based upon our examination, we are of the opinion that, under the laws, published rulings, regulations and court decisions existing on the date of this opinion:

1. The Bonds are valid and legally binding general obligations of the Authority and the principal of and interest on the Bonds, unless paid from other sources, are to be paid from the proceeds of a levy of ad valorem taxes on all property within the Authority subject to ad valorem

taxes levied by the Authority which as to the debt of the Authority, including the Bonds, is unlimited as to rate or amount.

2. The interest on the Bonds (including original issue discount) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be taken into account in determining adjusted current earnings of certain corporations in computing the alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as is expressly stated herein, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

3. The Bonds have been designated as qualified tax-exempt obligations under Section 265(b)(3)(B) of the Code. The Bonds are not "private activity bonds" as defined in Section 141(a) of the Code.

4. The interest on the Bonds is exempt from taxation imposed by the State of New Mexico and its political subdivisions under current law.

5. The Bonds are exempt from registration under the Securities Act of 1933 and the State of New Mexico securities law.

The rights of the holders of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principals, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

VERY TRULY YOURS,