



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended  
June 30, 2023 and 2022

**Albuquerque Bernalillo County Water Utility Authority**

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# INTRODUCTORY SECTION-UNAUDITED



\*San Juan-Chama Water Treatment Plant - Raw Water Diversion Channel



November 30, 2023



## Letter of Transmittal

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 Annual Comprehensive Financial Report (“ACFR”) of the Albuquerque Bernalillo County Water Utility Authority (“Water Authority”) for the years ended June 30, 2023 and 2022. 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 ACFR, 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.

SJT GROUP 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, 2023 and 2022. 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 654,067 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 the Water Authority goals based on the American Water Works Association's business model. The Water Authority budget for operations and capital implementation is driven by the goals and one-year objectives.

### ***Vision Statement:***

**"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 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 676,444 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, Amazon fulfillment center, Faneuil Inc, Netflix, 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 impacted by various factors including slowdowns in Gross Domestic Product, persistent inflationary pressure, the impact of ever-higher interest rates, geopolitical instability as well as projections of slowdown and/or recession, with Albuquerque's unemployment at 4.8% as of June 2023. That is on par with the state's unemployment rate of 4.6%, and the national rate of 3.6%. Moving forward in 2023, the total employment in the Albuquerque MSA is forecast to increase by 1.6%, with gains in nearly every sector, including the public sector which will increase 1.4%.

Private sector gains will mostly be had in a combination of the sectors employing the largest number of people and those hit hardest during the pandemic. Leading the gains will be healthcare and social assistance with an increase of 2.6%.

Professional and technical services will expand in 2023 by 1.4%. Over the past year, employment in this sector expanded 6.8% and has been one of the most consistent performers over the last several years.

The large healthcare and social assistance sector continues to increase with the growth bringing it above its pre-pandemic level by year-end.

Also moving ahead for the year will be manufacturing, increasing 1.6%, construction, increasing 1.6%, educational services, increasing 1.4%, and transportation and warehousing, increasing 2.7%.

There are 5 private sector industries expected to lose jobs over the course of the year: retail trade decreasing -0.3%, finance & insurance (-0.9%), agriculture (-5.5%), real estate, rental & leasing (-0.6%), and management of companies & enterprises (-0.8%).

Government will add jobs in the aggregate in 2023. Local government will increase 1.6% and state government will increase 2.0%. Federal government will decrease 0.1%.

In the longer term, through 2028, the Albuquerque MSA economy is forecasted to add 8,042 jobs for 0.4% average annual growth (AAG) as it regains jobs lost in 2020. Job levels in the MSA should exceed 2019 levels by 2023. By the end of the forecast window, the economy should have 7.2% more jobs than in 2019. Both the private sector and public sector will see positive growth over the period with the private sector increasing 0.4% AAG and the government sector increasing 0.5% AAG.

The City of Albuquerque issued over 1,700 housing permits each year in 2021 and 2022. High house prices, high interest rates, and low inventory are expected to depress average permits throughout the forecast period although they should slowly pick up. Annual increases will almost entirely stem from single-family housing permits as multi-family permits are projected to stay flat.

The biggest continuing challenge facing the Water Authority is navigating the after-effects of the COVID-19 pandemic. Widespread supply chain disruptions, labor shortages, inventory impairment, and price increases have had an effect on operations. Staff have been tasked to monitor expenses and to prioritize projects to better manage reduced resources.

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 years 2020, 2021 and 2022. A 5% rate revenue adjustment went into effect for fiscal year 2023. The Water Authority will be preparing a cost-of-service study in 2023 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 year 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.

In September 2020, the Water Authority Board approved a Memorandum of Agreement creating the San Juan-Chama Project Contractors Association (SJCPCA) with various political subdivisions, public entities, and federally recognized Indian tribes for the protection of the San Juan-Chama Project and the associated water supply for the mutual benefit of the water users represented by the parties to the agreement. The Water Authority was elected by the SJCPCA to serve as the fiscal agent. The fiscal agent duties are to manage the fiscal affairs of the SJCPCA, with the supervision of the SJCPCA Board, to collect an annual assessment from each member and any special assessments approved by the SJCPCA Board, and to manage the investment of SJCPCA funds which shall be held in trust for the members and used for the purposes of the agreement. In May 2021, the Water Authority Board established a fund and budget for the San Juan-Chama Project Contractors Association.

### **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=youtube.](https://www.youtube.com/watch?v=Z6stQZw2L1M&feature=youtube)

Selected priorities for FY23 include:

- Continue community outreach programs and communication.
- Develop an inspection program for the drinking water reservoirs.
- Implement at least one planned Interceptor Rehabilitation project and at least one planned Small Diameter Sanitary Sewer Rehabilitation project.
- Develop a plan to increase renewable and green energy generation at facilities.
- Continue design, development and construction of projects funded from the ARPA funds received from Bernalillo County.
- Continued focus on physical and cyber security to safeguard all Water Authority assets.

### **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 annual comprehensive financial report for the Fiscal Year ended June 30, 2022. This was the ninth 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 annual comprehensive 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 annual comprehensive 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 2024. 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 seven 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 unflinching support for maintaining the highest standards of professionalism in the management of the Water Authority's finances.

