

Albuquerque Bernalillo County Water Utility Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2020 & 2019



Albuquerque, New Mexico





COMPREHENSIVE ANNUAL FINANCIAL REPORT



6/30/2020

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY
AUTHORITY

For the Fiscal Years Ended June 30, 2020 and 2019

Albuquerque, New Mexico

PREPARED BY FINANCIAL/BUSINESS SERVICES DIVISION



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TABLE OF CONTENTS

INTRODUCTORY SECTION:

Letter of Transmittal	6
GFOA Certificate of Achievement	13
Organizational Chart	14
System Officials	15
Service Area Map	16

FINANCIAL SECTION:

Independent Auditor’s Report	20
Management’s Discussion and Analysis	24
Basic Financial Statements:	
Statements of Net Position	35
Statements of Revenues, Expenses, and Changes in Net Position	38
Statements of Cash Flows	39
Notes to the Financial Statements (an integral part of the financial statements):	
Summary of Significant Accounting Policies	
Reporting Entity	42
Measurement Focus, Basis of Accounting, and Financial Statement Presentation	43
Assets, Liabilities, and Net Position	43
Stewardship, Compliance and Accountability	50
Detailed Notes:	
Cash and investments	51
Accounts & Leases Receivable, Notes Receivable, and Due from other Governments	54
Capital Assets	55
Long-term Obligations	56
Defined Benefit Pension Plan – Public Employees Retirement Association	62
Defined Contribution Retirement Plan	66
Post-Employment Benefit Obligations	67
Risk Management	77
Leases	79
Commitments and Contingencies	80
COVID-19 Pandemic	80
Subsequent Events	80
Required Supplementary Information:	
Schedule of the Water Authority’s Proportionate Share of Net Pension Liability	82
Schedule of the Water Authority’s Pension Contributions	83
Schedule of changes in the Water Authority’s Net OPEB Liability and related Ratios	

– Life Insurance Plan	84
Schedule of the Water Authority’s Contributions – Life Insurance Plan	86
Schedule of the Water Authority’s Proportionate Share of the Net OPEB Liability	
– New Mexico Retiree Health Care Authority Plan	88
Schedule of the Water Authority’s Contributions – New Mexico Retiree Health Care Authority Plan	89

STATISTICAL SECTION – UNAUDITED:

Index to Statistical Section	93
Schedule 1 – Net Position by Component	95
Schedule 2 – Changes in Net Position	96
Schedule 3 – Trend Analysis for Net Position and Operations	99
Schedule 4 – Revenue from Water and Wastewater Charges and Other Operating Revenues	100
Schedule 5 – Revenue from Utility Expansion and Water Resource Charges	101
Schedule 6 – Water and Wastewater Users by Class and Meter Size	102
Schedule 7 – Water Consumption	105
Schedule 8 – Principal Revenue Payers	106
Schedule 9 – Outstanding Debt Ratio	108
Schedule 10 – Senior / Subordinate Lien Debt Coverage Ratio	109
Schedule 11 – Demographic and Economic Statistics	110
Schedule 12 – Top Ten Major Employers	111
Schedule 13 – Full-time Equivalent Water Authority Employees by Function	112
Schedule 14 – Operating Indicators by Function	113
Schedule 15 – Capital Statistics by Function	115
Schedule 16 – Other Statistical Data	116
Schedule 17 – Financial Benchmarks	118

OTHER SUPPLEMENTARY INFORMATION SECTION:

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual	123
Schedule of Deposits and Investments by Financial Institution	126
Schedule of Pledged Collateral by Financial Institution	127
Schedule of Expenditures of Federal Awards	129
Notes to the Schedule of Expenditures of Federal Awards	130
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	131
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	133
Schedule of Findings and Questioned Costs	136
Summary Schedule of Prior Year Audit Findings	137
Exit Conference	138

INTRODUCTORY SECTION







LETTER OF TRANSMITTAL

November 25, 2020

To: Members of the Board of the Albuquerque Bernalillo County Water Utility Authority
Customers of The Albuquerque Bernalillo County Water Utility Authority

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Albuquerque Bernalillo County Water Utility Authority ("Water Authority") for the years ended June 30, 2020 and 2019. The Water Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"), and audited by a firm of independent certified public accountants retained by the Water Authority. Pursuant to NMSA 1978, § 12-6-3, the Water Authority's financial affairs must be examined, audited and approved annually by the New Mexico State Auditor's office.

Responsibility for the accuracy of the data and the completeness and fairness of the CAFR, including all disclosures, rests with the Water Authority management. To the best of management's knowledge and belief, the information contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of Water Authority operations. All disclosures necessary for the reader to gain an understanding of the Water Authority's financial activity have been included.

The Water Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the utility's assets are adequately safeguarded against loss, theft, or misuse, and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The internal control structure is designed to give reasonable assurance that 1) the cost of internal controls should not exceed the benefits derived from the controls; and 2) the evaluation of costs and benefits requires management's exercise of judgment. To the best of management's knowledge and belief, the Water Authority's internal accounting controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions in accordance with GAAP.

REDW LLC, Certified Public Accountants, has been retained by the Water Authority to serve as its independent auditor and has issued an unmodified ("clean") opinion on the Water Authority's financial

statements for the years ended June 30, 2020 and 2019. The independent auditor's report is located at the front of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. The MD&A is located immediately following the independent auditor's report.

Profile of the Water Authority

In January 2003, the New Mexico Legislature approved and the Governor signed Senate Bill 887, which transferred the municipal Water and Wastewater Utility of the City of Albuquerque to the Albuquerque Bernalillo County Water Utility Authority (Water Authority). Senate Bill 887 became law in June 2003 (NMSA 1978 § 72-1-10). In December 2003, the Water Authority, the City of Albuquerque (City) and Bernalillo County (County) entered into an operations and maintenance agreement to continue the day-to-day management of the water utility under the City. Transition of the utility to full control by the Water Authority was completed in July 2007. During the 2005 New Mexico Legislative Session, Senate Bill 879 became law, investing the Water Authority with the statutory powers provided to all New Mexico public water and wastewater utilities, and, as such, making it a political subdivision of the state.

The Water Authority provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 683,207 residential, commercial, industrial and governmental customers comprising approximately 95% of the residents of Bernalillo County. About one-third of unincorporated County residents are customers of the water system.

The Water Authority is governed by an eight-member board consisting of three Albuquerque City Councilors, three Bernalillo County Commissioners, the Mayor of the City of Albuquerque, and a non-voting member from the Village of Los Ranchos.

The Board is responsible, among other things, for passing resolutions, adopting the budget, appointing committees and hiring the Water Authority's Executive Director. The Water Authority's Executive Director is responsible for carrying out the policies and resolutions of the governing board and for overseeing the day-to-day operations of the Water Authority.

The Board is required to adopt an initial budget for the fiscal year no later than May 31 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the Water Authority's financial planning and control. The budget is appropriated by fund.

The Board is also required to adopt one-year objectives related to five-year goals based on the American Water Works Association's business model. The Water Authority budget for operations and capital implementation is driven by the five-year goals and one-year objectives.

The Water Authority's Vision is to go beyond our customer's expectations. We value high quality and reliable service to our customers at a reasonable cost, supporting the regional community, the environment and our employees. The Water Authority's Mission is to:

- Assure responsive customer service
- Provide reliable, high quality, affordable and sustainable water supply, wastewater collection treatment, and reuse systems
- Support a healthy, environmentally sustainable, and economically viable community

Summary of Local Economy

Albuquerque is the largest city in New Mexico and accounts for nearly half of the state's economic activity. The local economic base is fairly diverse and includes government, services, trade, agriculture, tourism, manufacturing, and research and development. A growing Sunbelt metropolis, Albuquerque offers many outdoor attractions, including the Rio Grande, which bisects the city north to south, and the adjacent Sandia Mountains.

Two interstate highways cross Albuquerque: I-40, one of the nation's major east-west arterials, and I-25, a north-south route from Canada to Mexico. The Burlington Northern Santa Fe Railroad, with north-south and east-west lines, hauls 90 percent of freight originating in the state and 80 percent of cargo terminating here. Albuquerque is a stop on Amtrak's Chicago-to-Los Angeles route.

The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has an estimated population of 903,344 residents. Historically, the area has grown at a steady pace of 1-2 percent per year. Despite the growth of the Albuquerque area, commute times are very reasonable, thus enhancing the work/life balance valued by many.

Some of top industries in Albuquerque are aerospace and defense, energy technology including solar energy, and semiconductor and computer chip manufacturing. Major employers in the Albuquerque area include Kirtland Air Force Base, Sandia National Laboratory, Fidelity Investments, Sennheiser, Raytheon, General Mills, and Intel Corp. The flagship campus of the 25,000-student University of New Mexico is in Albuquerque, as is the UNM Health Sciences Center and Central New Mexico Community College, providing thousands of jobs for local residents.

As with the rest of the nation, the Water Authority's service area has been severely impacted by the COVID-19 pandemic, with Albuquerque's unemployment at 9.4% as of June 2020. That is slightly better than the state's unemployment rate for the second quarter of 9.8%, and almost four points below the national rate of 13.0%. Moving forward in 2020, the total employment in the Albuquerque MSA is forecast to decrease by 4.6%, with losses in nearly every sector. Losses will be concentrated in the private sector, expected to be down 5.8%; with the government sector predicted to increase by about 0.4%. No private sector industries are forecast to add jobs in the Albuquerque MSA in 2020.

Slow demand for home building coupled with constrained state and local government budgets will hamper the construction sector, which is expected to decrease by 4.9%, or 1,188 jobs.

Temporary closures and social distancing requirements will cause the accommodation and food services sector to decrease by a predicted 13.4%, and retail trade will contract heavily in 2020, down by a predicted 12.9%. In addition, as temporary workers and call centers move to skeleton crews, the volatile administrative and waste services sector will quickly move to cut payrolls and is expected to decrease by 14.8%.

COVID-related closings and restrictions will operate to bring employment in arts, entertainment and recreation down by a predicted 22.8%, with other services expected to decrease 10.3%.

Owing to the administration of the 2020 Decennial Census, the federal government is projected to add jobs and increase by 3.8%. Both state and local government, however, are projected to decrease by 0.5%.

In the longer term, through 2025, the Albuquerque MSA economy is forecasted to add 25,812 jobs for 1.4% average annual growth (AAG) as it regains jobs lost in 2020. Job levels in the MSA should return to 2019 levels by 2024. By the end of the forecast window, the economy should have 2.2% more jobs than in 2019. All growth over the period from 2020 to 2025 is predicted to be in the private sector, 2.0% AAG. The government sector, on the other hand, will shed jobs and decrease 0.7% AAG.

After projected declines in 2020 and 2021, total housing permits in the City of Albuquerque are expected to bounce back in 2022. For the remainder of the forecast period, permits should trend upward and average about 1,600 per year.

The biggest challenge facing the Water Authority is navigating the COVID-19 pandemic. Staff of water and sewer utilities are designated "Essential Critical Infrastructure Workers" by the U.S. Department of Homeland Security. As such, according to federal guidelines, utilities have a special responsibility to maintain normal work schedules to ensure operational continuity in the protection of public health and welfare. Work-from-home provisions and schedule adjustments have been enacted across the utility to ensure that all services continue uninterrupted while protecting employees from unnecessary risk.

In response to the pandemic, the Water Authority has suspended service disconnections for non-payment. Staff have been tasked to monitor expenses and to prioritize projects to better manage reduced resources. Finance personnel are closely monitoring revenues and expenses and, to date, the effects of the pandemic on the Water Authority have been minimal.

An overview of the general demographics and economic conditions in the Albuquerque MSA can be found in the Statistical Section of this report.

Long-Term Financial Planning

The Water Authority uses a ten-year financial plan that factors in resources, expenses, capital needs and debt service requirements. The financial plan provides the Water Authority with the ability to compare the impact of future financial activity and issues to determine the most appropriate method of maintaining the Water Authority's financial stability. The Water Authority reviews water and wastewater rates bi-annually to ensure that inter- and intra- class equity is maintained.

To plan for the future and to ensure financial stability, an amendment to the Water Authority's Rate Ordinance was approved by the Board in June 2013 which increased rate revenue by 5% in fiscal years 2014, 2015, 2016 and again in 2018. There was no rate increase in fiscal year 2019 or fiscal year 2020 and no rate increase is scheduled for fiscal year 2021. The Water Authority will be preparing a cost-of-service study in 2021 to look at future needs of the system.

Effective July 1, 2007, the Water Authority Board approved policies that impact financial planning for the future. A Rate Stabilization Fund was established to help offset fluctuations in revenue in the future and mitigate the need for rate increases. An annual adjustment to the Utility Expansion Charge (UEC) and the Water Resource Charge (WRC) based on the building cost or construction cost indices was implemented. This adjustment will allow the Water Authority's capital program to maintain constant dollars with inflationary increases in the future. A Water Resource Charge was established to provide the resources for the Water Authority to begin the planning, acquisition and development of new water sources to meet the demands of new customers outside the established service area without impacting existing customers.

In FY20, the Water Authority established a reserve to provide funds for the future closure and post-closure care costs for the utility's Soil Amendment Facility, which processes byproducts of wastewater treatment. The New Mexico Solid Waste Rules, 20.9.3.27 NMAC, require the registration of a composting facility with the New Mexico Environment Department. As part of this registration, the agency must provide financial assurance for the closure and nuisance abatement (Rule 20.9.10.9 NMAC) in the event the facility is to be closed. Management analysis of GASB Statement No. 18 determined that no liability needs to be recorded as the facility does not store byproducts on-site.

The Water Authority also develops a Decade Plan every two years that guides the Capital Implementation Program (CIP). The projects included in the plan are identified for near-term and future work and include both rehabilitation needs and growth-related activities. The Water Authority's financial planning considers basic program needs as part of its revenue requirements, and, by policy, requires financing fifty percent of basic program rehabilitation CIP work from water and wastewater rate revenues. The balance of capital funding is obtained through revenue bond or loan financing. Growth-related projects are funded through UEC revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriations to CIP projects. The development of a Decade Plan allows for long-term planning for both initial construction and rehabilitation costs as well as additional operating costs to operate and maintain new water and wastewater facilities.

Major Initiatives

The foundation of the Water Authority's long-term water resources planning efforts is *Water 2120*, a policy document approved by the utility's Board in 2016. The operational cornerstone of *Water 2120* is the San Juan-Chama Drinking Water Project (DWP), which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After a decade of operation, the DWP – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey. A video documenting this success is available for viewing at:

<https://www.youtube.com/watch?v=Z6stQZw2L1M&feature=youtu.be>.

Selected priorities for FY21 include:

- Continue community outreach programs and communication.
- Develop an Asset Management Strategic Implementation Plan and establish a baseline of percent complete on the Strategic Asset Management Program to include the Asset Registry and establish targets.

- Complete construction of a Consolidated Customer Service & Field Operations Facility and relocate staff to the new facility.
- Implement countermeasures identified in Phase 1 of the Final Security Plan based on the vulnerability assessments and update the Emergency Response Plan.
- Continue implementation of *Water 2120*– with completion of a Groundwater Management Plan, Environmental Plan, Reuse Plan, and an analysis of proposed water conservation rebate compliance with the rebate ordinance.

Relevant Financial Policies

Written long-term financial policies are contained in state statute and Water Authority Ordinances that serve as a basic framework for the financial management of the Water Authority. These policies are intended to assist members of the Water Authority's governing board and Water Authority staff to evaluate current financial activities. These policies are to be reviewed on an annual basis in conjunction with the annual budget.

The budget and accounting basis for the Water Authority is on an accrual basis. Revenues are recognized when earned, and expenses are recognized as they are incurred. The Water Authority is operated as an enterprise fund, which is an accounting entity with a self-balancing set of accounts established to record the financial position and results that pertain to a specific governmental activity. Appropriations are at the fund level, the level at which expenses may not legally exceed appropriations. Budgetary control is maintained by a formal appropriation and encumbrance system. Appropriations may be made or modified during the year by resolution. Appropriations revert to fund/working capital balance to the extent they have not been expended or encumbered at fiscal year-end.

The Water Authority has maintained a conservative approach to financial targets, which includes a twelve-year or- less debt term for basic capital financing, an average of 50% cash financing for basic capital projects and a minimum of 133% annual debt service coverage for senior lien debt.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2019. This was the sixth time since 2008 that the Water Authority received this prestigious award. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. Staff believes that its current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

The Water Authority received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2020. This is the highest form of recognition in governmental budgeting. To qualify for the Distinguished Budget Presentation Award, the Water Authority's budget document was judged to be proficient in several categories, including presentation as a policy document, financial plan,

operations guide and communication device. The Water Authority has been the recipient of this prestigious award since 2005.

Additionally, the Water Authority received the Popular Annual Financial Reporting Award, which recognizes high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the public and other interested parties without a background in public finance. The Water Authority has been the recipient of this award for the past five years.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Water Authority's Financial/Business Services and CIP/Asset Management Divisions. We would like to express our appreciation to all members of the Water Authority who assisted and contributed to the preparation of this report. Due credit also should be given to the Water Authority Board members for their unfailing support for maintaining the highest standards of professionalism in the management of the Water Authority's finances.

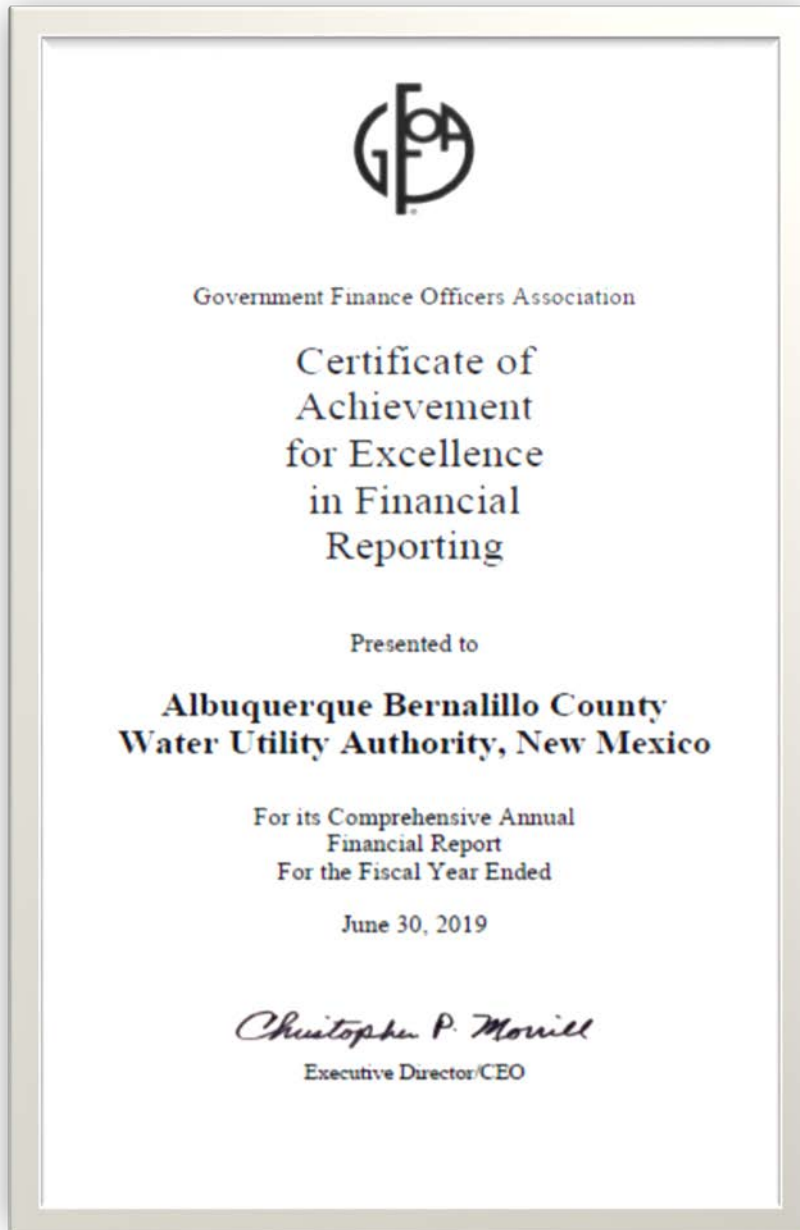
Respectfully submitted,

Mark S. Sanchez
Executive Director

Stanley R. Allred
Chief Financial Officer

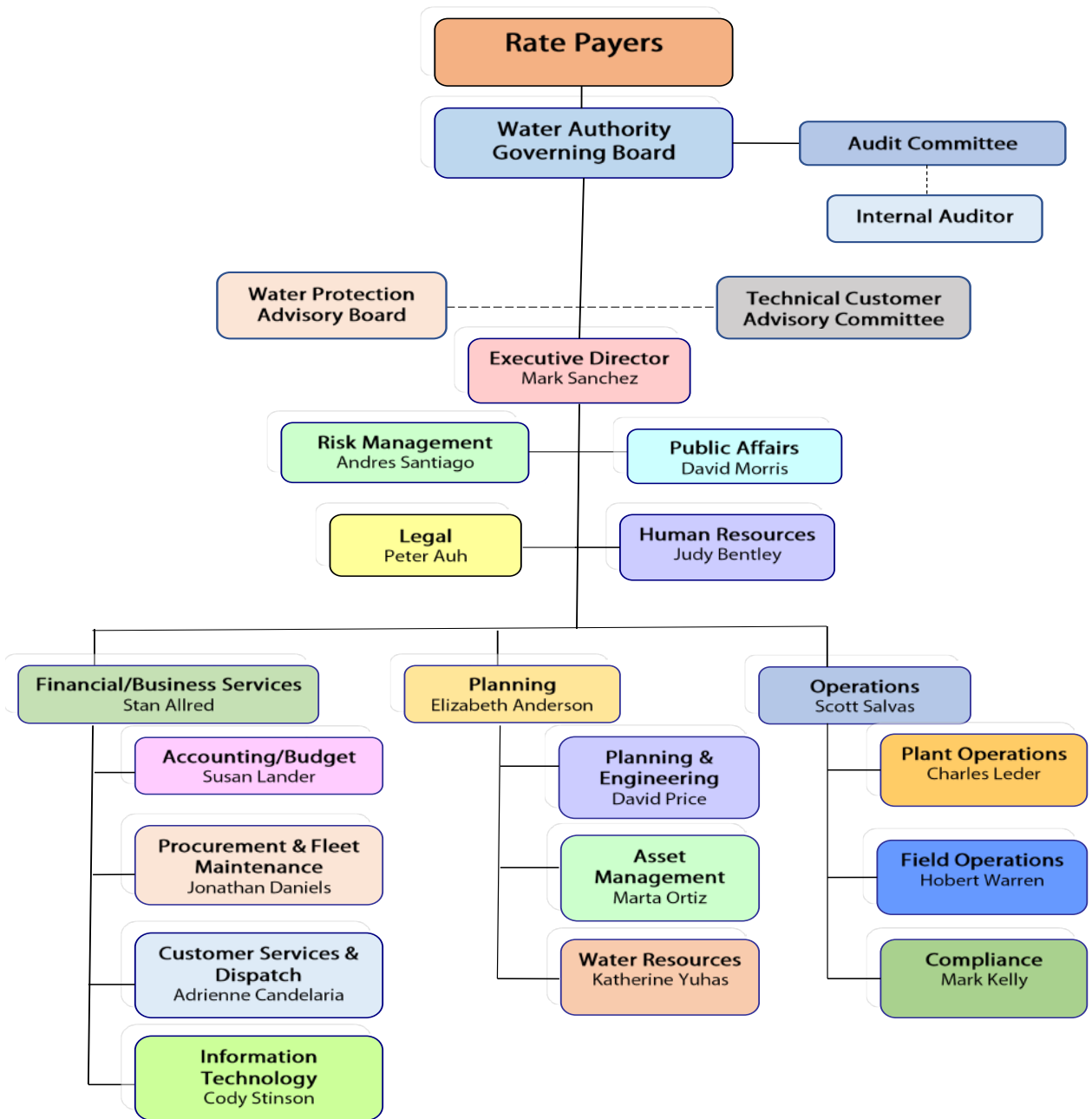
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CERTIFICATE OF ACHIEVEMENT AWARD



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

ORGANIZATIONAL CHART



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SYSTEM OFFICIALS



GOVERNING BOARD MEMBERS

KLARISSA J. PENA	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 3	CHAIR
DEBBIE O'MALLEY	BERNALILLO COUNTY COMMISSIONER, DISTRICT 1	VICE CHAIR
PAT DAVIS	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 6	MEMBER
TRUDY E. JONES	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 8	MEMBER
TIMOTHY M. KELLER	CITY OF ALBUQUERQUE, MAYOR	MEMBER
CHARLENE E. PYSKOTY	BERNALILLO COUNTY COMMISSIONER, DISTRICT 5	MEMBER
STEVEN MICHAEL QUEZADA	BERNALILLO COUNTY COMMISSIONER, DISTRICT 2	MEMBER
PABLO R. RAEL	VILLAGE OF LOS RANCHOS BOARD TRUSTEE	EX-OFFICIO

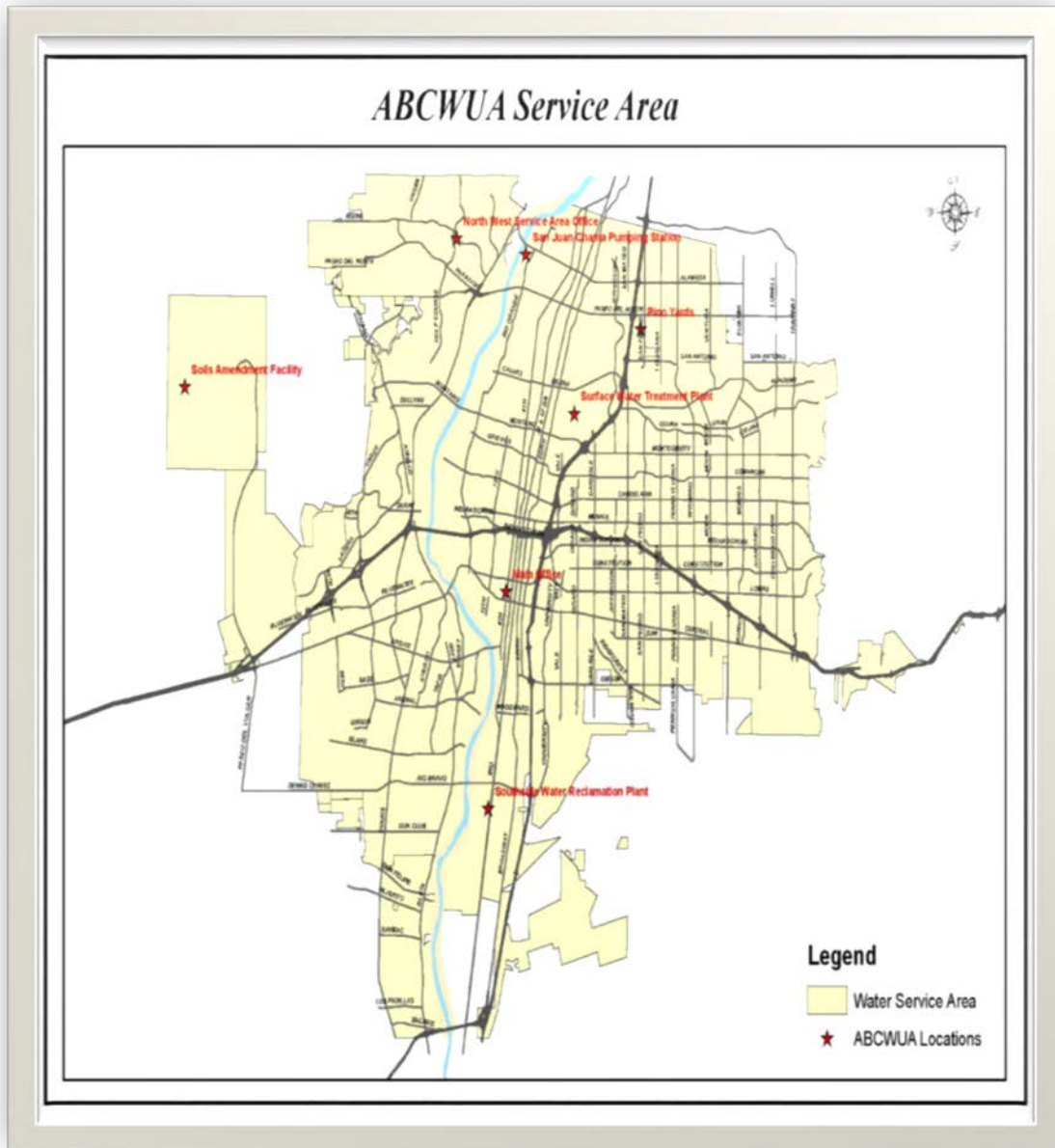
EXECUTIVE LEADERSHIP

MARK S. SANCHEZ	EXECUTIVE DIRECTOR
STANLEY R. ALLRED	CHIEF FINANCIAL OFFICER
SCOTT SALVAS	CHIEF OPERATIONS OFFICER
ELIZABETH ANDERSON	CHIEF PLANNING OFFICER
PETER AUH	GENERAL COUNSEL
JUDY M. BENTLEY	HUMAN RESOURCES MANAGER
DAVID R. MORRIS	PUBLIC AFFAIRS MANAGER

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SERVICE AREA MAP





FINANCIAL SECTION







Independent Auditor's Report

The Board of Directors of the Albuquerque
Bernalillo County Water Utility Authority
and
Mr. Brian Colón
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2020, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Water Authority, as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, presents fairly, in all material respects, the budgetary comparison of the Water Authority for the year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of Net Pension Liability and Contributions, the Schedules of Life Insurance Benefit Plan Liability and Contributions and the Schedules of New Mexico Retiree Health Care Authority Plan Liability and Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Water Authority's financial statements and the budgetary comparison schedule. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying schedule of expenditures of federal awards, other schedules required by 2.2.2 NMAC and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, on our consideration of the Water 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

REDWLLC

Albuquerque, New Mexico
November 25, 2020

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

As management of the Albuquerque Bernalillo County Water Utility Authority (Water Authority), we offer readers of the Water Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2020. Readers are encouraged to consider the information presented here in conjunction with our audited financial statements and additional information that we have furnished in our letter of transmittal, which can be found on pages 6-12 of this report.

FINANCIAL HIGHLIGHTS

The Water Authority's financial position, measured by the change in net position, decreased 0.12 percent during fiscal year 2020, compared to an increase of 1.85 percent during fiscal year 2019. The decrease in 2020 reflects a restatement for the implementation of GASB Statement No. 87 related to leases.

- The assets and deferred outflows of resources of the Water Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$633.5 million (net position). The portion of net position that can be used to meet the Water Authority's on-going obligations to customers and creditors, unrestricted net position, is \$39.1 million.
- Operating revenues increased from \$220.0 million in 2019 to \$225.6 million in 2020, largely attributed to an increase in consumption levels.
- Capital contributions were \$6.4 million in 2020 compared to \$10.1 million in 2019, a decrease of \$3.7 million.
- Debt service coverage for senior liens decreased from 199% to 191% for fiscal year 2020; which continues to remain above the 133% requirement established by the governing board and bond covenants.
- Taking advantage of the historically low interest rate environment and the Water Authority's strong credit ratings, the Water Authority issued \$69.4 million in revenue bonds on April 2, 2020.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Water Authority's basic financial statements. The Water Authority's basic financial statements contain four components: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, and 4) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves. The Water Authority, for financial statement reporting purposes, is a special purpose government engaged only in a business-type activity. As such, it does not include in its financial statements financial information for individual general ledger funds that are used for internal accounting purposes.

The Water Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services regarding the Water Authority's principal ongoing operations which are the provision of water and wastewater services

to customers within the designated service area. The principal operating revenues result from exchange transactions in which each party receives and gives up essentially equal values.

Measurement Focus / Basis of Accounting:

The Water Authority's financial statements included herein present financial information using a recognition concept comprised of two elements, measurement focus and basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. In general, a specific measurement focus is matched with the corresponding basis of accounting that supports the measurement focus.

For governments to achieve the objective of accountability, financial information must be both relevant and reliable for reasonably informed users. Financial reports must satisfy numerous and diverse needs or objectives, including short-term financial position and liquidity, budgetary and legal compliance, and issues having a long-term focus such as capital budgeting and maintenance. Additionally, differences exist in the amount of detail that various users need. Presentations using different measurement focus/basis of accounting formats are required to meet these complex objectives.

The flow of economic resources measurement focus combined with the accrual basis of accounting is the most expansive perspective and recognizes any transaction which adds or subtracts economic resources from the entity. This measurement focus is used with the accrual basis of accounting so that revenues are recognized in the accounting period in which they are earned and become measurable without regard to availability and expenses are recognized in the period incurred, if measurable.

The budgetary basis of accounting can be any comprehensive basis of accounting chosen by the entity including hybrids of the accrual, modified accrual or the cash basis of accounting. The Water Authority's budgetary basis is consistent with the accrual basis of accounting except for the accounting for debt service, which includes debt service principal payments, certain cash transfers, capital contributions and capital outlay.

Basic Financial Statements:

The Water Authority's financial statements are designed to provide readers with a broad overview of the Water Authority's finances, in a manner comparable to a private-sector business.

The statement of net position presents information on the Water Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equal net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating, absent extraordinary events.

The statement of revenues, expenses, and changes in net position presents information detailing the changes in the Water Authority's net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating activities, capital and related financing activities, noncapital financing activities, and investing activities for the fiscal year.

Notes to the Financial Statements:

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements, which can be found on pages 42-80 of this report.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) demonstrating the Water Authority's progress in funding its obligation to provide pension and OPEB benefits to its employees. Additional information can be found in the notes to the financial statements in Note III. E. and G. starting on page 62.

FINANCIAL ANALYSIS

Table 1 presents a summarized comparative statement of net position for the last three fiscal years.

Table 1
Water Authority's Condensed Net Position
(In thousands of dollars)

	FY2020	Restated FY2019	FY2018	FY2020 vs FY2019	FY2019 vs FY2018
Assets:					
Current and other assets	\$276,696	\$245,711	\$183,840	\$30,985	\$61,871
Capital assets	1,175,400	1,168,969	1,187,966	6,431	(18,997)
Total assets	1,452,096	1,414,680	1,371,806	37,416	42,874
Total deferred outflow of resources	25,549	33,020	33,098	(7,471)	(78)
Liabilities:					
Long-term liabilities	718,332	703,898	681,627	14,434	22,271
Other liabilities	108,175	96,912	88,883	11,263	8,029
Total liabilities	826,507	800,810	770,510	25,697	30,300
Total deferred inflow of resources	17,680	12,673	11,688	5,007	985
Net position:					
Net investment in capital assets	594,404	568,941	571,387	25,463	(2,446)
Unrestricted	39,054	65,276	51,319	(26,222)	13,957
Total net position	\$633,458	\$634,217	\$622,706	(\$759)	\$11,511

As would be expected for a utility, the largest portion of the Water Authority's net position is the net investment in capital assets (93.8 percent). This category reflects the Water Authority's total investment in capital assets (e.g., infrastructure, buildings, machinery, equipment, and right to use leases); less any related outstanding debt used to acquire those assets. Capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the Water Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- Current and non-current assets in FY2020 increased \$37.4 million from FY2019 and increased \$80.3 million from FY2018. The increase was primarily due to an increase in cash, investments and restricted cash from the sale of revenue bonds and new capital acquisitions offset by retirements and current year depreciation and amortization of \$85.5 million.
- Other liabilities in FY2020 increased \$11.3 million from FY2019 and increased \$19.3 million from FY2018. The increase in FY2020 was primarily related to an increase in debt obligation requirements.

- Long-term liabilities in FY2020 increased \$14.4 million from FY2019 and increased \$36.7 million from FY2018. The increase in FY2020 was primarily due to the issuance of new long-term debt obligations and the net changes in the net pension liability.

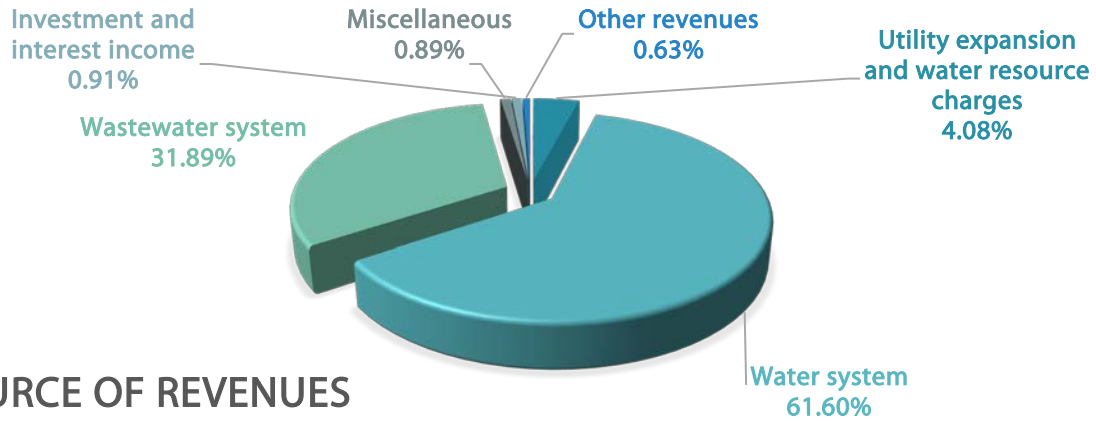
Table 2 presents a summarized comparative statement of revenues, expenses, and changes in net position for the last three fiscal years.

Table 2
Water Authority's Condensed Changes in Net Position
(In thousands of dollars)

	FY2020	Restated FY2019	FY2018	FY2020 vs FY2019	FY2019 vs FY2018
Revenues:					
Water system revenue	\$147,245	\$141,268	\$148,315	\$5,977	(\$7,047)
Wastewater system revenue	76,231	76,849	76,253	(618)	596
Miscellaneous revenue	2,133	1,868	1,828	265	40
Non-operating revenue	13,431	15,264	13,544	(1,833)	1,720
Total revenues	239,040	235,249	239,940	3,791	(4,691)
Expenses:					
Operating	225,733	213,186	203,113	12,547	10,073
Non-operating	20,507	20,697	18,295	(190)	2,402
Total expenses	246,240	233,883	221,408	12,357	12,475
Income (loss) before capital contributions	(7,200)	1,366	18,532	(8,566)	(17,166)
Capital contributions	6,441	10,145	13,000	(3,704)	(2,855)
Change in net position	(759)	11,511	31,532	(12,270)	(20,021)
Net position, beginning of year	634,217	622,706	591,174	11,511	31,532
Net position, end of year	\$633,458	\$634,217	\$622,706	(\$759)	\$11,511

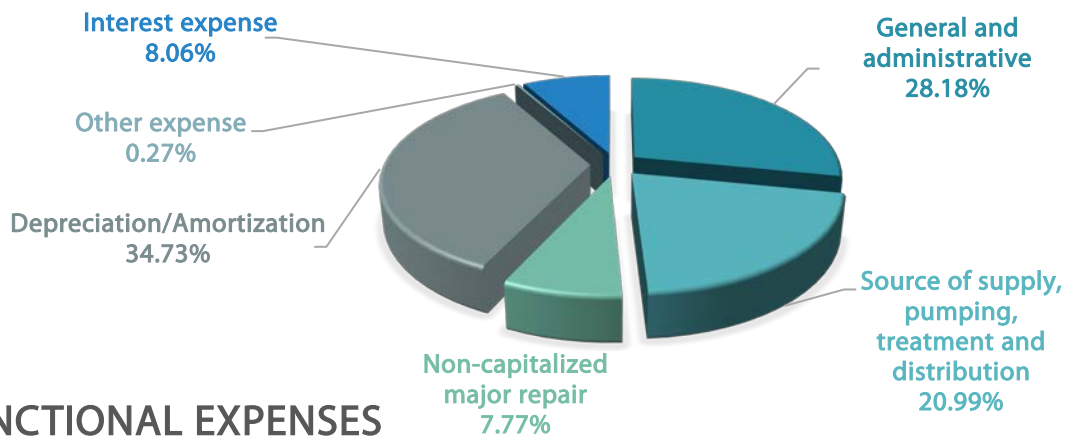
While the statement of net position displays the Water Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end, the statement of revenues, expenses, and changes in net position provide information on the sources of the change in net position during the year. As shown in Table 2, the loss before capital contributions was (\$7.2) million, a decrease of \$8.6 million from FY2019 and a decrease of \$25.7 million from FY2018.

Table 2 shows FY2020 revenues increased \$3.8 million from FY2019 but decreased \$0.9 million from FY2018; primarily related to an increase in consumption levels. Changes in water consumption from year to year are generally directly related to changes in temperature, and inversely related to changes in precipitation. Longer term changes in consumption are the result of changes in conservation habits on the part of customers and the customer base.



SOURCE OF REVENUES

FY2020 operating expenses (exclusive of depreciation and amortization) increased by \$12.1 million from FY2019 and increased \$19.7 million from FY2018. The primary factors are related to an annual 2.0% cost of living adjustment for employees, adjustments to pension and OPEB expense, an increase in utility expense at the surface water plant operations, and an increase in chemical expense. Non-capitalized major repairs increased primarily due to an increase in meters, rehabilitation projects, and information technology professional services either valued under the capitalization threshold or not meeting the capitalization threshold.



FUNCTIONAL EXPENSES

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The Water Authority’s Capital program is comprised of different categories of projects, each with its own funding rules. The Basic Program is funded by recurring revenues generated from the water/wastewater rate structure. Special Projects are done outside of the Basic Program but are funded from the same

revenue stream that funds the Basic Program. The Rate Ordinance states that, on average, 50 percent of the cost of capital projects which constitute the normal (Basic) capital program of the water and wastewater system shall be paid with cash rather than from borrowed funds. The balance of capital funding is obtained through revenue bond or loan financing. The rate structure is designed to provide sufficient revenue to meet the cash requirement and to meet the debt service obligations incurred to finance the remainder of the Basic Program. System growth projects are funded through Utility Expansion Charge (UEC) revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriation to Water Authority capital projects. The current Rate Ordinance requires no less than \$30.0 million for Basic rehabilitation program. Additionally, \$2.0 million is budgeted annually for the Automated Meter Infrastructure (AMI) program.

The blueprint for the Water Authority’s Basic Program is its Decade Plan, a ten-year capital plan required to be updated biennially in even numbered fiscal years with two, four, six, eight and ten-year planning elements. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. This ensures there is always an approved two-year planning element in place for every approved annual Basic Program budget. Fiscal Year 2020 is the first year of the two-year planning element included in the 2020-2029 Decade Plan approved by the Board in April 2020.

Table 3 presents the Water Authority’s capital assets at June 30, 2020, 2019 and 2018.

Table 3
Condensed Capital Assets
(In thousands of dollars)

	FY2020	Restated FY2019	FY2018	FY2020 vs FY2019	FY2019 vs FY2018
Capital assets not being depreciated:					
Land	\$25,361	\$25,266	\$25,204	\$95	\$62
Construction work in progress	44,782	23,608	32,261	21,174	(8,653)
Purchased water rights	49,251	49,251	49,251	-	-
Total capital assets not being depreciated	119,394	98,125	106,716	21,269	(8,591)
Capital assets being depreciated/amortized(net):					
Leases right to use	890	1,418	-	(529)	1,418
Buildings and other improvements	1,040,383	1,055,575	1,069,081	(15,192)	(13,506)
Machinery and equipment	14,733	13,851	12,169	882	1,682
Total capital assets being depreciated/amortized (net)	1,056,006	1,070,844	1,081,250	(14,839)	(10,406)
Total capital assets	\$1,175,400	\$1,168,969	\$1,187,966	\$6,430	(\$18,997)

Major capital asset additions for the current fiscal year included:

- \$13.5 million – Southside Water Reclamation Plant and collection system improvements
- \$8.8 million – Sanitary wastewater pipeline renewal
- \$6.2 million – Drinking water pipeline renewal
- \$1.4 million – Drinking water plant treatment systems renewal
- \$6.0 million – Groundwater production and distribution improvements

The Water Authority’s capital assets as of June 30, 2020 total \$1.175 billion, net of accumulated depreciation and amortization. This investment in capital assets includes land, buildings, right to use leases, water and wastewater distribution systems, and vehicles. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Water Authority’s on-call contractors for small diameter water and wastewater line repair and the repair of a large diameter wastewater line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations that control the surface and groundwater pumping and treatment systems, and making improvements at the Surface Water Treatment Plant. In FY2020, the Water Authority implemented GASB Statement No. 87, Leases and restated the FY2019 financial statements.

More capital asset detailed information can be found in Note III.C. on page 55.

LONG-TERM DEBT

At June 30, 2020, the Water Authority had \$631.5 million in significant long-term debt liabilities outstanding, a net increase of \$12.5 million, or 2.03 percent from the prior year. Long-term debt liabilities consist of bonds payable, notes from direct borrowings payable, and water rights contract payable. The amount of debt due within one year totaled \$59.2 million.

Table 4 presents a summary of the Water Authority’s outstanding long-term liabilities at June 30, 2020, 2019, and 2018.

Table 4
Condensed Long-term Liabilities
(In thousands of dollars)

	FY2020	Restated FY2019	FY2018	FY2020 vs FY2019	FY2019 vs FY2018
Notes from direct borrowings	\$31,560	\$35,873	\$39,938	(\$4,313)	(\$4,065)
Revenue bonds	595,930	577,825	551,950	18,105	25,875
Water rights contract	3,960	5,203	6,409	(1,243)	(1,206)
Total	\$631,450	\$618,901	\$598,297	\$12,549	\$20,604

The Water Authority issues debt in compliance with its formally adopted debt policy. This policy includes general management, financial management, and debt and capital management. It documents the Water Authority's goals for the use of debt for financing the Water Authority infrastructure and project needs. The following is the most recent rating received for the Water Authority.

Rating Agency:

Standard & PoorsAAA	Rating reflects Extremely Strong Capacity to Meet Financial Commitments
Moody'sAa2	Rating reflects Excellent Financial Position; Bonds Maintain Positive Investment Qualities

Prior to the 2020 Revenue Bond issuance in April 2020, a policy decision was made to not seek a bond rating from Fitch.

More information about the Water Authority's long-term liabilities is presented in Note III.D. on page 56.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Five months into the pandemic and the path to recovery is not certain. New Mexico has held up as well or better than most states. The state's coronavirus infection rate is lower than in most other states. Despite aggressive restrictions to control the spread of the virus, New Mexico's unemployment rate is relatively low, 8.3% in June; 6th lowest in the nation. Projections are that New Mexico will regain about half of the lost jobs by year-end and return to pre-COVID levels by end of 2025.

The Water Authority is committed to fiscal responsibility, which is our assurance we will judiciously spend, earn and generate funds without placing undue hardship on our ratepayers. The adopted fiscal year 2021 budget identifies resources to provide quality water in sufficient quantity, to collect and treat wastewater to acceptable standards, to provide professional utility engineering services, and to provide utility customer services. The budget also establishes the Water Authority's financial plan and uses the Goals, Objectives, and Performance Plan as guides for the appropriation of funds.

The Water Authority has adopted the fiscal year 2021 budget according to the utility's projected estimated revenues. General Fund revenue for FY2021 is estimated to be \$237.8 million, representing an increase of \$6.4 million from the fiscal year 2020 budget amount. There is no rate increase proposed for fiscal year 2021.

The Water Authority will continue to spend \$250 million to upgrade its wastewater treatment plant and add an additional \$36 million per year to Capital Implementation Program (CIP) funding to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in the most recent asset management study commissioned by the Water Authority. Infrastructure renewal backlog is being addressed over the coming years in order to maintain service levels and protect the health, safety, and economic viability of our community.

Helping to guide the Water Authority's efforts is *Water 2120*, the Water Authority's 100-year water resources management strategy, which went into effect during fiscal year 2017. *Water 2120* integrates

the latest science regarding the effect of climate change on the availability of surface water supplies. Using climatic hydrologic simulation models from the Office of the State Engineer, Sandia National Laboratories and the U.S. Bureau of Reclamation and Geological Survey, among other agencies, it takes climate variability into account and for the first time looks at a 100-year time horizon for the greater Albuquerque area. Three different demand scenarios along with three supply alternatives are used to examine the need for new supplies while maintaining a ground water resource for future generations. A portfolio of supply options is used to fill the gaps to meet future demand over the next 100 years.

A copy of the *Water 2120* approved document can be obtained at the following website: <http://www.abcwua.org/uploads/files/Water%202120%20Approved%20Policy%20Document.pdf>.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Water Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, One Civic Plaza NW, Room 5012, Albuquerque, New Mexico, 87102.



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020, AND 2019

	<u>2020</u>	<u>Restated 2019</u>
CURRENT ASSETS:		
Cash	\$87,685,313	\$70,325,876
Investments	72,164,110	102,488,736
Accounts and leases receivable, net of allowance	20,636,353	19,601,149
Notes receivable, current portion	1,039,307	872,650
Due from other governments	329,245	183,575
Prepaid items	323,566	66,263
Total current assets	<u>182,177,894</u>	<u>193,538,249</u>
NONCURRENT ASSETS:		
Long-term notes receivable	5,439,559	5,004,280
Restricted assets:		
Cash	89,078,154	47,168,017
Total other noncurrent assets	<u>94,517,713</u>	<u>52,172,297</u>
Capital assets, net of accumulated depreciation/amortization:		
Buildings and other improvements	1,040,382,749	1,055,575,339
Leases right to use	890,386	1,418,603
Machinery and equipment	14,732,858	13,850,563
Net depreciable and amortizable capital assets	<u>1,056,005,993</u>	<u>1,070,844,505</u>
Capital assets, not being depreciated:		
Land	25,360,568	25,265,606
Purchased water rights	49,251,368	49,251,368
Construction work in progress	44,782,159	23,607,887
Total capital assets	<u>1,175,400,088</u>	<u>1,168,969,366</u>
Total noncurrent assets	<u>1,269,917,801</u>	<u>1,221,141,663</u>
TOTAL ASSETS	<u>1,452,095,695</u>	<u>1,414,679,912</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to other post-employment benefits	847,366	848,944
Deferred amounts related to pensions	10,451,756	14,974,502
Deferred amounts on refunding	14,249,960	17,196,455
Total deferred outflows of resources	<u>25,549,082</u>	<u>33,019,901</u>

The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2020, AND 2019

	<u>2020</u>	<u>Restated 2019</u>
CURRENT LIABILITIES:		
Accounts payable	\$27,026,101	\$16,679,973
Accrued payroll	2,486,502	1,834,689
Claims payable, current portion	1,732,003	1,690,735
Accrued compensated absences, current portion	3,166,267	3,887,137
Deposits	892,117	877,364
Lease liability	964,355	1,491,546
Debt obligations, current portion:		
Revenue bonds	53,010,000	51,335,000
Notes from direct borrowings	4,908,241	4,692,256
Water rights contract	1,280,611	1,242,757
Accrued interest for debt obligations	12,709,316	13,181,001
Total current liabilities	<u>108,175,513</u>	<u>96,912,458</u>
NONCURRENT LIABILITIES:		
Debt obligations, net of current portion:		
Revenue bonds	595,086,218	571,510,789
Notes from direct borrowings	27,359,460	32,279,020
Water rights contract	2,679,428	3,960,039
Total long-term debt obligations	<u>625,125,106</u>	<u>607,749,848</u>
Other non-current liabilities:		
Claims payable, net of current portion	2,239,516	1,913,763
Net pension liability	64,315,537	59,487,543
Net post-employment benefit obligations liability	25,399,296	34,650,853
Accrued compensated absences, net of current portion	1,252,621	96,159
Total other noncurrent liabilities	<u>93,206,970</u>	<u>96,148,318</u>
Total noncurrent liabilities	<u>718,332,076</u>	<u>703,898,166</u>
TOTAL LIABILITIES	<u>826,507,589</u>	<u>800,810,624</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to leases	951,377	1,280,371
Deferred amounts related to other post-employment benefits	15,701,138	9,331,810
Deferred amounts related to pensions	1,027,092	2,060,504
Total deferred inflows of resources	<u>17,679,607</u>	<u>12,672,685</u>
NET POSITION		
Net investment in capital assets	594,404,243	568,941,434
Unrestricted	39,053,338	65,275,070
TOTAL NET POSITION	<u>\$633,457,581</u>	<u>\$634,216,504</u>

The accompanying notes are an integral part of these financial statements.



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020, AND 2019

	<u>2020</u>	<u>Restated 2019</u>
OPERATING REVENUES:		
Charges for services:		
Water system	\$147,244,774	\$141,267,719
Wastewater system	76,231,345	76,848,592
Miscellaneous	2,133,000	1,868,000
Total operating revenues	<u>225,609,119</u>	<u>219,984,311</u>
OPERATING EXPENSES:		
General and administrative	69,394,965	66,274,400
Source of supply, pumping, treatment and distribution	51,686,336	48,844,000
Non-capitalized major repair	19,138,683	13,012,052
Amortization	528,217	736,098
Depreciation	84,985,126	84,319,801
Total operating expenses	<u>225,733,327</u>	<u>213,186,351</u>
OPERATING INCOME (LOSS)	<u>(124,208)</u>	<u>6,797,960</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment and interest income	2,163,600	3,117,644
Interest expense	(19,842,367)	(20,068,297)
Utility expansion charges	8,916,871	6,884,954
Water resource charges	838,525	437,646
Debt issuances costs	(665,000)	(629,086)
Lease of stored water income	294,824	1,845,393
Other revenues	1,217,438	2,978,492
Total non-operating revenues (expenses), net	<u>(7,076,109)</u>	<u>(5,433,254)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(7,200,317)</u>	<u>1,364,706</u>
Developer contributions	5,092,777	9,777,889
Other contributions	1,348,617	367,375
Total capital contributions	<u>6,441,394</u>	<u>10,145,264</u>
CHANGE IN NET POSITION, restated (Note I. C.12)	<u>(758,923)</u>	<u>11,509,970</u>
NET POSITION:		
Net position, beginning of year	634,216,504	622,706,534
Net position, end of year	<u>\$633,457,581</u>	<u>\$634,216,504</u>

The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020, AND 2019

	<u>2020</u>	<u>Restated 2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$224,573,915	\$219,901,792
Cash payments for employee wages and benefits	(57,539,926)	(56,892,314)
Cash payments to suppliers for goods and services	(66,014,372)	(64,272,980)
Other operating income	921,901	4,823,884
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$101,941,518</u>	<u>\$103,560,382</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets, net	(86,869,042)	(54,126,225)
Principal payments of long-term debt obligations	(58,025,013)	(54,897,504)
Principal payments on lease liabilities	(527,191)	(663,155)
Proceeds from loan agreements	1,134,386	416,113
Proceeds from revenue bonds	86,649,943	84,641,202
Interest paid on debt obligations	(27,822,776)	(27,359,527)
Payment of debt issuance costs	(665,000)	(629,086)
Proceeds from sale of assets	313,292	-
Capital grants, net	1,202,947	606,491
Utility expansion charges	9,448,284	7,050,496
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(75,160,170)</u>	<u>(44,961,195)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	2,163,600	3,117,644
Sale (Purchase) of investments	30,324,626	(66,016,627)
NET CASH PROVIDED (USED) FOR INVESTING ACTIVITIES	<u>32,488,226</u>	<u>(62,898,983)</u>
NET INCREASE (DECREASE) IN CASH	59,269,574	(4,299,796)
CASH, BEGINNING OF YEAR	<u>117,493,893</u>	<u>121,793,689</u>
CASH, END OF YEAR	<u>\$176,763,467</u>	<u>\$117,493,893</u>
FINANCIAL STATEMENT PRESENTATION:		
Cash	87,685,313	70,325,876
Restricted cash	89,078,154	47,168,017
	<u>\$176,763,467</u>	<u>\$117,493,893</u>

The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2020, AND 2019

	<u>2020</u>	<u>Restated 2019</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	(\$124,208)	\$6,797,960
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	85,513,343	85,055,899
Other non-operating income (expenses), net	921,901	4,823,884
Changes in assets and liabilities:		
Increase (decrease) in accounts receivable	(1,035,204)	(82,519)
Increase (decrease) in deposits	14,753	58,734
Increase (decrease) in leases and deferred amounts related to leases	(328,994)	1,280,371
Increase (decrease) in accounts payable	10,346,128	2,437,714
Increase (decrease) in accrued payroll, prepaid items, employee benefits, and deferred amounts related to pensions and other post-employment benefits	6,198,207	3,301,320
Increase (decrease) in compensated absences payable	435,592	(112,981)
TOTAL ADJUSTMENTS	<u>102,065,726</u>	<u>96,762,422</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$101,941,518</u>	<u>\$103,560,382</u>
DISCLOSURE ON NON-CASH TRANSACTIONS:		
Amortization of deferred amounts on refunding	(\$2,946,495)	(\$2,946,495)
Amortization of premium on revenue bonds	10,455,219	11,524,709
Capital contributions received from private developers	5,092,777	9,777,889
Gain (Loss) on capital assets	(17,754)	-
Leases right to use	-	2,154,701

The accompanying notes are an integral part of these financial statements.



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

I. Summary of Significant Accounting Policies

In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978), which created the Albuquerque Bernalillo County Water Utility Authority (Water Authority) and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Joint Water and Wastewater Systems (System) would be transferred from the City of Albuquerque, New Mexico, (City) to the Water Authority. The legislation also provided that the debts of the City payable from Net Revenues of the System shall be debts of the Water Authority and that the Water Authority shall not impair the rights of holders of outstanding debts of the System. The legislation also required that the New Mexico Public Regulation Commission audit the System prior to the transfer of money, assets and debts of the System to the Water Authority; the audit was completed in December 2003. By operation of law, functions, appropriations, money records, equipment and other real and personal property pertaining to the System have been transferred to the Water Authority. All policymaking for the System resides with the Water Authority. During the 2005 New Mexico Legislative Session, Senate Bill 879 was passed which provided the Water Authority the statutory powers provided to all public water and wastewater utilities in the state and recognized the Water Authority as a political subdivision of the state.

The accompanying financial statements present the financial position of the Water Authority at June 30, 2020 and 2019, and the results of its operations for the years ended June 30, 2020 and 2019 in conformity with accounting principles generally accepted in the United States of America.

On an operational level, the Water Authority's relationship with the City of Albuquerque (City) is set forth in a Memorandum of Understanding (MOU) dated July 1, 2013, the term of which has expired but the parties continue to abide by its provisions on a carryover basis. Since July 1, 2013, the operations of the Water Authority are largely autonomous from the City. The MOU confirmed a significantly altered business relationship between the two parties. With the establishment by the Water Authority of its own financial and human resource systems effective July 1, 2013, the Water Authority initiated a deliberate and planned business strategy to internally assume or contract with third parties for nearly all of the services that had been previously provided by the City. The only remaining services provided to the Water Authority by the City are for 1) administration of the Water Authority's group insurance program, and 2) administration of the joint OPEB trust established during fiscal year 2014. In addition, the City leases space of City owned buildings to the Water Authority.

A. Reporting entity

As a political subdivision of the state, the Water Authority is governed by an eight-member board consisting of three Albuquerque City Councilors, three Bernalillo County Commissioners, the Mayor of Albuquerque, and a non-voting member from the Village of Los Ranchos. The Water

Authority has the primary accountability for fiscal matters, therefore the Water Authority is a reporting entity as defined by GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61. As of June 30, 2020, the Water Authority does not have any component units.

The financial statements of the Water Authority have been prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note.

B. Measurement focus, basis of accounting, and financial statement presentation

The Water Authority accounts for all activities to provide water and wastewater services for the residents of the City of Albuquerque and outlying areas. These activities include, but are not limited to, administration, operation, maintenance, financing and related debt service, billing and collection. This proprietary type fund provides services, which are intended to be financed primarily through user charges, or activities where periodic determination of net income is appropriate.

The Water Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services regarding the Water Authority's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include investment earnings, interest expense, and transactions that result from non-exchange transactions or ancillary activities.

The Water Authority is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow occurs.

C. Assets, liabilities, and net position

1. Cash, deposits, and investments

The Water Authority's cash, for purposes of the statements of cash flows, is considered to be cash on hand and demand deposits.

Investments are presented in the financial statements in accordance with GASB Statement No. 40, Deposits and Investment Risk Disclosures, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

The Water Authority also reports investments under the provisions of GASB Statement No. 72, Fair Value Measurement and Application. Fair value is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures.

2. Prepaid items

Amounts paid to vendors for goods and services applicable to future accounting periods are recorded as prepaid items.

3. Accounts and leases receivable

Accounts receivable include water and wastewater accounts that are considered 100% collectible and are subject to a property lien for nonpayment. The Water Authority has adopted Section 3-37-7 NMSA 1978, which permits the write off of uncollectable debt. This avoids excess accrual beyond four years of accounts receivable while also accurately reporting the financial position of the Water Authority and complies with state debt-collection law. Any accounts discharged through bankruptcy court are automatically written off.

In addition, the Water Authority is a lessor for non-cancellable leases and recognizes a lease receivable and a deferred inflow of resources in the financial statements. See Note I. C. 11. for additional note disclosure.

4. Capital assets

State of New Mexico Administrative Code (Section 12-6-10 NMSA 1978) requires state and local governmental agencies to capitalize capital assets costing in excess of \$5,000. Currently, the Water Authority defines capital assets as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost information is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

Construction costs of water and wastewater lines that are reimbursed by users or that are financed directly or indirectly by developers, property owners and granting agencies are capitalized and recorded as capital contributions.

Depreciation on capital assets is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and other improvements.....25 – 50 years
 Machinery and equipment.....05 – 12.5 years

Interest cost is not capitalized as part of the historical cost of a capital asset; rather it is recognized as an expense on a basis consistent with GAAP.

5. Accounts payable

Accounts payable include both trade and construction contracts that are recorded as the liability is incurred. Trade payables represent payables from daily operations. Construction contracts payable are for the acquisition of new capital projects or for rehabilitation of existing water and wastewater lines and facilities. These contracts are funded by operational revenues, utility expansion charge revenues, and long-term debt proceeds.

6. Accrued compensated absences

The employees of the Water Authority may accumulate limited amounts of vacation pay that is payable to the employee upon termination or retirement. Vacation costs are recognized as a liability when earned by the employee. The amount reported in the current liabilities section is approximately equal to the amount of vacation leave paid in the current fiscal year. The balance is reported in the noncurrent liabilities section of the statement of net position.

The employees of the Water Authority may accumulate limited amounts of sick leave that is payable to the employee upon termination or retirement. Sick leave costs are recognized when vested or taken, whichever occurs first. The amount reported in the current liabilities section is the amount recognized for those employees who are currently eligible to retire as of the end of the fiscal year. The balance is reported in the noncurrent liabilities section of the statement of net position.

7. Long-term obligations

Long-term obligation proceeds are used to finance capital improvements, construction activities, expansions, renovations, and other costs as specified in bond indenture and loan agreements. The long-term obligations are payable from the Water Authority's revenues and are recorded in the Water Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method by CUSIP number. Bonds payable are reported net of the applicable bond premium or discount. Amortization expense during fiscal years 2020 and 2019 was \$10,455,219 and \$11,524,709, respectively. Bond issuance costs are expensed as incurred.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Water Authority has three items that qualify for reporting in this category. The first is a deferred loss on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two deferred outflow of resources are related to pensions and other post-employment benefits.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Water Authority's deferred inflow of resources is related to leases, pensions and other post-employment benefits.

See Note III. E. for cumulative change and for details of deferred outflows and inflows of resources related to pensions and see Note III. G. for cumulative change and for details of deferred outflows and inflows of resources related to other post-employment benefits.

9. Net position

The net position of the Water Authority is reported in the following three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Net investment in capital assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is included in the calculation of net investment in capital assets.

Restricted net position - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow

that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Net position is reported as restricted when constraints placed on an assets use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
- b. Imposed by law through constitutional provisions or enabling legislation.

The basic concept is that restrictions are not unilaterally established by the reporting government itself and cannot be removed without the consent of those imposing the restrictions. This category of net position is intended to identify resources that were received or earned by the Water Authority with an explicit understanding between the Water Authority and the resource providers that the funds would be used for a specific purpose.

For example, grants, contributions, and donations are often given under those kinds of conditions. Bond indentures similarly limit the use of proceeds. When both restricted and unrestricted resources are available for use, it is the Water Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Unrestricted net position - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be used to meet the Water Authority's obligations to its customers and its creditors.

10. Estimated amounts reported in financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

11. Leases

Lessee: The Water Authority is a lessee for non-cancellable leases of buildings and equipment and recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The lease liabilities are recognized with an initial, individual value of \$5,000 or more or immaterial component leases that aggregate to a total value of \$5,000 or more. At the commencement of a lease, the Water Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal

portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Water Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- a. The Water Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the current borrowing rate is used as the discount rate for leases.
- b. The lease term includes the non-cancellable period of the lease; the term of the lease contract, including options to extend, must be more than 12 months. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Water Authority is reasonably certain to exercise.

The Water Authority monitors changes in circumstances that would require a re-measurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Water Authority is a lessor for non-cancellable leases and recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the Water Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Water Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- a. The Water Authority uses its current borrowing rate as the discount rate for leases.
 - b. The lease term includes the non-cancellable period of the lease; the term of the lease contract, including options to extend, must be more than 12 months. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from
-

the lessee.

The Water Authority monitors changes in circumstances that would require a re-measurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

12. New accounting pronouncements

In 2020, the Water Authority implemented GASB Statement No. 87, Leases and restated the 2019 financial statements.

This new standard requires the Water Authority to recognize certain lease assets and liabilities for leases. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Water Authority's leasing activities.

Below is a reconciliation of the restated net position for the implementation of GASB Statement No. 87.

	Previously Reported 2019 Balances	Effect of implementation	2019 Balances, as restated
Accounts & leases receivable, net of allowance for uncollectible accounts	\$18,282,892	\$1,318,257	\$19,601,149
Capital assets, net of accumulated depreciation/amortization	1,167,550,763	1,418,603	1,168,969,366
Lease liability	-	1,491,546	1,491,546
Deferred inflows related to leases	-	1,280,371	1,280,371
Source of supply, pumping, treatment and distribution	49,507,156	(663,156)	48,844,000
Amortization	-	736,098	736,098
Investment and interest income	3,050,647	66,997	3,117,644
Other revenues	3,007,604	(29,112)	2,978,492
Total net position, June 30, 2019	\$ 634,251,561	(\$35,057)	\$634,216,504

The following GASB pronouncements, which may have a future impact on the Water Authority, have been issued, but are not yet effective, at June 30, 2020.

- GASB Statement No. 84, Fiduciary Activities
- GASB Statement No. 90, Majority Equity Interest – an amendment of GASB Statement No. 14 and Statement No. 61
- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 93, replacement of Interbank Offered Rates
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

The Water Authority will implement the new GASB pronouncements in the fiscal year no later than the required effective date. Management is still evaluating the financial impact of these pronouncements.

II. Stewardship, Compliance and Accountability

The budgetary data is prepared consistent with the basis of accounting described in Note I.B with these exceptions; debt service principal payments, certain cash transfers, capital contributions and capital outlay. The annual budget is formulated by the Water Authority's Management and submitted to the Water Authority Board in April for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments on the proposed budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the Water Authority Board and is subject to approval by the New Mexico Department of Finance and Administration (DFA). Once approved, notification is received from DFA, and a formal appropriation and encumbrance system to control expenditures is maintained by the Water Authority's financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Water Authority's budget by program. For FY2020, expenses may not exceed budgetary appropriations at the fund level. The Water Authority uses general ledger funds for internal accounting purposes. However, since the Water Authority is accounted for like an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

III. Detailed Notes

A. Cash and investments

At June 30, 2020, the carrying amount of the Water Authority's deposits and investments was \$248,927,577 and the bank balance was \$250,816,535. The difference represents outstanding checks, deposits, and other reconciling items.

Cash and investments for both restricted and unrestricted balances, were comprised of the following at June 30, 2020 and 2019:

Cash and investments:	June 30, 2020	June 30, 2019
Restricted	\$89,078,154	\$47,168,017
Unrestricted:		
Cash	87,685,313	70,325,876
Investments	72,164,110	102,488,736
Total cash and investments reported in statements of net position	\$248,927,577	\$219,982,629

1. Custodial credit risk

Deposits. Custodial credit risk is the risk that in the event of the bank failure, the Water Authority's deposits may not be recovered. The Water Authority is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account (Section 6-10-17 NMSA 1978). Furthermore, the Water Authority Investment Policy requires all deposits with financial institutions to be collateralized in an amount not less than 102% of the uninsured balance in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). Such collateral is held by an independent third-party financial institution acceptable to the Water Authority. At June 30, 2020, \$177,903,210 of the Water Authority's bank balance was exposed to custodial credit risk as uninsured but collateralized with securities held by the pledging financial institution's trust department. Pledged collateral at June 30, 2020 consisted of the following:

	Rio Grande Credit Union	Wells Fargo Bank	Bank of Albuquerque
Total amount on deposit	\$249,215	\$112,118,379	\$66,284,831
Less: FDIC coverage	(250,000)	(250,000)	(250,000)
Total uninsured public funds	-	111,868,379	66,034,831
50% collateral requirement	-	55,934,190	33,017,416
Pledged securities, fair value	-	126,477,335	73,134,272
Pledged in excess of requirement	-	\$70,543,145	\$40,116,856

Fair Value Measurements. The Water Authority categorizes its fair value measurement with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Water Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Water Authority's Investment Policy requires all investment securities purchased by the Water Authority, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for Water Authority's portfolios will be held free and clear of any lien and all transactions will be conducted in compliance with Section 6-10-10(O) NMSA 1978, which requires contemporaneous transfer and same day settlement. The custodian is required to provide reports, which list all transactions that occurred during the month and all securities held for Water Authority at month-end including the book and market value of holdings.

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. Following are the Water Authority's investment balances at June 30, 2020 and 2019:

Fiscal Year	Investment Type	Fair Value	Weighted Average Maturity	Category
June 30, 2020	U S Treasury Bills (U S Government obligations)	\$72,164,110	0.505	Level 1

Fiscal Year	Investment Type	Fair Value	Weighted Average Maturity	Category
June 30, 2019	U S Treasury Bills (U S Government obligations)	\$102,488,736	0.125	Level 1

2. Credit risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligation. The Water Authority's adopted Investment Policy manages credit risk by requiring investment in only these security types, which are consistent with state law:

- U S Government obligations
- U S Government Agency obligations

- Repurchase agreements
- Bank, savings and loan association or credit union deposits
- Municipal securities
- Government money market mutual funds
- Local government investment pool

3. Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an issuer's investment in a single issuer. U.S. Government securities, mutual funds and external investment pools are exempt from this requirement. The Water Authority's investments comply with the requirements of the investment policy. Generally accepted accounting principles require disclosure of certain investments in any one issuer that exceed five percent concentration of total investments.

4. Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Water Authority's Investment Policy manages interest rate risk by emphasizing the following factors when selecting a specific security for inclusion in the portfolio:

- a. Relative yield to maturity: comparison of return available from alternative investments for comparable maturity dates.
- b. Marketability: analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.
- c. Intermarket yield analysis: analysis of the spread relationship between sectors of the market, i.e. treasury bonds or bills versus agency bonds or discount notes, to take advantage of aberrations in yield differentials.
- d. Yield curve analysis: analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.
- e. General economic and interest rate outlook: review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

As of June 30, 2020, the Water Authority's portfolio has no investment that matured beyond 12 months, and the weighted average maturity of the total portfolio was 0.505 years.

5. Pledged collateral by bank

Securities eligible as collateral are those defined under State Law (6-10-16 NMSA 1978). Collateral shall be held in a custodial bank per 6-10-21, NMSA 1978 and shall be assigned to the Water Authority per 6-10-18, NMSA 1978. Securities accepted as collateral may be subject to additional restrictions as specified by the Water Authority's Investment Committee.

B. Accounts and leases receivable, notes receivable, and due from other governments

Accounts receivable are primarily revenues earned from the Water Authority's water and wastewater utility billing system. These are considered 100 percent collectible since a lien can be placed on the customer's property. They also include some miscellaneous receivables for other services.

Notes receivable are for utility expansion charges. The borrower can pay the Water Authority for the extension of water and wastewater lines over a ten-year period at 7 percent interest.

Due from other governments are primarily Federal and State grants that related to capital improvement projects and the Water Authority also has various miscellaneous receivables.

Leases receivable are for lease payments expected to be received during the lease term for leases that the Water Authority is considered a lessor.

Accounts and leases receivable, notes receivable, and due from other governments of the Water Authority for the years ended June 30, 2020 and 2019, are as follows:

Receivables:	June 30, 2020	June 30, 2019
Accounts	\$20,329,679	\$18,918,664
Notes	6,478,866	5,876,930
Due from other governments	329,245	183,575
Leases	1,019,137	1,318,257
Less: allowance for doubtful accounts	(712,463)	(635,771)
Total receivable, net	\$27,444,464	\$25,661,655

C. Capital assets

Capital asset activity of the Water Authority for the years ended June 30, 2020 and 2019, are as follows:

	Restated Balances at June 30, 2019	Additions	Transfers/ Deletions	Balances at June 30, 2020
Capital assets not being depreciated:				
Land	\$25,265,606	\$94,962	-	\$25,360,568
Construction work in progress	23,607,887	40,265,086	(19,090,814)	44,782,159
Purchased water rights	49,251,368	-	-	49,251,368
Total capital assets not being depreciated	98,124,861	40,360,048	(19,090,814)	119,394,095
Capital assets being depreciated/amortized:				
Leases right to use	2,154,701	-	-	2,154,701
Buildings and other improvements	2,432,964,067	46,678,861	19,090,653	2,498,733,581
Machinery and equipment	44,977,351	4,922,910	(1,873,308)	48,026,953
Total capital assets being depreciated/amortized	2,480,096,119	51,601,771	17,217,345	2,548,915,235
Less accumulated depreciation/amortization:				
Leases right to use	(736,098)	(528,217)	-	(1,264,315)
Buildings and other improvements	(1,377,388,728)	(80,962,265)	161	(1,458,350,832)
Machinery and equipment	(31,126,788)	(4,022,861)	1,855,554	(33,294,095)
Total accumulated depreciation/amortization	(1,409,251,614)	(85,513,343)	1,855,715	(1,492,909,242)
Total capital assets being depreciated/amortized, net	1,070,844,505	(33,911,572)	19,073,060	1,056,005,993
Total capital assets, net	\$1,168,969,366	\$6,448,476	(\$17,754)	\$1,175,400,088

	Balances at June 30, 2018	Additions	Transfers/ Deletions	Restated Balances at June 30, 2019
Capital assets not being depreciated:				
Land	\$25,204,444	\$61,162	-	\$25,265,606
Construction work in progress	32,261,354	17,141,322	(25,794,789)	23,607,887
Purchased water rights	49,251,368	-	-	49,251,368
Total capital assets not being depreciated	106,717,166	17,202,484	(25,794,789)	98,124,861
Capital assets being depreciated/amortized:				
Leases right to use	-	2,154,701	-	2,154,701
Buildings and other improvements	2,365,809,304	41,421,060	25,733,703	2,432,964,067
Machinery and equipment	39,999,256	5,280,570	(302,475)	44,977,351
Total capital assets being depreciated/amortized	2,405,808,560	48,856,331	25,431,228	2,480,096,119
Less accumulated depreciation/amortization:				
Leases right to use	-	(736,098)	-	(736,098)
Buildings and other improvements	(1,296,728,712)	(80,721,102)	61,086	(1,377,388,728)
Machinery and equipment	(27,830,564)	(3,598,699)	302,475	(31,126,788)
Total accumulated depreciation/amortization	(1,324,559,276)	(85,055,899)	363,561	(1,409,251,614)
Total capital assets being depreciated/amortized, net	1,081,249,284	(36,199,568)	25,794,789	1,070,844,505
Total capital assets, net	\$1,187,966,450	(\$18,997,084)	-	\$1,168,969,366

D. Long-term obligations

The Water Authority has outstanding revenue bonds and notes from direct borrowings with the New Mexico Finance Authority (NMFA) totaling \$595,930,000 and \$31,559,728, respectively. NMFA does not have the option or remedy to accelerate the Water Authority's payment obligations under the outstanding loan agreements in the event of a default.

The Water Authority also has an outstanding contract with the U.S. Department of Interior Bureau of Reclamation in the amount of \$3,960,039.

Changes in the long-term obligations for the years ended June 30, 2020 and 2019, are as follows:

	Restated Balances at June 30, 2019	Additions	Deletions	Balances at June 30, 2020	Amounts Due In One Year
Revenue bonds	\$577,825,000	\$69,440,000	(\$51,335,000)	\$595,930,000	\$53,010,000
Notes from direct borrowings	35,872,598	1,134,386	(5,447,256)	31,559,728	4,908,241
Water rights contract	5,202,796	-	(1,242,757)	3,960,039	1,280,611
Unamortized premiums	46,119,467	17,209,943	(10,455,219)	52,874,191	-
Leases	1,491,546	-	(527,191)	964,355	468,754
Accrued compensated absences	3,983,296	3,601,859	(3,166,267)	4,418,888	3,166,267
Total long-term liabilities	\$670,494,703	\$91,386,188	(\$72,173,690)	\$689,707,201	\$62,833,873

	Balances at June 30, 2018	Additions	Deletions	Restated Balances at June 30, 2019	Amounts Due In One Year
Revenue bonds	\$551,950,000	\$75,085,000	(\$49,210,000)	\$577,825,000	\$51,335,000
Notes from direct borrowings	39,937,968	416,113	(4,481,483)	35,872,598	4,692,256
Water rights contract	6,408,817	-	(1,206,021)	5,202,796	1,242,757
Unamortized premiums	48,087,975	9,556,201	(11,524,709)	46,119,467	-
Leases	-	2,154,701	(663,155)	1,491,546	527,191
Accrued compensated absences	4,096,277	3,774,156	(3,887,137)	3,983,296	3,887,137
Total long-term liabilities	\$650,481,037	\$90,986,171	(\$70,972,505)	\$670,494,703	\$61,684,341

Whenever any Event of Default has occurred as defined in the Water Authority Loan Agreement, the NMFA, as lender, may take any or all of the following actions as may appear necessary or desirable to collect the payments then due: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce the rights of the NMFA under the Loan Agreement and compel action from the Water Authority, (b) file suit to enjoin the Water Authority from violating the terms of the Loan Agreement, (c) intervene in any judicial proceeding that affects the Loan Agreement or the Water Authority's System revenues, or (d) require the Water Authority to account for System revenues as a

trustee. A judgment requiring a payment of money entered against the Water Authority may reach only the available System revenues pledged under the Loan Agreement. The remedies provided to the NMFA are not intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy as permitted under the Loan Agreement.

1. Senior Lien Obligations

Water Authority senior lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these bonds, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding senior lien obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2020, the net revenues were 191% of the annual debt service on all outstanding senior lien obligations.

On May 29, 2020, the Water Authority entered into a reimbursable loan/grant senior lien agreement in the amount of \$2,020,000 with the NMFA/Drinking Water State Revolving Loan Fund which consists of an available loan amount of \$1,515,000 and grant funds totaling \$505,000. As of June 30, 2020, the Water Authority has not received any loan proceeds related to this agreement. Payments due for the loan portion start no greater than twenty-seven (27) months after the closing date of the project beginning May 1, 2023. This loan/grant will be used to fund the Carnuel Drinking Water project.

On April 2, 2020, the Series 2020 Bonds sold at a purchase price equal to \$86,649,943 (representing the \$69,440,000 par amount plus a net original issue premium of \$17,209,943). The interest rate was 5.00 percent with a life of 12 years. Proceeds from the sale of the Series 2020 Bonds will be allocated as follows: (i) approximately \$56 million will be used for capital projects under the Water Authority's Decade Plan, (ii) approximately \$10 million for special projects including clarifiers, (iii) approximately \$10 million for the consolidated customer services and operations building, (iv) approximately \$2 million for intellectual technology projects, and (v) approximately \$8 million for the solids dewatering and treatment plant. Proceeds of the bonds will also be used to pay costs of issuance of the Series 2020 Bonds.

On April 26, 2019, the Water Authority entered into a reimbursable loan/grant senior lien agreement in the amount of \$3,430,081 with the NMFA/Drinking Water State Revolving Loan Fund which consists of an available loan amount of \$2,724,282 and grant funds totaling \$705,799. Payments due for the loan portion start no greater than twenty-seven (27) months after the closing date of the project beginning May 1, 2021. This loan/grant will be used to fund the South Valley waterline project.

On October 16, 2018, the Series 2018 Bonds sold at a purchase price equal to \$84,641,202 (representing the \$75,085,000 par amount plus a net original issue premium of \$9,556,202). The

interest rate was 5.00 percent with a life of 12 years. Proceeds from the sale of the Series 2018 Bonds will be used to provide funds for (i) acquiring additional System assets through regular system improvements, expansion, maintenance, and upgrades pursuant to the Water Authority's Basic Capital Program, and (ii) payment of costs of issuance of the Series 2018 Bonds.

2. Subordinate Lien Obligations

Water Authority subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these loan agreements, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 120% of the annual debt service requirements on all outstanding subordinate lien obligations. If the annual net revenues are less than 120% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2020, the net revenues were 165% of the annual debt service on all outstanding subordinate lien obligations.

3. Super Subordinate Lien Obligations

Water Authority super subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. While super subordinate lien obligations are secured by a pledge or a lien on net revenues, this lien is subordinate to the lien on net revenues from senior lien and subordinate lien obligations. In addition, there is no minimum debt service coverage requirement established for super subordinate lien obligations.

4. Revenue bonds and notes from direct borrowings outstanding:

Revenue Bonds:	June 30, 2020	June 30, 2019
\$135,990,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2009A-1, due in annual installments of \$250,000 to \$9,285,000 through 7/1/2034; interest at 3.00% to 5.50%; call provision of 100% beginning 7/1/2019	-	\$8,395,000
\$62,950,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013A, due in annual installments of \$715,000 to \$5,840,000 through 7/1/2038; interest at 3.00% to 5.00%, call provision of 100% beginning 7/1/2023	42,090,000	46,210,000
\$55,265,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013B, due in annual installments of \$2,420,000 to \$9,455,000 through 7/1/2024; interest at 5.00%; no call provision	23,155,000	28,475,000
\$97,270,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014A, due in annual installments of \$1,090,000 to \$11,385,000 through 7/1/2026; interest at 2.00% to 5.00%; call provision of 100% beginning 7/1/2024	71,355,000	79,995,000
\$87,005,000 Subordinate Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014B, due in annual installments of \$450,000 to \$10,695,000 through 7/1/2025; interest at 1.00% to 5.00%; call provision of 100% beginning 7/1/2024	50,660,000	58,865,000
\$211,940,000 Senior Lien Joint Water & Wastewater System Refunding and Improvement Revenue Bonds, Series 2015, due in annual installments of \$3,210,000 to \$18,765,000 through 7/1/2033; interest at 2.85% to 5.00%; call provision of 100% beginning 7/1/2025	184,095,000	196,710,000
\$87,970,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2017, due in annual installments of \$3,880,000 to \$5,865,000 through 7/1/2034; interest at 3.38% to 5.00%; call provision of 100% beginning 7/1/2027	80,050,000	84,090,000
\$75,085,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2018, due in annual installments of \$5,285,000 to \$8,610,000 through 7/1/2030; interest at 5.00%; call provision of 100% beginning 7/1/2026	75,085,000	75,085,000
\$69,440,000 Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020, due in annual installments of \$6,000,000 to \$6,385,000 through 7/1/2032; interest at 5.00%; call provision of 100% beginning 7/1/2028	69,440,000	-
Total revenue bonds outstanding	595,930,000	577,825,000
Plus: Unamortized premium	52,166,218	45,020,789
Net revenue bonds outstanding	\$648,096,218	\$622,845,789

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Notes from direct borrowings:	June 30, 2020	June 30, 2019
\$10,426,232 Subordinate Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2008), due in annual installments of \$218,951 to \$638,537 through 5/1/2030; interest at 1.75%; prepayment provision of 100% beginning 11/7/2009	\$5,849,178	\$6,372,743
\$1,000,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2009), due in annual installments of \$45,415 to \$54,869 through 7/1/2031; interest at 0.75%; no prepayment provision	373,707	672,397
\$53,400,000 Senior Lien New Mexico Finance Authority Public Project Revolving Fund Loan (2011), due in annual installments of \$605,000 to \$4,770,000 through 6/1/2036; interest at 3.00% to 5.00%; prepayment provision of 100% beginning 6/1/2021	24,080,000	28,200,000
\$505,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2018), due in annual installments of \$20,784 to \$30,279 through 5/1/2040; interest at 2.00%; no prepayment provision	-	505,000
\$250,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2018), due in annual installments of \$12,206 to \$12,799 through 5/1/2040; interest at 0.25%; no prepayment provision	244,445	122,458
\$2,724,282 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2019), due in annual installments of \$116,731 to \$158,073 through 5/1/2040; interest at 2.00%; no prepayment provision	1,012,398	-
Total notes from direct borrowings outstanding	31,559,728	35,872,598
Plus: Unamortized premium	707,973	1,098,678
Net notes from direct borrowings outstanding	\$32,267,701	\$36,971,276

Future maturities of revenue bonds and notes from direct borrowings as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$57,918,241	\$27,569,226	\$85,487,467
2022	66,818,378	25,560,617	92,378,995
2023	63,301,648	22,516,629	85,818,277
2024	62,060,178	19,341,756	81,401,934
2025	63,798,972	16,229,700	80,028,672
2026-2030	220,203,821	44,484,599	264,688,420
2031-2035	87,502,728	10,193,871	97,696,599
2036-2040	5,878,517	577,037	6,455,554
2041	7,245	-	7,245
Total	\$627,489,728	\$166,473,435	\$793,963,163

5. Water Rights Contract

A Water Rights Contract with the United States Government was entered into by the Water Authority during the fiscal year ended June 30, 1963, to pay a portion of the construction, operation, and maintenance costs of the San Juan Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022 and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2020 and 2019, is \$3,960,039 and \$5,202,796, respectively.

Future water rights contract maturities as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$1,280,611	\$120,623	\$1,401,234
2022	1,319,619	81,615	1,401,234
2023	1,359,809	41,420	1,401,229
Total	\$3,960,039	\$243,658	\$4,203,697

6. Prior Year Debt Refunding (Defeasements)

The Water Authority has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the Water Authority satisfied its obligation for payment of the refunded debt upon

completion of the refunding transactions. There is no refunded debt outstanding as of June 30, 2020.

E. Defined benefit pension plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

1. *Plan description.* The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. The PERA Fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. The laws governing the administration of the fund is set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (NMSA 1978). PERA serves as the administrator of the PERA Fund.

The Water Authority participates in one PERA plan; the Municipal General Plan 3.

Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member of the PERA Fund, unless specifically excluded.

PERA issues a publicly available financial report and audited comprehensive annual financial report that can be obtained at the following web address: <http://www.nmpera.org/financial-overview>.

2. *Benefits provided.* For a complete description of the benefits provided to eligible retirees, see Note 1 in the PERA audited financial statements available at the above website.

Following is a general summary of contribution rates and pension factors in effect during FY19:

Municipal General Plan 3		
	Tier 1	Tier 2
Required Contribution Rates for:		
Employer	9.55%	9.55%
Employee < \$20,000	13.15%	13.15%
Employee > \$20,000	14.65%	14.65%
Pension Factor per year of Service	3.0%	2.5%
Pension Maximum as Percent of Final Average Salary	90%	90%

3. *Contributions and funding policy.* The contribution requirements of PERA Fund members are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature.

The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

Statutorily required contributions to the pension plan from the Water Authority were \$3,389,467 and employer paid member benefits that were “picked up” by the employer were \$3,672,802 for the year ended June 30, 2020.

4. *Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* For year ended June 30, 2020, the Water Authority reported a liability of \$64,315,537 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2019. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019. The Water Authority’s proportion of the net pension liability was based on a projection of the Water Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the Water Authority’s proportion was 3.7153%, which was a decrease of 0.0158% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Water Authority recognized pension expense of \$11,706,796. At June 30, 2020, the Water Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$1,928,301	\$695,751
Changes of assumptions	2,867,796	158,407
Net difference between projected and actual earnings on pension plan investments	2,167,258	-
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	98,934	172,934
Water Authority contributions subsequent to the measurement date	3,389,467	-
Total	\$10,451,756	\$1,027,092

The \$3,389,467 reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date will be recognized as a reduction of the Water Authority net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$3,355,328
2022	1,358,519
2023	964,778
2024	356,572
2025	-

5. *Actuarial assumptions.* The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:..... June 30, 2018
 Actuarial cost method:..... Entry age normal
 Amortization period:..... Level percentage of pay
 Asset valuation method:..... Solved for based on statutory rates

Actuarial assumptions:

Investment rate of return..... 7.25% annual rate, net of investment expense
 Projected benefit payment..... 100 years
 Payroll growth..... 3.00%

Projected salary increases.....	3.25%-13.50% annual rate
Includes inflation at.....	2.50%; 2.75% all other years
Mortality assumption.....	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates.....	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board for use in the June 30, 2018 actuarial valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Multi-Risk Allocation	1.30%	-
Total	100.00%	

7. *Discount rate:* A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2019. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan

investments was applied to all period of projected benefit payments to determine the total pension liability.

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

8. *Sensitivity of the Water Authority’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the Water Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Water Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Water Authority’s proportionate share of the net pension liability	\$97,273,372	\$64,315,537	\$37,047,346

9. *Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in PERA’s audited comprehensive annual financial report and can be obtained at the following web address: <http://www.pera.org/financial-overview>.

F. Defined contribution retirement plan

1. *Plan description.* The Water Authority provides a 401(a)-qualified defined contribution retirement plan through ICMA Retirement Corporation for Water Authority employees. Under this defined contribution plan, an employee’s eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code. New eligible employees are provided a 30-day election period from the date of initial eligibility to elect to participate in the plan.

An employee’s election is irrevocable and shall remain in force until the employee terminates employment or ceases to be eligible to participate in the plan. In the event of re-employment to an eligible position, the employee’s original election will resume. In no event does the employee have the option of receiving the pick-up contribution amount directly. Participation is not mandatory. Temporary, seasonal and student employees are not eligible for this benefit.

2. *Benefits provided.* The 401(a) plan is a retirement savings plan that allows you to set aside money for retirement. The benefits provided enables employees to reduce current income taxes while boost retirement investments. Employees also have the ability to rollover savings to another public-sector employer’s 401(a) plan, a tax-sheltered 403(b) annuity plan, a 457 plan or an IRA if an employee changes employers. Pre-tax contributions are not subject to federal and (in most cases) state income taxes until withdrawn. Earnings accumulate tax-deferred. An employee is

vested at 100% when enrolled. In-service distributions are permitted under the plan after the participant attains normal retirement age.

3. *Contributions.* The contribution requirements for defined contribution plan members and the Water Authority are established within the signed agreement with ICMA Retirement Corporation dated February 25, 2004 and as amended October 21, 2015. The contribution requirements may be amended by acts of both parties. Under the plan the employer contributes 19.01% of earnings for all participating employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute one of 3.29%, 5%, 7%, 10% for employees scheduled to work 20-hours or more per week for the plan year.

Total contributions and total payroll to the plan for 2020 and the three preceding years were as follows:

ICMA 401(a)	Employer Contributions	Total Payroll
Fiscal Year ended:		
6/30/2017	\$271,617	\$1,428,810
6/30/2018	320,140	1,684,066
6/30/2019	398,151	2,094,428
6/30/2020	382,018	2,009,564

G. Post-employment benefit obligations

In addition to providing pension benefits described in Notes E and F, the Water Authority provides certain life insurance and health care benefits for retired employees.

1. Water Authority Retiree Life Insurance Plan

Summary of Significant Accounting Policies.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Water Authority Retiree Life Insurance Plan (Plan) additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for month market investments and participating interest-earning investment contract that have a maturity at the time of purchase of one year or less, which are reported at cost.

- a. *Plan Description.* In fiscal year 2014, the Albuquerque Pooled OPEB Trust Fund was established, by Resolution, as an irrevocable trust and operates pursuant to the OPEB agreement with the City of Albuquerque (City) and the Water Authority to defray future expenses related to retiree life insurance. Prior to July 1, 2013, the Water Authority had been contributing only the amount required to pay retiree life insurance premiums each year into the City's Employee Insurance

Fund when the Water Authority was formally a component unit of the City. The Albuquerque Pooled OPEB Trust Fund – a single-employer defined benefit plan is administered by the City. The Board of Trustees consists of five members. Two members are appointed based on positions with the City and the remaining members are appointed by the City Chief Administrative Officer. The OPEB Trust Fund is reported as a fiduciary fund in the City’s CAFR and can be obtained at the following web address:

<http://www.cabq.gov/dfa/treasury/investor-information/comprehensive-annual-financial-reports/comprehensive-annual-financial-reports/>.

- b. *Benefits provided.* The Water Authority provides continuation of life insurance coverage to its retiring employees through an insured group life arrangement. This life insurance coverage is available for employees hired prior to July 1, 2013 who retire from the Water Authority under the Public Employees Retirement Association (PERA) of New Mexico. Eligibility for retirement under PERA varies based on employment date (Tier), employee type (general or safety) and type of retirement (service, duty disability and non-duty disability).

The benefit provided for Water Authority active employees who were hired before July 1, 2013 and retire on or after December 31, 2013 from the Water Authority will receive an employer paid life insurance premium in the amount of \$5,000. Retirees prior to January 1, 2014 will receive the original insurance coverage up to \$25,000. Water Authority employees hired after July 1, 2013 are not eligible for employer paid life insurance in any amount.

No supplemental or Accidental Death or Dismemberment is available after retirement, though employees may elect to convert coverage lost at retirement to individual coverage at their own expense at the current rates charged by the insurer.

- c. *Employees covered by benefit terms.* At January 1, 2020, the OPEB membership for the Water Authority consisted of the following:

Plan membership	
Number of inactive plan members entitled to but not receiving benefits	0
Number of active plan members	373
Number of inactive plan members currently receiving benefits	235
Total	<u>608</u>

- d. *Contributions.* The Water Authority has set the contribution rate each year based on an actuarial valuation. The Water Authority’s has been and continues to prefund its OPEB liability contributing 100% or more of the Actuarially Determined Contribution (ADC) each year. The ADC consists of two basic components, which have been adjusted with interest to the Water Authority’s fiscal year end: 1) The amounts attributed to service performed in the current fiscal year (the normal cost) and 2) amortization of the unfunded actuarial accrued liability (UAAL). Therefore, the discount rate used in this valuation is 5.0%, the long term expected return on trust assets. Contributions to the trust for the year ended June 30, 2020 were \$59,817.

- e. *Total OPEB Plan liability.* The Water Authority's total OPEB liability of \$547,035 was measured as of June 30, 2020 and was determined by an actuarial valuation of January 1, 2020.

Actuarial Assumptions and Other Inputs – The total liability in the June 30, 2020 actuarial valuation prepared by MacLeod Watts was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date.....	January 1, 2020
Measurement date.....	Last day of the current fiscal year (June 30, 2020)
Funding method.....	Entry Age Normal Cost, level percent of pay
Asset valuation method.....	Market value of assets
Long term return on assets.....	5.0% as of June 30, 2020 and June 30, 2019 net of plan investment expenses
Discount rates.....	5.0% as of June 30, 2020 and June 30, 2019
Participants valued.....	Only current active employees hired prior to July 1, 2013 and retired participates are valued. No future entrants are considered in this valuation.
Salary increase.....	3.25% per year
General inflation.....	2.50% per year

The demographic actuarial assumptions used are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2019 actuarial valuation, except for a different basis used to project future mortality improvements.

Mortality improvement.....	MacLeod Watts Scale 2020 on a generational basis from 2014 forward
Participation rates.....	<i>Active participants:</i> 100% of actives projected to survive in service to retirement are assumed to be eligible for the retiree life insurance benefit. Employees retiring on Disability are assumed to elect to receive a lump sum payment equal to one-half of the face amount of their retiree life insurance. <i>Retired participants:</i> Existing coverage is assumed apply until the retiree's death.
Dependent coverage.....	Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.
Employer cost-sharing.....	Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.28 per \$1,000 of life insurance. No future increase in the premium rate was introduced, assuming that reduction due to future mortality improvements would exactly offset increased expenses.

Development of age-related
 Premiums.....The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described above.

Changes recognized during the current measurement period:

Mortality improvement.....Updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2020, reflecting continued updates in available information about expected future mortality.

Demographic assumptions.....Assumed mortality, termination, and retirement rates were updated from those used in the 2016 PERA valuation to those used in the 2019 PERA valuation. Rates from the PERA valuation provide a reasonable estimate of the Water Authority’s future demographic experience.

General inflation rate.....Decreased from 2.75% to 2.50%

Salary Increase.....Decreased from 5.0% to 3.25% per year

GASB Statement No. 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year.

Recognition of plan changes and gains and losses – Under GASB Statement No. 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

Timing of recognition: Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

Deferred recognition periods: These periods differ depending on the source of the gain or loss.

Difference between projected
 and actual trust earnings.....5-year straight-line recognition
 All other amounts.....Straight-line recognition over the expected
 average remaining service lifetime (EARSL) of all

members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

- f. *Discounts.* The discount rate used to measure the OPEB Plan liability is on a pay-as-you-go basis. GASB Statement No. 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When the plan sponsor makes regular, sufficient contributions to the trust in order to prefund the OPEB liabilities, GASB Statement No. 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report of return overall lower liabilities due to future expected benefits being discounted at a higher rate.
- g. *Changes in the Total OPEB Plan Liability.* Year-to-year changes in the components of Net Position are illustrated below:

For reporting at Fiscal Year end Measurement date	6/30/2019 6/30/2019	6/30/2020 6/30/2020	Change During Period
Total OPEB liability	\$1,698,188	\$1,778,943	\$80,755
Fiduciary Net Position	1,085,906	1,231,908	146,002
Net OPEB liability (asset)	612,282	547,035	(65,247)
<i>Deferred Resource (Outflows) Inflows Due to:</i>			
Assumption Changes	(40,262)	(41,849)	(1,587)
Plan Experience	(130,957)	(113,220)	17,737
Investment Experience	47,197	75,063	27,866
Net Deferred (Outflows) Inflows	(124,022)	(80,006)	44,016
Impact on Statement of Net Position	\$488,260	\$467,029	(\$21,231)

Change in Net Position during the Fiscal Year

Impact on Statement of Net Position, FYE 6/30/2019	\$488,260
OPEB Expense (Income)	68,526
Employer Contributions During Fiscal Year	(89,757)
Impact on Statement of Net Position, FYE 6/30/2020	<u>\$467,029</u>

OPEB Expense

Employer Contributions During Fiscal Year	89,757
Deterioration (Improvement) in Net Position	(21,231)
OPEB Expense (Income), FYE 6/30/2020	<u>\$68,526</u>

- h. Sensitivity of liabilities to changes in the discount rate. The following presents the total OPEB liability of the Water Authority, as well as what the Water Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current discount rate:

1% Decrease (4.00%)	Current Rate (5.00%)	1% Increase (6.00%)
\$871,488	\$547,035	\$292,037

- i. *OPEB Plan expense and deferred outflows of resources and deferred inflows of resources related to OPEB.* For the year ended June 30, 2020, the Water Authority recognized OPEB expense of \$59,817. At June 30, 2020, the Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$113,220	-
Changes of assumptions	41,849	-
Net difference between projected and actual earnings on investments	-	75,063
Total	<u>\$155,069</u>	<u>\$75,063</u>

Future recognition of these deferred resources are as follows:

Year ended June 30:	Recognized Net Deferred Outflows (Inflows) of Resources
2021	\$26,481
2022	26,483
2023	27,604
2024	(2,590)
2025	2,028
Thereafter	-

2. New Mexico Retiree Health Care Authority Plan

Summary of Significant Accounting Policies.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) additions to/deductions from the NMRHCA fiduciary net position have been determined on the same basis as they are reported by the NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- a. *Plan Description.* Employees of the Water Authority are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico. That report and further information can be obtained at the following website: www.nmrhca.state.nm.us/Pages/audit-reports.aspx

- b. *Benefits provided.* The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.
- c. *Employees covered by benefit terms.* June 30, 2019, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,179
Inactive and eligible for deferred benefit	10,916
Current active members	91,082
Total	154,177

Active membership	
State general	17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal fire	1,966
Educational Retirement Board	49,492
Total	<u>91,082</u>

d. *Contributions.* Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Water Authority were \$692,297 for the year ended June 30, 2020, equal to its required contributions for the year.

e. *OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB*

At June 30, 2020, the Water Authority reported a liability of \$24,852,261 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The Water Authority's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2019, the Water Authority's proportion was 0.76648%.

For the year ended June 30, 2020, the Water Authority recognized OPEB income of \$2,858,901. At June 30, 2020, the Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	\$6,254,091
Net difference between projected and actual investment earnings on OPEB plan investments	-	231,065
Changes of assumptions	-	8,021,108
Change in proportion	-	1,119,811
Water Authority contributions made after the measurement date	692,297	-
Total	\$692,297	\$15,626,075

Deferred outflows of resources totaling \$692,297 represent the Water Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	(\$4,190,189)
2022	(4,190,189)
2023	(3,691,869)
2024	(2,330,924)
2025	(1,222,904)
Total	(\$15,626,075)

- f. *Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

- Actuarial valuation date: - June 30, 2019
- Actuarial cost method: - Entry age normal, level percent of pay, calculated on individual employee basis
- Asset valuation method: - Market value of assets
- Actuarial assumptions:**
 - Inflation - 2.50% for ERB members; 2.50% for PERA members

Projected payroll increases	-	3.25% to 13.50%, based on years of service, including inflation
Investment rate of return	-	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	-	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	-	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2014 Combined Healthy Mortality

- g. *Rate of return.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1%
Non-U.S. – emerging markets	10.2%
Non-U.S. – developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity – small/mid cap	7.1%

- h. *Discount rate.* The discount rate used to measure the Fund’s total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer

contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2039. Beyond 2039, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used. The blended discount rate is 4.16%.

- i. *Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

1% Decrease (3.16%)	Current Discount Rate (4.16%)	1% Increase (5.16%)
\$30,400,305	\$24,852,261	\$20,490,977

The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rate	1% Increase
\$20,691,110	\$24,852,261	\$28,183,853

- j. *OPEB plan fiduciary net position.* Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2019 at www.nmrhca.state.nm.us/Pages/audit-reports.aspx.
- k. *Payable changes in the net OPEB liability.* At June 30, 2020, the Water Authority reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2020.

H. Risk management

The Water Authority is exposed to various risks of loss related to torts and civil claims including theft, damage and destruction of its real and personal assets; contract disputes; employment related exposures; worker’s compensation losses; errors and omissions of its officers and officials; and natural disasters. The extent of the Water Authority’s third-party loss exposure is reduced because, as a New

Mexico governmental entity, the Water Authority is protected by the limitations found in the New Mexico Tort Claims Act.

To manage the impact of all its loss exposure, the Water Authority obtains various commercial insurance policies with coverage for general liability, bodily injury and property liability, pollution liability, public official liability, cyber liability, and crime (Employee Theft/Computer Crime/Forgery/Robbery & Burglary) liability. To temper the cost of its insurance coverage, the Water Authority maintains a Self-Insured Retention (SIR) for a portion of its automobile liability, general liability, and workers compensation exposures and utilizes a liability reserve to finance and account for those liabilities and exposures up to the Self-Insured Retention (SIR). As an additional protection, the Water Authority carries excess policy coverage for both General Liability and Workers Compensation.

The claims liabilities reported are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include estimated amounts for claims that have been incurred but not reported (IBNRs) as of June 30, 2020, and 2019.

The amounts and change in claims liability in fiscal years 2020 and 2019 were:

	2020	2019
Claims liability at July 1	\$3,604,498	\$3,489,892
Current year claims/adjustments	3,416,804	2,923,226
Claims liquidated	(3,049,783)	(2,808,620)
Claims liability at June 30	\$3,971,519	\$3,604,498

The components of the claims liability at June 30 are:

	2020	2019
Current portion	\$1,732,003	\$1,690,735
Noncurrent portion	2,239,516	1,913,763
Total claims liability	\$3,971,519	\$3,604,498

I. Leases

1. Lease Receivable: The Water Authority has entered into agreements to lease property to third parties. The leases range in term from two to twenty-five years. The Water Authority received approximately \$30,765 and \$30,750 in monthly lease payments for the years ended June 30, 2020 and 2019, respectively. The lease receivable at June 30, 2020 and 2019 was \$1,019,137 and \$1,318,257, respectively; a decrease of 22.7%. The Water Authority has deferred inflow of resources associated with the leases that will be recognized as revenue over the lease term. At June 30, 2020 and 2019 the deferred inflow of resources was \$951,377 and \$1,280,371, respectively; a decrease of 25.7%.
2. Lease Liability: The Water Authority has entered into leases for acquisition and use of buildings and equipment. The Water Authority is required to make principal and interest payments for these leases in the amount of \$589,853 and \$741,871 for the years ended June 30, 2020 and 2019, respectively. The Water Authority uses an interest rate of 5% for its lease calculations. The buildings and equipment are amortized over the lease term. The value of the lease liability at June 30, 2020 and 2019 was \$964,355 and \$1,491,546, respectively; a decrease of 35.4%. The value of the right-to use assets at June 30, 2020 and 2019 was \$2,154,701. The accumulated amortization at June 30, 2020 and 2019 was \$1,264,315 and \$736,098, respectively.

The future principal and interest lease payments as of June 20, 2020, were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$468,754	\$37,134	\$505,888
2022	428,605	14,385	442,990
2023	66,881	494	67,375
2024	115	1	116
Total	\$964,355	\$52,014	\$1,016,369

The future principal and interest lease payments as of June 20, 2019, were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$527,191	\$62,661	\$589,852
2021	468,754	37,134	505,888
2022	428,605	14,385	442,990
2023	66,881	494	67,375
2024	115	1	116
Total	\$1,491,546	\$114,675	\$1,606,221

J. Commitments and contingencies

Construction Commitments. At June 30, 2020, the uncompleted construction and other commitments for construction improvements and replacements was \$93,799,919. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

Federal and State Grant Commitments. The Water Authority has received federal and state grants designated for specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, Water Authority management believes that such disallowances, if any, will not be material.

Contingencies. In the normal course of business, the Water Authority is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. It is the opinion of Water Authority management that the ultimate resolution of other litigation will not have a material effect on the financial position of the Water Authority.

K. COVID-19 Pandemic

At the time of this report's release, the citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments and businesses may face supply chain disruptions, labor shortages, revenue declines, increase in bad debts, reduced cash flow, difficulties meeting loan covenants, goodwill and inventory impairment, credit difficulties, and other financial implications. The significance and the duration of the pandemic's financial impact on the Water Authority are indeterminable as of November 25, 2020. These financial statements do not consider the potential financial implications of the pandemic on future operations.

L. Subsequent events

On July 7, 2020, the Series 2020A refunding bonds were sold in the amount of \$43,200,000. These bonds paid off the balance of the Public Project Revolving Fund Loan Agreement (2011) in the amount of \$19,755,000 and a portion of the Series 2013A Bonds in the amount of \$23,445,000.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

SCHEDULE OF THE WATER AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
MUNICIPAL GENERAL PLAN 3
LAST 10 FISCAL YEARS (*)

Fiscal Year Measurement Date	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Water Authority's proportion of the net pension liability (asset)	0.9923%	0.9638%	0.9732%	0.9580%	0.8958%	0.8842%
Water Authority's proportion of the net pension liability (asset)	64,315,537	59,487,543	51,278,088	59,008,103	38,165,167	29,351,538
Water Authority's covered payroll	33,897,914	33,413,035	32,774,164	31,630,023	30,541,919	31,037,398
Water Authority's proportion of the net pension liability as percentage of its covered employee payroll	189.73%	178.04%	156.46%	186.56%	124.96%	94.57%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

SCHEDULE OF THE WATER AUTHORITY'S PENSION CONTRIBUTIONS

MUNICIPAL GENERAL PLAN 3

LAST 10 FISCAL YEARS (*)

	2020	2019	2018	2017	2016	2015
Statutory required contribution	\$3,389,467	\$3,237,258	\$3,190,941	\$3,129,931	\$3,020,676	\$2,959,288
Contribution in relations to the statutorily required contributions	(3,389,467)	(3,237,258)	(3,190,941)	(3,129,931)	(3,020,676)	(2,959,288)
Annual contributions excess (deficiency)	-	-	-	-	-	-
Water Authority's covered payroll	34,586,398	33,897,914	33,413,035	32,774,164	31,630,023	30,541,919
Water Authority's contributions as a percentage of its covered payroll	9.80%	9.55%	9.55%	9.55%	9.55%	9.55%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN

Changes of Benefit Terms. The PERA and cost-of-living (COLA) and retirement eligibility benefit changes in recent years are described in Note 1 of the PERA audited comprehensive annual financial report is available at the following web address: <http://www.nmpera.org/financial-overview>.

Changes of Assumptions. The PERA Annual Actuarial Valuation as of June 30, 2019 is available at the web address listed above.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

SCHEDULE OF CHANGES IN THE WATER AUTHORITY'S NET OPEB LIABILITY AND RELATED RATIOS

RETIREE LIFE INSURANCE PLAN

LAST 10 FISCAL YEARS (*)

	2020	2019	2018
Total OPEB liability			
Service Cost	\$13,024	\$12,404	\$14,174
Interest	84,303	81,674	67,539
Differences between expected and actual experience	19,046	8,671	187,222
Changes of assumption	14,667	-	60,908
Benefit payments	(50,285)	(51,258)	(39,498)
Total OPEB liability – beginning	1,698,188	1,646,697	1,356,352
Total OPEB liability – ending (a)	1,778,943	1,698,188	1,646,697
Plan fiduciary net position			
Contributions – employer	\$89,757	\$87,675	\$82,290
Net investment income	106,530	87,979	70,136
Benefit payments	(50,285)	(51,258)	(39,498)
Administrative fees	-	-	(516)
Change in trust receivable	-	377	-
Accrued audit service fees	-	(553)	-
Accrued interest and trust income	-	34	-
Net change in plan fiduciary net position	146,002	124,254	112,412
Plan fiduciary net position – beginning	1,085,906	961,133	848,721
Plan fiduciary net position – ending (b)	\$1,231,908	\$1,085,387	\$961,133
Net OPEB liability – ending (a) – (b)	\$547,035	\$612,801	\$685,564
Plan fiduciary net position as a percentage of the total OPEB liability	69.25%	63.91%	58.37%
Covered-employee payroll	\$20,927,400	\$22,590,131	\$24,644,318
Net OPEB liability as a percentage of covered – employee payroll	2.61%	2.71%	2.78%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Benefit changes. The report was prepared based on the results of the January 1, 2020 actuarial valuation. No benefit changes were reported to MacLeod Watts since the July 1, 2017 valuation was prepared.

Changes of Assumptions. Changes recognized during the current measurement period:

Mortality improvement	Updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2020, reflecting continued updates in available information about expected future mortality.
Demographic assumptions	Assumed mortality, termination, and retirement rates were updated from those used in the 2016 PERA valuation to those used in the 2019 PERA valuation. Rates from the PERA valuation provide a reasonable estimate of the Water Authority's future demographic experience.
General inflation rate	Decreased from 2.75% to 2.50%
Salary Increase	Decreased from 5.0% to 3.25% per year

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

SCHEDULE OF WATER AUTHORITY'S OPEB CONTRIBUTIONS
 RETIREE LIFE INSURANCE PLAN
 LAST 10 FISCAL YEARS (*)

	2020	2019	2018
Actuarially determined contribution during fiscal year	\$59,817	\$61,103	\$59,081
Contributions in relation to the actuarially determined contribution	89,757	87,675	82,290
Contribution deficiency (excess)	(\$29,940)	(\$26,572)	(\$23,209)
Covered – employee payroll	20,927,400	22,590,131	\$24,644,318
Contributions as a percentage of covered – employee payroll	0.43%	0.39%	0.33%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Valuation date:

Actuarially determined contribution rates are based on 1) a valuation date no more than 30 months plus 1 day prior to the close of the fiscal year end; and 2) a measurement date up to one year prior to the close of the fiscal year.

Methods and assumptions used to determine contribution rates:

Valuation date	January 1, 2020
Measurement date	Last day of the current fiscal year (June 30, 2020)
Funding method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on assets	5.0% as of June 30, 2020 and June 30, 2019
Discount rates	5.0% as of June 30, 2020 and June 30, 2019
Participants valued	Only current active employees hired prior to July 1, 2013 and retired participants are valued. No future entrants are considered in this valuation.
Salary increase	3.25% per year
General inflation	2.50% per year

The demographic actuarial assumptions used in this valuation are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2019 actuarial valuation, except for a different basis used to project future mortality improvements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

SCHEDULE OF THE WATER AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 NEW MEXICO RETIREE HEALTH CARE AUTHORITY PLAN
 LAST 10 FISCAL YEARS (*)

	2020	2019	2018
Water Authority's proportion of the net OPEB liability	0.7665%	0.7828%	0.7935%
Water Authority's proportionate share of the net OPEB liability	\$24,852,261	\$34,038,052	\$35,956,560
Water Authority's covered-employee payroll	\$33,886,260	\$33,413,155	\$32,774,164
Water Authority's proportionate share of the net OPEB liability as percentage of its covered – employee payroll	73.34%	101.87%	109.71%
Plan fiduciary net position as a percentage of the total OPEB liability	18.92%	13.14%	11.34%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

Note: Years 2019 and 2018 have been restated due to a correction in the Water Authority's covered payroll.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

SCHEDULE OF THE WATER AUTHORITY'S OPEB CONTRIBUTIONS

NEW MEXICO RETIREE HEALTH CARE AUTHORITY PLAN

LAST 10 FISCAL YEARS (*)

	2020	2019	2018
Contractually required contribution	\$692,297	\$677,725	\$645,263
Contributions in relation to the contractually required contribution	(692,297)	(677,725)	(645,263)
Contribution deficiency (excess)	-	-	-
Water Authority's covered-employee payroll	\$34,615,302	\$33,886,260	\$33,413,155
Contributions as a percentage of covered – employee payroll	2.00%	2.00%	1.93%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTH CARE AUTHORITY PLAN

Changes of Assumptions. In the June 30, 2019 actuarial valuation, changes in assumptions and differences between expected and actual experience include adjustments resulting from an increase in the discount rate from 4.0% to 4.16%, decrease in expected participation rates for future retirees from 75% to 60%, and a decrease in the spousal coverage rate for future male retirees from 55% to 35%.



STATISTICAL SECTION





ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

INDEX TO STATISTICAL SECTION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

FINANCIAL TRENDS

These schedules contain information to help the reader understand how the Water Authority’s financial performance and well-being have changed over time.

Schedule 1 – Net Position by Component	95
Schedule 2 – Changes in Net Position	96
Schedule 3 – Trend Analysis for Net Position and Operations	99

REVENUE CAPACITY

These schedules contain information to help the reader assess the Water Authority’s most significant revenue source.

Schedule 4 – Revenue from Water and Wastewater Charges and Other Operating Revenues	100
Schedule 5 – Revenue from Utility Expansion and Water Resource Charges	101
Schedule 6 – Water and Wastewater Users by Class and Meter Size	102
Schedule 7 – Water Consumption	105
Schedule 8 – Principal Revenue Payers	106

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the Water Authority’s current levels of outstanding debt and the Water Authority’s ability to issue additional debt in the future.

Schedule 9 – Outstanding Debt Ratio	108
Schedule 10 – Senior / Subordinate Lien Debt Coverage Ratio	109

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Water Authority’s financial activities take place.

Schedule 11 – Demographics and Economic Statistics	110
Schedule 12 – Top Ten Major Employers	111

OTHER INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Water Authority’s financial activities take place.

Schedule 13 – Full-time Equivalent Water Authority Employees by Function	112
Schedule 14 – Operating Indicators by Function	113
Schedule 15 – Capital Statistics by Function	115
Schedule 16 – Other Statistical Data	116
Schedule 17 – Financial Benchmarks	118



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NET POSITION BY COMPONENT

SCHEDULE 1 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2020 – 2016

	2020	2019 ⁽³⁾	2018 ⁽²⁾	2017	2016
Net investment in capital assets	\$594,404	\$568,941	\$571,387	\$560,766	\$568,245
Unrestricted	39,054	65,275	51,319	30,408	53,425
Total net position	\$633,458	\$634,216	\$622,706	\$591,174	\$621,670

FISCAL YEARS 2015 – 2011

	2015	2014	2013	2012	2011 ⁽¹⁾
Net investment in capital assets	\$576,678	\$595,695	\$617,398	\$636,174	\$668,171
Unrestricted	23,764	51,027	48,331	47,416	33,590
Total net position	\$600,442	\$646,722	\$665,729	\$683,590	\$701,761

⁽¹⁾ The 2011 net investment in capital assets amount has been increased and the unrestricted net position amount has been decreased by approximately \$12.1 million from the amounts presented in the prior fiscal year. The reclassification changes were primarily a result of a reevaluation of the Water Authority's unrestricted and restricted cash balances.

⁽²⁾ The 2018 net investment in capital assets amount has been updated to include capital assets previously omitted from the 2018 balances.

⁽³⁾ The 2019 net investment in capital assets amount has been updated to include capital assets right to use lease assets from the 2018 balances.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION

SCHEDULE 2 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2020 – 2016

	2020	2019 ⁽³⁾	2018 ⁽²⁾	2017	2016
Operating revenues:					
Water revenues	\$147,245	\$141,268	\$148,315	\$144,343	\$140,551
Wastewater revenues	76,231	76,848	76,253	69,101	68,167
Miscellaneous revenues	2,133	1,868	1,828	1,750	1,339
Non-operating revenues:					
Investment and interest income	2,164	3,118	832	86	155
Utility expansion charges	8,917	6,885	9,686	8,117	8,795
Water resource charge	839	438	364	429	462
Other revenues	1,512	4,823	2,662	2,917	5,828
Total revenues	239,041	235,248	239,940	226,743	225,297
Operating expenses:					
General and administrative	69,395	66,274	64,227	63,307	59,910
Source of supply, pumping, treatment and distribution	51,686	48,844	48,471	48,018	46,987
Noncapitalized major repair	19,139	13,012	7,785	5,796	4,285
Depreciation and amortization	85,513	85,056	82,630	81,648	80,357
Non-operating expense:					
Interest expense	19,842	20,068	18,295	18,449	18,034
Other expense	666	629	-	710	-
Total expenses	246,241	233,883	221,408	217,928	209,573
Income (loss) before capital contributions	(7,200)	1,365	18,532	8,815	15,724
Capital contributions	6,441	10,145	13,000	3,522	5,504
Change in net position	(\$759)	\$11,510	\$31,532	\$12,337	\$21,228

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

SCHEDULE 2 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2015 – 2011

	2015	2014	2013 ⁽¹⁾	2012	2011
Operating revenues:				\$177,055	\$158,515
Water revenues	\$119,707	\$113,061	\$113,875	-	-
Wastewater revenues	64,171	61,327	58,031	-	-
Miscellaneous revenues	1,323	1,232	1,142	-	-
Non-operating revenues:					
Investment and interest income	44	160	42	148	209
Utility expansion charges	7,251	7,872	8,189	8,035	6,240
Water resource charge	290	-	8	-	-
Other revenues	2,158	8,245	1,659	1,470	1,331
Total revenues	194,944	191,897	182,946	186,708	166,295
Operating expenses:					
General and administrative	53,996	54,966	53,433	57,877	55,810
Source of supply, pumping, treatment and distribution	46,525	46,538	48,260	42,655	44,946
Noncapitalized major repair	6,429	5,642	-	-	-
Depreciation and amortization	83,094	84,788	87,087	84,849	83,447
Non-operating expense:					
Interest expense	19,857	27,546	24,566	23,806	25,324
Other expense	2,273	812	-	348	414
Total expenses	212,174	220,292	213,346	209,535	209,941
Income (loss) before capital contributions	(17,230)	(28,395)	(30,400)	(22,827)	(43,646)
Capital contributions	7,348	9,388	4,132	5,058	10,538
Change in net position	(\$9,882)	(\$19,007)	(\$26,268)	(\$17,769)	(\$33,108)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

SCHEDULE 2 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2020 – 2011

⁽¹⁾ In 2013, operating revenues are demonstrated by type and franchise fees are not included as revenue or an expense of the Water Authority in these fiscal years. They are a pass-through, therefore, they are not considered to be either a revenue or an expense for the Water Authority. However, the franchise fees are included in charges for services and general and administrative expenses in fiscal years prior to fiscal year 2013. Also, the water resource charge has been separated from utility expansion charges.

⁽²⁾ The Water Authority fiscal year 2018 balances have been restated to reflect certain capital asset and grant activity that was previously omitted in the fiscal year 2018 balances. Also, in 2018 interest income has been separated from water resource charge and utility expansion charges and is now combined with investment income.

⁽³⁾ The Water Authority fiscal year 2019 balances have been restated to reflect certain capital asset and grant activity that was previously omitted in the fiscal year 2019 balances. Also, amortization for lease right to use assets was added with the implementation of GASB Statement No. 87.

Source: Water Authority Financial/Business Services Division

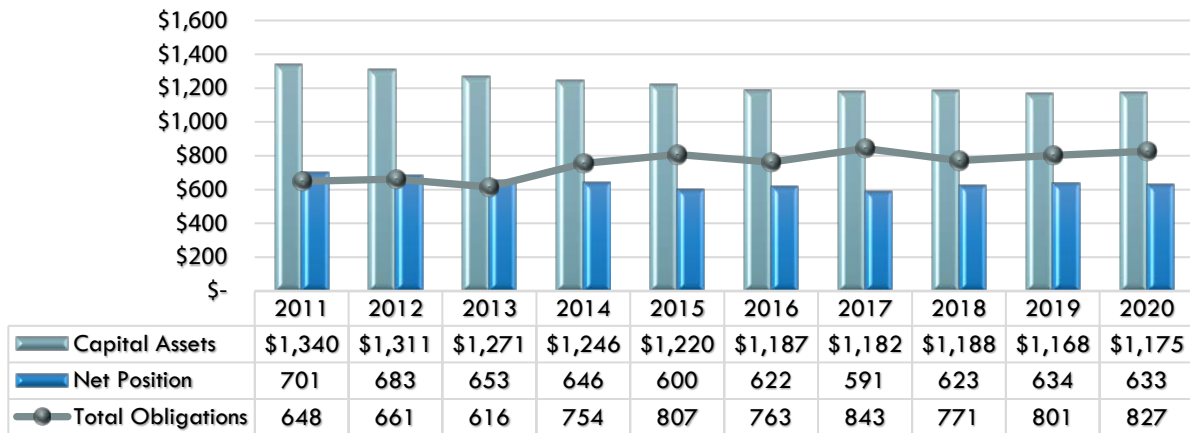
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TREND ANALYSIS FOR NET POSITION AND OPERATIONS

SCHEDULE 3 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2020 – 2011

Trend Analysis of Capital Assets, Total Obligations, and Net Position



Trend Analysis of Authority Operations



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUES

SCHEDULE 4 – LAST TEN FISCAL YEARS

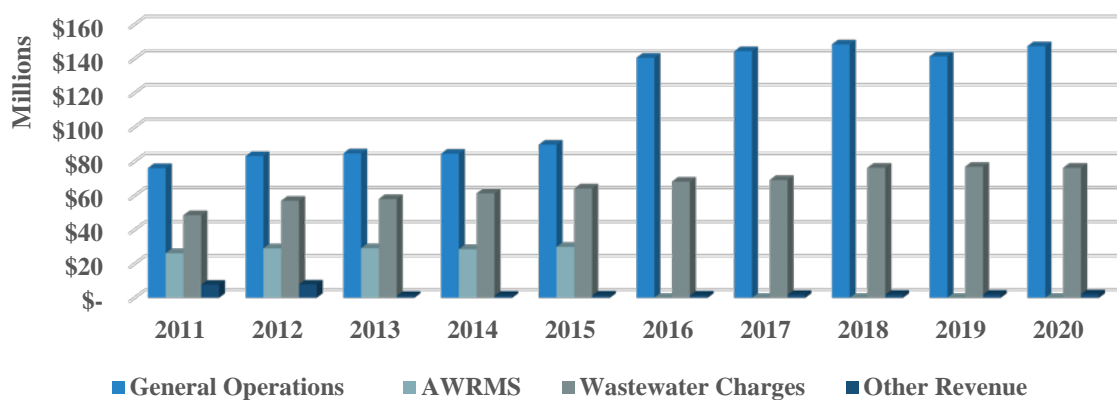
FISCAL YEARS 2020 – 2011

Fiscal Year	General operations	AWRMS ⁽¹⁾	Wastewater charges	Other revenue	Total operating revenue
2020	\$147,244,774	-	\$76,231,345	\$2,133,000	\$225,609,119
2019	\$141,267,719	-	\$76,848,592	\$1,868,000	\$219,984,311
2018	148,315,450	-	76,253,042	1,828,000	226,396,492
2017	144,342,932	-	69,101,050	1,750,000	215,193,982
2016	140,551,140	-	68,166,636	1,339,000	210,056,776
2015	89,768,328	29,939,349	64,171,110	1,323,000	185,201,787
2014	84,500,221	28,561,586	61,327,115	1,232,000	175,620,922
2013 ⁽²⁾	84,713,861	29,161,139	58,031,483	1,142,000	173,048,483
2012	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690
2011	76,072,550	26,219,494	48,504,637	7,718,145	158,514,826

⁽¹⁾ In fiscal year 2016 the Albuquerque Water Resource Management Strategy (AWRMS) revenues were combined with General operations revenue as part of the new rate ordinance structure.

⁽²⁾ In fiscal year 2013, General operations revenues are excluding franchise fees as revenue for the Water Authority. They are a pass-through, therefore, should not be included as revenue for the Water Authority.

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

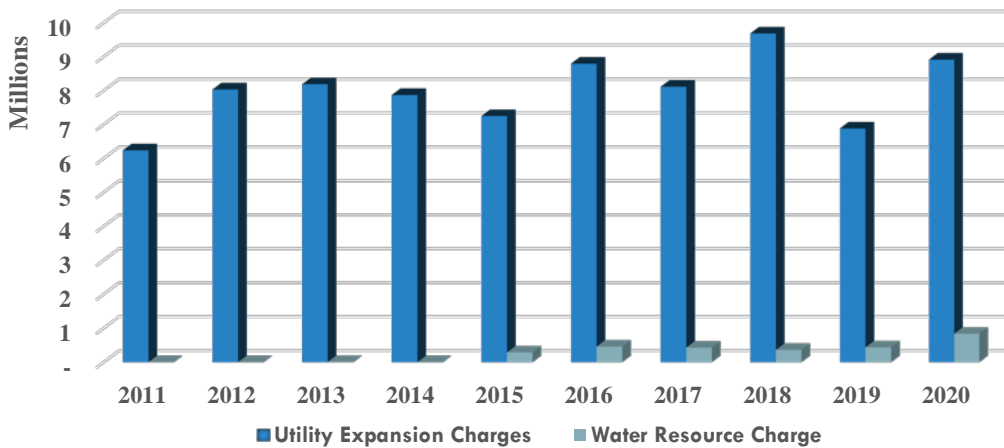
REVENUE FROM UTILITY EXPANSION AND WATER RESOURCE CHARGES

SCHEDULE 5 – LAST TEN FISCAL YEARS

FISCAL YEARS 2020 – 2011

Fiscal Year	Utility expansion charges	Water resource charge
2020	\$8,916,871	\$838,525
2019	6,884,954	437,646
2018	9,685,634	363,963
2017	8,116,695	429,283
2016	8,795,436	461,502
2015	7,250,838	290,363
2014	7,872,237	-
2013	8,189,953	7,063
2012	8,035,123	-
2011	6,240,073	-

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY CLASS:

2020 – 2016

Class	2020	2019	2018	2017 ⁽¹⁾	2016
Residential	184,919	183,942	183,018	181,814	187,479
Multi-family	7,907	7,876	7,851	7,801	7,268
Commercial	12,159	12,100	12,023	11,913	11,901
Institutional	3,766	3,701	3,680	3,650	2,187
Industrial	119	121	122	119	110
Other metered	909	824	720	616	-
Subtotal	209,779	208,564	207,414	205,913	208,945
Solid waste only	1,402	1,392	1,365	1,362	-
Other non-metered	3,139	3,135	3,120	2,940	-
Total	214,320	213,091	211,899	210,215	208,945

2015 – 2011

Class	2015	2014	2013	2012	2011
Residential	186,461	174,193	174,909	174,277	173,339
Multi-family	7,115	6,569	6,430	6,393	6,364
Commercial	11,923	11,303	11,321	11,287	11,226
Institutional	2,150	2,196	2,391	2,316	2,279
Industrial	113	99	99	102	99
Other	-	-	-	-	-
Total	207,762	194,360	195,150	194,375	193,307

⁽¹⁾ In Fiscal Year 2017, the water users by meter size are illustrated between metered and non-metered accounts.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY METER SIZE:

2020 – 2016

Meter size	2020	2019	2018	2017 ⁽¹⁾	2016
¾"	185,668	184,464	183,398	182,232	185,894
1" and 1 ¼"	17,847	17,843	17,975	17,796	17,392
1 ½"	2,522	2,522	2,467	2,381	2,300
2"	2,737	2,713	2,575	2,509	2,386
3"	609	626	606	603	590
4"	286	287	284	282	278
6"	66	66	66	68	64
8" and over	44	43	43	42	41
Subtotal	209,779	208,564	207,414	205,913	208,945
Non-metered	4,541	4,527	4,485	4,302	-
Total	214,320	213,091	211,899	210,215	208,945

2015 – 2011

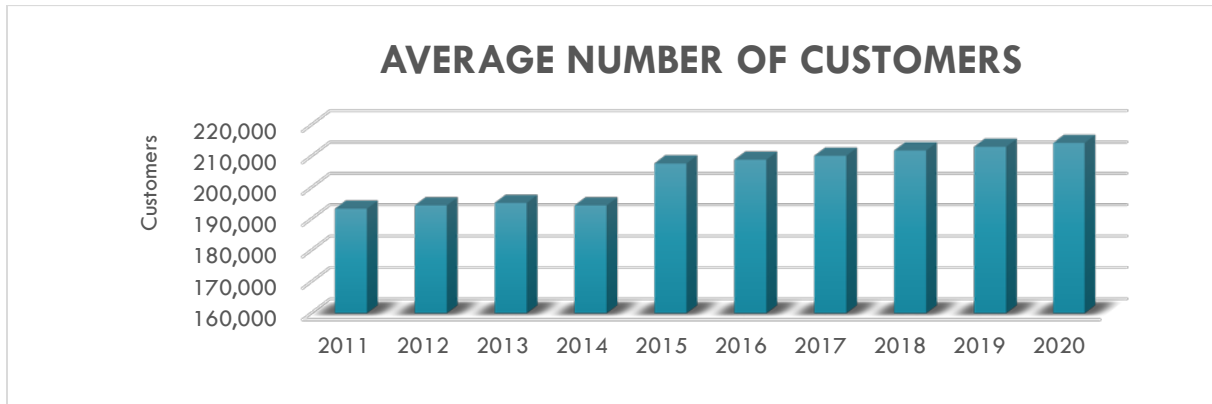
Meter size	2015	2014	2013	2012	2011
¾"	184,743	171,395	171,874	171,103	169,984
1" and 1 ¼"	17,447	17,474	17,645	17,717	17,820
1 ½"	2,269	2,238	2,249	2,221	2,195
2"	2,349	2,303	2,352	2,320	2,228
3"	575	578	634	634	714
4"	276	270	286	273	268
6"	63	60	63	61	58
8" and over	40	42	47	46	40
Total	207,762	194,360	195,150	194,375	193,307

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

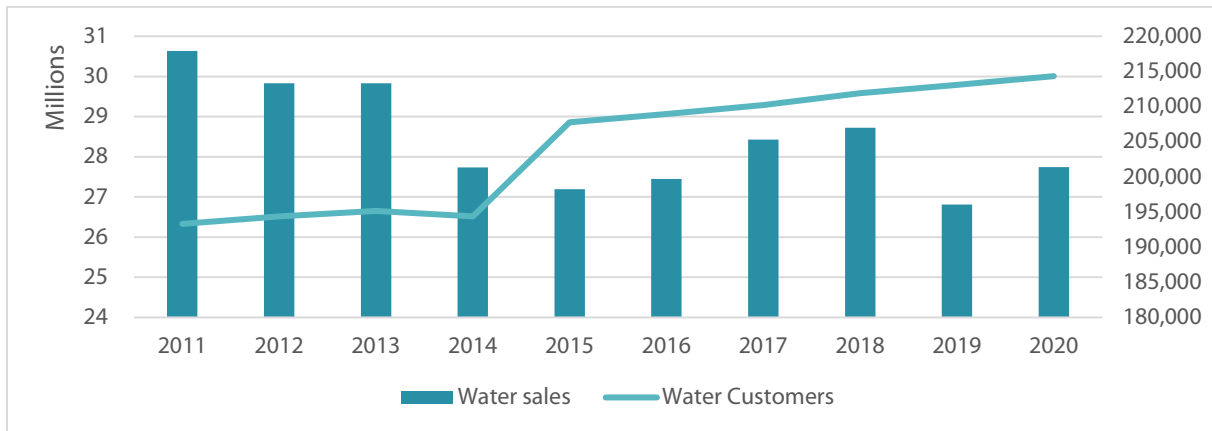
WATER AND WASTEWATER USERS BY CLASS AND METER SIZE CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF AVERAGE NUMBER OF ACCOUNTS:
2011 – 2020



WATER SALES VS. NUMBER OF WATER ACCOUNTS:
2011 – 2020



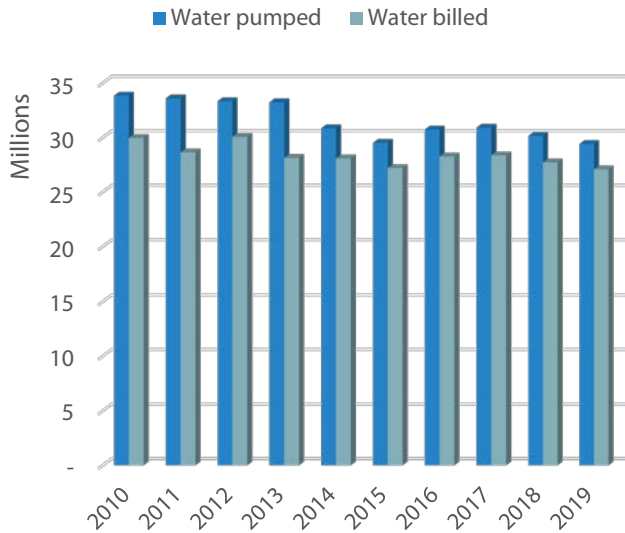
Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER CONSUMPTION

SCHEDULE 7 – LAST TEN CALENDAR YEARS

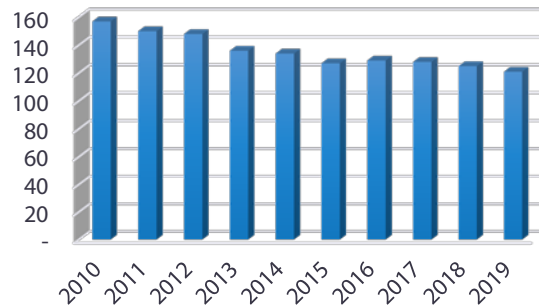
CALENDAR YEARS 2019 – 2010



Calendar year	Water Pumped	Water Billed	% Billed
2019	29,392,000	27,073,469	92.11%
2018	30,139,000	27,696,655	91.90%
2017	30,895,000	28,357,626	91.79%
2016	30,720,000	28,250,591	91.96%
2015	29,498,000	27,195,260	92.19%
2014	30,836,000	28,075,612	91.05%
2013	33,222,000	28,113,371	84.62%
2012	33,318,000	30,044,094	90.17%
2011	33,577,000	28,621,945	85.24%
2010	33,830,964	29,949,844	88.53%

Calendar year	Per Capita Water Usage
2019	121
2018	125
2017	128
2016	129
2015	127
2014	134
2013	136
2012	148
2011	150
2010	157

Per Capita Water Usage



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WATER REVENUE - FISCAL YEAR 2020

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$8,872,998	1	6.03%	2,748,296
Albuquerque Public Schools	2,809,882	2	1.91%	599,369
University of New Mexico	1,231,529	3	0.84%	252,904
Kirtland Air Force Base	704,399	4	0.48%	155,639
Bernalillo County	669,947	5	0.45%	186,069
Water Authority	339,259	6	0.23%	67,638
Lovelace Health	276,781	7	0.19%	86,074
Central NM Community College	271,155	8	0.18%	60,512
Sumitomo	240,727	9	0.16%	97,083
Albuquerque Academy	203,793	10	0.14%	97,078
Total	\$15,620,470		10.61%	4,350,662
2020 Total Water Revenue	\$147,244,774			

WATER REVENUE - FISCAL YEAR 2011

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$6,501,413	1	6.36%	2,767,271
Albuquerque Public Schools	2,215,548	2	2.17%	705,396
University of New Mexico	1,458,396	3	1.43%	290,259
Kirtland Air Force Base	617,867	4	0.60%	221,818
Bernalillo County	605,090	5	0.59%	235,721
Sumitomo	245,814	6	0.24%	148,492
Lovelace Health	241,174	7	0.24%	119,489
Central NM Community College	229,767	8	0.22%	74,363
Albuquerque Academy	182,936	9	0.18%	106,388
Water Authority	150,478	10	0.15%	77,221
Total	\$12,448,483		12.17%	4,746,418
2011 Total Water Revenue	\$102,292,044			

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS CONTINUED

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WASTEWATER REVENUE - FISCAL YEAR 2020

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$1,419,100	1	1.86%	743,835
University of New Mexico	1,183,083	2	1.55%	976,527
Albuquerque Public Schools	777,457	3	1.02%	106,089
City of Albuquerque	747,914	4	0.98%	106,294
Creamland Dairies	550,353	5	0.72%	49,229
Lovelace Health	161,032	6	0.21%	58,241
Bernalillo County	160,972	7	0.21%	40,213
Central NM Community College	124,815	8	0.16%	30,099
Sandia Peak Services	98,256	9	0.13%	82,610
Four Hills Mobile Home Park	83,686	10	0.11%	33,168
Total	\$5,306,668		6.96%	2,226,305
2020 Total Wastewater Revenue	\$76,231,345			

WASTEWATER REVENUE - FISCAL YEAR 2011

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$955,622	1	1.97%	743,391
University of New Mexico	619,376	2	1.28%	553,371
Albuquerque Public Schools	571,486	3	1.18%	154,980
City of Albuquerque	405,371	4	0.84%	174,407
Creamland Dairies	385,178	5	0.79%	50,887
Bernalillo County	157,579	6	0.32%	94,585
Lovelace Health	124,665	7	0.26%	102,045
Central NM Community College	122,576	8	0.25%	28,534
Sandia Peak Services	69,267	9	0.14%	87,068
Four Hills Mobile Home Park	48,039	10	0.10%	35,486
Total	\$3,459,159		7.13%	2,024,754
2011 Total Wastewater Revenue	\$48,504,637			

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OUTSTANDING DEBT RATIO

SCHEDULE 9 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEAR 2020 – 2011

Fiscal Year	Revenue Bonds	Notes from direct borrowings	Water Rights Contract	Lines of Credit	Un-Amortized Premium	Total	Per Capita*	Per Customer*
2020	\$595,930	\$31,560	\$3,960	-	\$52,874	\$684,324	1,008	3,193
2019	577,825	35,873	5,203	-	46,119	665,020	979	3,121
2018	551,950	39,938	6,409	-	48,088	646,385	955	3,050
2017	589,880	44,013	7,579	-	60,241	701,713	1,286	3,419
2016	566,455	54,819	8,715	-	58,712	688,701	1,232	3,296
2015	601,985	63,627	9,817	-	71,578	747,007	1,170	3,250
2014	515,450	131,515	10,887	-	23,864	681,716	1,204	3,198
2013	420,780	210,805	11,925	-	13,334	656,844	1,172	3,366
2012	443,015	229,644	12,932	-	17,400	702,991	1,267	3,617
2011	467,145	193,620	13,910	103	12,631	687,409	1,239	3,556

Note:

1. Per Capita is based on the estimated 2020 population provided by the US Census Bureau.
2. Per customer is based on the number of customers for the Water Authority.
3. Updated FY2017 schedule includes unamortized premium amounts, which includes restated amounts for the per capita and per customer for 2011 – 2016.

* Not presented in thousands of dollars

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SENIOR / SUBORDINATE LIEN DEBT COVERAGE

SCHEDULE 10 – LAST TEN FISCAL YEARS (in thousands of dollars)

SENIOR LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2020	\$240,436	\$120,498	\$119,938	\$48,054	\$23,876	(\$9,233)	1.91	1.33
2019	235,645	115,118	120,527	45,093	25,534	(10,074)	1.99	1.33
2018	241,177	112,698	128,479	31,018	23,948	(10,447)	2.89	1.33
2017	227,044	111,326	115,718	37,497	23,899	(10,247)	2.26	1.33
2016	226,774	106,897	119,877	43,031	23,794	(10,477)	2.13	1.33
2015	203,834	107,597	96,237	33,819	22,579	(7,205)	1.96	1.33
2014	199,234	108,177	91,057	41,151	31,502	(4,684)	1.34	1.33
2013	184,338	96,611	87,727	39,732	23,773	-	1.38	1.33
2012	180,272	94,085	86,187	38,674	22,878	-	1.40	1.33
2011	166,652	88,790	77,862	37,329	29,146	-	1.17	1.33

SENIOR AND SUBORDINATE LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2020	\$240,436	\$120,498	\$119,938	\$56,782	\$26,476	(\$10,455)	1.65	1.20
2019	235,645	115,118	120,527	53,691	28,485	(11,525)	1.71	1.20
2018	241,177	112,698	128,479	42,216	27,303	(12,153)	2.24	1.20
2017	227,044	111,326	115,718	46,901	27,673	(12,407)	1.86	1.20
2016	226,774	106,897	119,877	43,964	27,865	(12,866)	2.03	1.20
2015	203,834	107,597	96,237	34,491	25,746	(9,046)	1.88	1.20
2014	199,234	108,177	91,057	42,081	31,889	(4,684)	1.31	1.20
2013	184,338	96,611	87,727	41,265	24,197	-	1.34	1.20
2012	180,272	94,085	86,187	41,574	23,404	-	1.33	1.20
2011	166,652	88,790	77,862	38,270	32,089	-	1.11	1.20

Note: Gross revenues include operating, non-operating, and miscellaneous revenue. Operating expenses exclude depreciation and non-capitalized major repairs. Interest, with accruals, less amortization of premium and/or discount with annual amortization displayed as of 2014.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

DEMOGRAPHIC AND ECONOMIC STATISTICS

SCHEDULE 11 – LAST TEN FISCAL YEARS

FISCAL YEAR 2020 – 2011

Fiscal Year	Population Albuquerque MSA*	Total Personal Income	Per Capita Personal Income	Unemployment Rate
2020	679,121	28,264,337	41.619	8.7%
2019	679,096	27,484,373	40.472	4.8%
2018	676,953	26,162,880	38.648	4.5%
2017	545,852	20,689,428	37.903	6.0%
2016	559,121	20,650,016	36.933	6.1%
2015	557,169	20,035,240	35.959	5.7%
2014	566,059	19,385,257	34.246	6.4%
2013	560,454	18,359,913	32.759	6.8%
2012	554,905	18,192,560	32.785	7.2%
2011	554,905	17,664,291	31.833	7.6%

Source: US Census Bureau, the University of New Mexico Bureau of Business and Economic Research (BBER).

*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TOP TEN MAJOR EMPLOYERS

SCHEDULE 12 – CURRENT FISCAL YEAR AND NINE YEARS AGO

FISCAL YEAR 2020 AND 2011

Employer	2020			2011		
	Number of Employees	Rank	% of Albuquerque MSA* Employment	Number of Employees	Rank	% of Albuquerque MSA* Employment
Albuquerque Public Schools	14,810	1	4.27%	14,000	3	3.52%
Kirtland Air Force Base (civilian)	10,125	2	2.92%	24,140	1	6.07%
Sandia National Laboratories	9,852	3	2.84%			0.00%
Presbyterian Hospital	7,310	4	2.11%	7,369	4	1.85%
UNM Hospital	6,021	5	1.74%	5,950	5	1.50%
City of Albuquerque	5,500	6	1.59%	5,940	6	1.49%
State of New Mexico	4,950	7	1.43%	5,910	7	1.49%
University of New Mexico	4,210	8	1.21%	15,890	2	4.00%
Lovelace Health System	4,000	9	1.15%	3,700	8	0.93%
Bernalillo County	2,425	10	0.70%	2,618	10	0.66%
Intel Corporation	-		0.00%	3,300	9	0.83%
Total	69,203		19.94%	88,817		20.32%
Total Employment:			347,000			397,552

Sources: University of New Mexico Bureau of Business and Economic Research (BBER)

*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FULL-TIME EQUIVALENT WATER AUTHORITY EMPLOYEES BY FUNCTION

SCHEDULE 13 – LAST TEN FISCAL YEARS

FISCAL YEAR 2020 - 2011

FUNCTION	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Administration:										
Water Authority	7.0	15.0	14.0	13.0	8.0	8.0	13.0	12.0	12.0	12.0
Legal/Risk	0.0	0.0	0.0	7.0	5.0	5.0	0.0	0.0	0.0	0.0
Risk	5.0	5.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legal	1.0	1.0	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Resources	15.0	15.0	14.0	13.0	13.0	13.0	13.0	13.0	12.0	19.0
Financial/Business Services:										
Finance	39.0	29.5	30.5	31.5	31.5	28.5	27.0	23.0	23.0	23.0
Customer Service	52.0	91.0	91.0	90.0	92.0	80.0	80.0	74.0	73.0	75.0
Information Technology	34.0	27.0	26.0	26.0	25.0	27.0	25.0	25.0	22.0	22.0
Plant:										
Wastewater Treatment	91.0	91.0	92.0	92.0	99.0	99.0	99.0	109.0	109.0	107.0
Groundwater	53.0	53.0	54.0	55.0	26.0	27.0	28.0	68.0	79.0	55.0
San Juan-Chama Water Plant	34.0	33.0	30.0	28.0	56.0	56.0	57.0	24.0	11.0	9.0
Field:										
Wastewater Collections	62.0	62.0	62.0	61.0	60.0	60.0	65.0	63.0	63.0	61.0
Water Field Operations	153.0	123.0	124.0	124.0	117.0	126.0	126.0	122.0	123.0	146.0
Other:										
Compliance	44.5	44.5	44.5	45.5	46.0	46.0	44.0	44.0	41.0	38.0
Water Resources Management	0.0	0.0	0.0	0.0	40.0	41.0	35.0	36.0	35.0	33.0
Planning and Engineering	27.0	31.0	26.0	23.0	0.0	0.0	0.0	0.0	0.0	0.0
Asset Management	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Resources	12.0	12.0	11.0	16.0	0.0	0.0	0.0	0.0	0.0	0.0
CIP Funded	0.0	0.0	7.0	7.0	9.0	9.0	9.0	0.0	0.0	0.0
Total	634.5	633.0	633.0	632.0	627.5	625.5	621.0	613.0	603.0	600.0

Note: In 2017, Water Resources Management function separated; now the Planning and Engineering and Water Resources divisions. In 2018, the Legal/Risk function separated; now the Legal and Risk divisions. In 2019, CIP-Funded positions were moved to various operating divisions. In 2020, Fleet Maintenance was moved to Finance, the Asset Management division was created with staffing from various operating divisions, and Meter Operations moved from Customer Service to Water Field Operations.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2019 - 2015

FUNCTION	2019	2018	2017	2016	2015
Estimated Population (Service Area)	683,207	680,946	676,298	670,779	658,238
Number of Meters (Billed)	209,029	207,858	206,606	208,140	208,200
Estimated Persons Per Meter	3.27	3.28	3.27	3.22	3.16
Annual Pumpage (1,000 Gallons)	29,392,000	30,139,000	30,895,000	30,720,000	29,498,000
Annual Water Billed (1,000 Gallons)	27,073,469	27,696,655	28,357,626	28,250,591	27,195,260
Average Daily Pumpage (Gallons)	80,526,027	82,572,603	84,643,836	84,164,384	80,816,438
Peak Day Pumpage (Gallons)	147,000,000	147,000,000	150,600,000	159,000,000	146,000,000
Peak Day Consumption (Gallons)	145,000,000	143,000,000	147,300,000	141,000,000	148,000,000
Average Daily Production Per Meter (Gallons)	385	397	410	404	388
Well Pumping Capacity (Per 24-hour period)	176,000,000	176,000,000	176,000,000	178,000,000	184,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION CONTINUED

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2014 - 2010

FUNCTION	2014	2013	2012	2011	2010
Estimated Population (Service Area)	656,305	643,881	638,887	634,284	623,700
Number of Meters (Billed)	206,944	205,316	203,912	201,884	200,498
Estimated Persons Per Meter	3.17	3.14	3.13	3.14	3.11
Annual Pumpage (1,000 Gallons)	30,836,000	33,222,000	33,318,000	33,577,000	33,830,964
Annual Water Billed (1,000 Gallons)	28,075,612	28,113,371	30,044,094	28,621,945	29,949,844
Average Daily Pumpage (Gallons)	84,482,192	91,019,178	91,282,192	91,991,781	92,687,573
Peak Day Pumpage (Gallons)	144,000,000	157,000,000	175,000,000	182,000,000	226,902,542
Peak Day Consumption (Gallons)	150,000,000	148,000,000	164,000,000	161,500,000	160,000,000
Average Daily Production Per Meter (Gallons)	408	443	448	456	462
Well Pumping Capacity (Per 24-hour period)	183,000,000	187,000,000	196,000,000	282,000,000	282,000,000
Storage Capacity (Gallons)	253,000,000	249,000,000	249,000,000	249,000,000	228,700,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	-
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CAPITAL STATISTICS BY FUNCTION

SCHEDULE 15 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2019 - 2015

FUNCTION	2019	2018	2017	2016	2015
Fire Hydrants	15,948	15,853	15,731	15,646	15,572
Number of Miles of Lines:					
Water	2,767	2,756	2,739	2,729	2,721
Wastewater	1,920	1,914	1,908	1,904	1,900
San Juan-Chama	38	38	37	37	37

CALENDAR YEAR 2014 - 2010

FUNCTION	2014	2013	2012	2011	2010
Fire Hydrants	15,344	15,249	15,110	14,996	14,879
Number of Miles of Lines:					
Water	2,691	2,680	2,663	2,650	2,636
Wastewater	1,879	1,875	1,869	1,866	1,863
San Juan-Chama	37	37	37	37	37

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA

SCHEDULE 16 – LAST TEN FISCAL YEARS (Data in Acre-Feet (Billion Gallons))

FISCAL YEAR 2020 - 2016

FUNCTION	2020	2019	2018	2017	2016	Average	Maximum
Groundwater Diversion	40,871.0	40,718.2	31,174.1	34,746.7	34,842.0	36,470.4	40,718.2
	(13.32)	(13.27)	(10.16)	(11.32)	(11.35)	(11.88)	(13.32)
System Wells Only	36,209.3	39,791.7	30,434.7	34,040.3	34,194.7	34,934.1	39,791.7
	(11.80)	(12.97)	(9.92)	(11.09)	(11.14)	(11.38)	(12.97)
Surface Water Diversion	59,657.7	51,088.5	66,371.0	62,716.3	59,481.5	59,863.0	66,371.0
	(19.44)	(16.65)	(21.63)	(20.44)	(19.38)	(19.51)	(21.63)
Recovered Surface Water from River	43.6	0.0	0.0	0.0	1,077.2	N/A	1,077.2
	(0.01)	(0.00)	(0.00)	(0.00)	(0.35)	N/A	(0.35)
Total System Water Diversion	103,716.0	90,880.2	96,805.7	96,756.6	94,753.4	96,582.4	103,716.0
	(33.80)	(29.61)	(31.54)	(31.53)	(30.88)	(31.47)	(33.80)
Groundwater Use	39,417.40	39,791.7	30,434.7	34,040.3	34,194.7	35,575.8	39,791.7
	(12.84)	(12.97)	(9.92)	(11.09)	(11.14)	(11.59)	(12.97)
Surface Water Use	64,298.6	51,088.5	66,370.0	62,716.3	60,558.8	61,006.4	66,370.0
	(20.95)	(16.65)	(21.63)	(20.44)	(19.73)	(19.88)	(21.63)
Percent Groundwater Use	38.0%	43.8%	31.4%	35.2%	36.1%	36.8%	43.8%
Percent Surface Water Use	62.0%	56.2%	68.6%	64.8%	63.9%	63.2%	68.6%
GPCD*	-	121.0	125.0	128.0	129.0	127.3	129.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December 31, 2019		17,875.0	4,916.7	8,547.2	26,422.2	48,200.0	74,622.2

Note – *GPCD is calculated by calendar year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA CONTINUED

SCHEDULE 16 – LAST TEN FISCAL YEARS (Data in Acre-Feet (Billion Gallons))

FISCAL YEAR 2015 - 2011

FUNCTION	2015	2014	2013	2012*	2011*	Average	Maximum
Groundwater Diversion	40,497.3 (13.20)	53,198.7 (17.33)	55,723.5 (18.16)	59,556.9 (19.41)	62,479.1 (20.36)	54,291.1 (17.69)	62,479.1 (20.36)
System Wells Only	39,377.1 (12.83)	51,842.3 (16.89)	54,189.8 (17.66)	58,052.0 (18.92)	61,052.9 (19.89)	52,902.8 (17.24)	61,052.9 (19.89)
Surface Water Diversion	54,033.9 (17.61)	42,660.6 (13.90)	49,732.2 (16.21)	46,074.6 (15.01)	44,095.1 (14.37)	47,319.3 (15.42)	54,033.9 (17.61)
Recovered Surface Water from River	- -	- -	- -	- -	- -	N/A N/A	N/A N/A
Total System Water Diversion	93,411.0 (30.44)	94,502.9 (30.79)	103,922.0 (33.86)	104,126.6 (33.93)	105,148.0 (34.26)	100,222.1 (32.66)	105,148.0 (34.26)
Groundwater Use	39,377.1 (12.83)	51,842.3 (16.89)	54,189.8 (17.66)	58,052.0 (18.92)	61,052.9 (19.89)	52,902.8 (17.24)	61,052.9 (19.89)
Surface Water Use	54,033.9 (17.61)	42,660.6 (13.90)	49,732.2 (16.21)	46,074.6 (15.01)	44,095.1 (14.37)	47,319.3 (15.42)	54,033.9 (17.61)
Percent Groundwater Use	42.2%	54.9%	52.1%	55.8%	58.1%	52.8%	58.1%
Percent Surface Water Use	57.8%	45.1%	47.9%	44.2%	41.9%	47.2%	57.8%
GPCD*	127.0	134.0	136.0	148.0	155.0	140.0	155.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December 31, 2014		17,875.0	4,916.7	8,397.1	26,272.1	48,200.0	74,472.1

Note – *GPCD is calculated by calendar year. 2010-2012 are reported by calendar year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS

SCHEDULE 17 – LAST TEN FISCAL YEARS (In thousands of dollars)

FISCAL YEAR 2020 - 2016

RATIO TYPE	2020	2019	2018	2017	2016
Operating Ratio Calculation:					
Operating Revenues	\$225,609	\$219,984	\$226,396	\$215,194	\$210,057
/Operating Expenses	225,733	213,186	203,113	198,770	191,540
(1) Operating Ratio:	1.0	1.0	1.1	1.1	1.1

Operating Revenues	225,609	219,984	226,396	215,194	210,057
/Operating Expenses (excl. Depr./Amort.)	140,220	128,866	120,482	117,122	111,183
(1) Operating Ratio, excl. Depr./Amort.:	1.6	1.7	1.9	1.8	1.9

Days Cash on Hand Calculation:					
Unrestricted Cash	159,849	172,815	148,814	125,990	101,196
/Operating Expense (excl. Depr./Amort.)	384	353	330	321	305
(2) Days Cash on Hand:	416.1	489.5	450.8	392.6	332.2

Days of Working Capital Calculation:					
Current Unrestricted Assets	182,178	193,538	169,525	146,372	121,366
Less: Current Liabilities	(108,176)	(96,912)	(88,883)	(78,147)	(81,583)
/Operating Expenses (excl. Depr./Amort.)	384	353	330	321	305
(3) Days of Working Capital:	192.6	273.7	244.3	212.6	130.6

Current Ratio Calculation:					
Unrestricted Cash	159,849	172,815	148,814	125,990	101,196
+ Receivables, net	22,328	20,724	20,711	20,380	20,170
/Current Liabilities	108,176	96,912	88,883	78,147	81,583
(4) Current Ratio:	1.7	2.0	1.9	1.9	1.5

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

SCHEDULE 17 – LAST TEN FISCAL YEARS (In thousands of dollars)

FISCAL YEAR 2015 - 2011

RATIO TYPE	2015	2014	2013	2012	2011
Operating Ratio Calculation:					
Operating Revenues	\$192,312	\$182,350	\$179,678	\$177,055	\$158,515
/Operating Expenses	197,155	198,721	195,437	185,893	184,962
(1) Operating Ratio:	1.0	0.9	0.9	1.0	0.9

Operating Revenues	192,312	182,350	179,678	177,055	158,515
/Operating Expenses (excl. Depr.)	114,060	113,933	108,349	100,609	101,113
(1) Operating Ratio, excl. Depreciation:	1.7	1.6	1.7	1.8	1.6

Days Cash on Hand Calculation:					
Unrestricted Cash	68,886	60,636	38,582	47,108	57,387
/Operating Expense (excl. Depr.)	295	297	297	276	277
(2) Days Cash on Hand:	233.6	205.2	130.0	170.9	207.2

Days of Working Capital Calculation:					
Current Unrestricted Assets	85,288	78,784	57,201	64,820	71,989
Less: Current Liabilities	(74,295)	(66,823)	(67,802)	(68,707)	(70,704)
/Operating Expenses (excl. Depr.)	295	297	297	276	277
(3) Days of Working Capital:	37.3	40.3	(35.7)	(14.1)	4.6

Current Ratio Calculation:					
Unrestricted Cash	68,886	60,836	38,582	47,108	57,387
+ Receivables, net	16,401	17,948	18,603	17,619	14,602
/Current Liabilities	74,295	66,823	67,802	68,707	70,704
(4) Current Ratio:	1.1	1.2	0.8	0.9	1.0

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

SCHEDULE 17 – LAST TEN FISCAL YEARS (In thousands of dollars)

FISCAL YEAR 2020 - 2011

Notes for Financial Benchmarks:

1. Operating Ratio measures self-sufficiency; to keep operations running. Fiscal Year 2014 – 2017 operating expenses exclude non-capitalized major repairs and bad debt expense.
2. Days Cash on Hand is a measure of the ability of the Water Authority to withstand a significant temporary reduction in revenue to continue paying for daily operations.
3. Working Capital is a measure of the Water Authority's liquidity, efficiency, and overall health.
4. Current Ratio is a measure of short-term liability or the ability to pay current bills. National Benchmark: >1.0:>2.0 is preferred

Source: Water Authority Financial/Business Services Division

**OTHER
SUPPLEMENTARY
INFORMATION SECTION**





ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
REVENUES:				
<i>OPERATING:</i>				
Water service	\$90,578,000	\$90,578,000	\$105,945,954	\$15,367,954
Water facilities rehab	32,402,000	32,402,000	37,246,517	4,844,517
Wastewater service	64,869,000	64,869,000	42,115,894	(22,753,106)
Wastewater facilities rehab	27,602,000	27,602,000	34,115,451	6,513,451
Water resources management	4,500,000	4,500,000	4,269,209	(230,791)
COA administrative fees	2,133,000	2,133,000	2,133,000	-
Investment income	1,000,000	1,000,000	1,884,565	884,565
Miscellaneous revenue	8,284,000	8,284,000	1,247,587	(7,036,413)
<i>CAPITAL:</i>				
Transfer from operating	31,618,000	31,618,000	31,618,000	-
Transfer from debt service	4,000,000	4,000,000	4,000,000	-
Transfer from capital	-	27,327	27,327	-
Loan proceeds	-	1,530,000	1,134,385	(395,615)
Bond proceeds	-	86,643,649	86,643,649	-
Federal grants	-	-	628,302	628,302
State grants	-	490,000	720,315	230,315
Lease of water rights	-	-	294,824	294,824
Water resource charge	-	-	838,544	838,544
Interest income	-	-	8,980	8,980
Miscellaneous	-	-	16,852	16,852
<i>DEBT SERVICE:</i>				
Utility Expansion Charges	8,000,000	8,000,000	8,916,871	916,871
Water resource charge	-	-	(18)	(18)
Interest income	-	-	399,598	399,598
Bond proceeds	-	6,294	6,294	-
Transfer from capital	-	9,676	9,676	-
Transfer from operating	79,411,000	79,411,000	79,411,000	
TOTAL REVENUES	\$354,397,000	\$443,103,946	\$443,632,776	\$528,830

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
EXPENSES:				
<i>OPERATING:</i>				
Administration	\$2,224,000	\$1,971,210	\$2,462,143	(\$490,933)
Risk	4,397,000	4,397,000	3,825,434	571,566
Legal	790,000	790,000	906,598	(116,598)
Human resources	1,799,000	1,799,000	1,802,882	(3,882)
Finance	4,124,000	4,069,346	4,248,831	(179,485)
Fleet maintenance	-	3,434,787	3,019,454	415,333
Customer service	5,192,000	5,113,597	4,771,747	341,850
Information technology	7,370,000	8,082,142	8,157,695	(75,553)
Wastewater plant	11,786,000	11,699,232	12,175,362	(476,130)
SJC water treatment plant	4,285,000	4,285,000	4,172,110	112,890
Groundwater operations	6,614,000	6,500,556	6,489,958	10,598
Wastewater collection	7,077,000	7,077,000	7,138,471	(61,471)
Water field operations	23,824,000	20,543,000	18,493,947	2,049,053
Compliance	5,424,000	5,424,000	5,046,589	377,411
Planning and engineering	4,008,000	3,434,000	3,397,739	36,261
Asset management	-	294,130	268,806	25,324
Water resources	4,675,000	4,675,000	3,656,419	1,018,581
General government*	23,982,000	23,982,000	24,814,679	(832,679)
San Juan-Chama	2,747,000	2,747,000	2,443,581	303,419
Transfer to debt service	79,411,000	79,411,000	79,411,000	-
Transfer to capital	31,618,000	31,618,000	31,618,000	-
<i>CAPITAL:</i>				
Capital expense	68,341,000	156,366,455	106,672,726	49,693,729
Transfer to other funds	-	37,003	37,003	-
<i>DEBT SERVICE:</i>				
Debt service	84,496,000	84,496,000	83,888,451	607,549
Transfer to capital	4,000,000	4,000,000	4,000,000	-
TOTAL EXPENSES	\$388,184,000	\$476,246,458	\$422,919,625	\$53,326,833

* General government expenses include power and chemicals, taxes, and overhead.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
NET EFFECT:				
Revenues over (under) expenses	(\$33,787,000)	(\$33,142,512)	\$20,713,151	(\$52,798,003)

Revenues (expenses) not budgeted:	
Depreciation	(84,985,126)
Amortization on premium and discounts	7,508,723
Gain (loss) on capital assets	(17,754)
Non-budgeted miscellaneous expenses	(6,021,628)
Miscellaneous revenues	29,874
Net expenses over revenues not budgeted	(83,485,913)

Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	56,782,256
Principal payments on water rights contract	1,242,757
Expenses recorded in capital general ledger funds	86,869,042
Bond proceeds	(86,649,943)
Loan proceeds	(1,134,385)
Unrealized gain (loss) in fair value of investments	(188,665)
Capital contributions	5,092,777
Net changes to conform to generally accepted accounting principles	\$62,013,839

Change in net position	(\$758,923)
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF DEPOSITS AND INVESTMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020

BY FINANCIAL INSTITUTION

Account Name	Type of Account	Bank Balance	Outstanding	Book Balance
Bank of Albuquerque:				
Lockbox	Checking	\$66,284,831	-	\$66,284,831
Wells Fargo Bank:				
General Fund	Checking	100,783,837	(1,891,857)	98,891,980
SAF Reserve	Savings	1,486,000	-	1,486,000
Money Market Reserve	Savings	9,500,000	-	9,500,000
Flex Spending	Checking	348,541	-	348,541
Rio Grande Credit Union:				
Money Market	Savings	249,215	-	249,215
Cash on hand		-	-	2,900
US Bank:				
Treasury Money Market	Investments	799,342	-	799,342
U S Treasury Bill	Investments	5,994,180	-	5,994,180
U S Treasury Bill	Investments	4,719,991	-	4,719,991
U S Treasury Bill	Investments	5,992,680	-	5,992,680
U S Treasury Bill	Investments	5,991,900	-	5,991,900
U S Treasury Bill	Investments	5,991,000	-	5,991,000
U S Treasury Bill	Investments	5,990,040	-	5,990,040
U S Treasury Bill	Investments	6,324,684		6,324,684
U S Treasury Bill	Investments	6,373,853		6,373,853
U S Treasury Bill	Investments	5,998,140		5,998,140
U S Treasury Bill	Investments	5,997,000		5,997,000
U S Treasury Bill	Investments	5,996,640		5,996,640
U S Treasury Bill	Investments	5,994,660	-	5,994,660
Total Cash Deposits		\$250,816,534	(\$1,891,857)	\$248,927,577

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL

FOR THE FISCAL YEARS ENDED JUNE 30, 2020

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Bank of Albuquerque, N.A.:				
FN MA3864	31418DJJ2	1,916,672	12/01/2034	2.500%
FN MA3864	31418DJJ2	1,916,672	12/01/2034	2.500%
FN MA3864	31418DJJ2	2,875,007	12/01/2034	2.500%
FN MA3864	31418DJJ2	33,541,753	12/01/2034	2.500%
FN MA3864	31418DJJ2	3,833,343	12/01/2034	2.500%
FN MA3864	31418DJJ2	3,833,343	12/01/2034	2.500%
FHMS K043 A1	3137BGJZ3	5,192,906	10/25/2023	2.532%
FHMS K055 A1	3137BPVZ9	833,133	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	833,133	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	833,133	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	1,916,206	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	2,499,399	04/24/2025	2.263%
FN AL6163	3138ENZ51	1,316,681	11/01/2021	2.674%
FN AL6163	3138ENZ51	1,975,022	11/01/2021	2.674%
FNR 2016-37 BE	3136ASQA7	460,152	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	1,840,608	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	2,103,493	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	2,530,835	06/25/2046	2.000%
FNR 2009-06 LC	31397M5D5	2,882,781	07/25/2035	4.217%
Location of collateral: Bank of Oklahoma – Oklahoma City, OK				

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2020

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Wells Fargo Bank, N.A.:				
FMAC FEPC	31329KUK8	393,701	07/01/2035	3.000%
FMAC FEPC	3132A5GQ2	12,255,535	03/01/2047	3.500%
FMAC FEPC	3132A5HB4	107,676,025	07/01/2047	3.500%
FMAC FEPC	3132A5HU2	3,295,869	11/01/2047	3.500%
FMAC FEPC	3133A13P5	164,647	02/01/2050	3.000%
FMAC FEPC	3133KHLN4	142,613	02/01/2050	3.000%
FNMA FNMS	3140FTG3	907,503	02/01/2047	3.500%
FNMA FNMS	3140J8X32	1,024,371	10/01/2038	6.000%
FNMA FNMS	3140JQTX1	263,553	09/01/2049	3.000%
FNMA FNMS	3140QBPJ1	353,518	08/01/2049	3.500%
Location of collateral: Bank of New York Mellon – New York, NY				
Total Collateral of Cash Deposits		\$199,611,607		

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA and Pass-Through Entity's Identifying Numbers	Total Federal Expenditures
U.S. Department of Environmental Protection Agency <i>Passed-Through</i> New Mexico Finance Authority (NMFA)		
Capitalization Grants for Drinking Water State Revolving Funds	66.468 DW-4202	\$487,948
Capitalization Grants for Drinking Water State Revolving Funds	66.468 DW-4877	1,274,740
Total U.S. Department of Environmental Protection Agency		\$1,762,688
Total Expenditures of Federal Awards		\$1,762,688

The accompanying notes are an integral part of this schedule.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1 – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Water Authority under programs of the federal government for the year ended June 30, 2020. The information in the schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Water Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Water Authority.

Note 2 – Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Water Authority did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantors or the 2020 *Catalog of Federal Domestic Assistance*.



Independent Auditor’s Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

The Board of Directors of the Albuquerque
Bernalillo County Water Utility Authority
and
Mr. Brian Colón
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Water Authority’s basic financial statements, and the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, and have issued our report thereon dated November 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Authority’s internal control.

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

or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

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

REDWLL

Albuquerque, New Mexico
November 25, 2020



Independent Auditor's Report on Compliance for
Each Major Federal Program and on Internal Control
Over Compliance Required by the Uniform Guidance

The Board of Directors of the Albuquerque
Bernalillo County Water Utility Authority
and
Mr. Brian Colón
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the Albuquerque Bernalillo County Water Utility Authority's (the "Water Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each the Water Authority's major federal programs for the year ended June 30, 2020. The Water Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Water Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Water Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the Water Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

REDWLLC

Albuquerque, New Mexico
November 25, 2020

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Other deficiencies identified that are not significant deficiencies or material weaknesses? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major program: Unmodified

Any audit findings, disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major program

CFDA Numbers
66.468

Name of Federal Program
Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PRIOR YEAR AUDIT FINDINGS

2019-001 Public Money Act
Status: Resolved.

2019-002 Compliance with Personnel Rules and Regulations
Status: Resolved.

2019-003 New Mexico Per Diem and Mileage Act
Status: Resolved.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

EXIT CONFERENCE

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

A virtual exit conference was held on Monday, November 23, 2020 with the Water Authority with the following present:

On behalf of the Water Authority:

Klarissa J. Peña, Chair

Debbie O'Malley, Vice Chair

Sarita Nair, Chief Administrative Officer, City of Albuquerque

Mark S. Sanchez, Executive Director

Stan Allred, Chief Financial Officer

Peter Auh, General Counsel

Susan J. Lander, Controller

On behalf of REDW LLC:

James Montoya, Principal

Chris Bitakis, Senior Manager