Respectfully submitted,

*Mark S. Sanchez*

Executive Director

*Marta J. Ortiz*

Chief Financial Officer

## GFOA Certificate of Achievement Award

Below is the Government Finance Officers Association (GFOA) certificate of achievement award as of June 30, 2022.



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Albuquerque Bernalillo County  
Water Utility Authority  
New Mexico**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

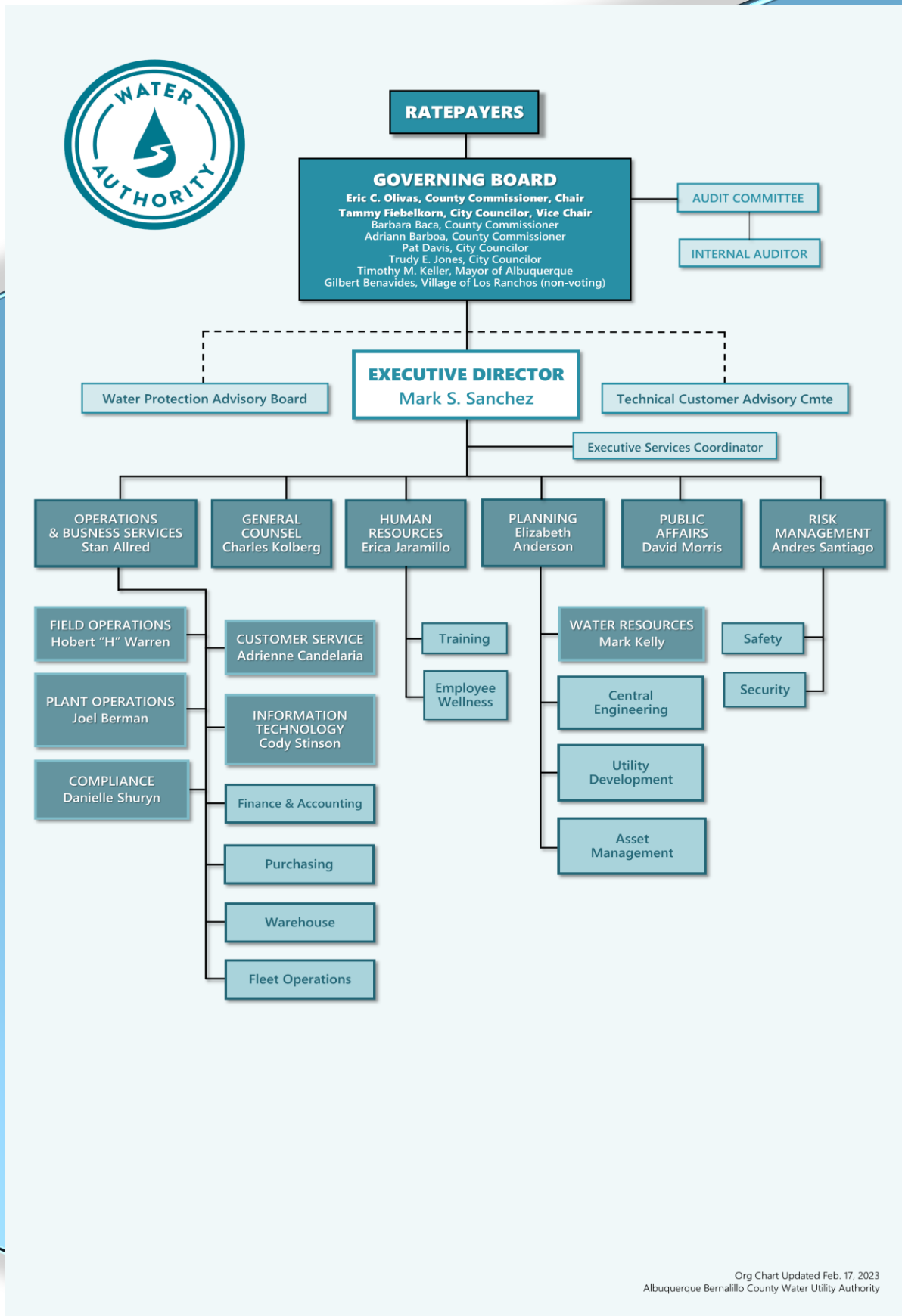
*Christopher P. Morill*

Executive Director/CEO



# Organization Chart

Below is the Water Authority's Organizational Chart as of June 30, 2023.



## Governing Board Members

The Water Authority is accountable to its ratepayers via an eight-member Governing Board. Current members include:



# *Albuquerque Bernalillo County Water Utility Authority* GOVERNING BOARD



Chair Eric Olivas  
Bernalillo County



Vice Chair Tammy Fiebelkorn  
City of Albuquerque



Member Barbara Baca  
Bernalillo County



Member Pat Davis  
City of Albuquerque



Member Adriann Barboa  
Bernalillo County



Member Trudy E. Jones  
City of Albuquerque



Member Timothy M. Keller  
City of Albuquerque Mayor



"Ex-Officio" Gilbert Benavides  
Village of Los Ranchos Board Trustee

# FINANCIAL SECTION



Southside Water Reclamation Plant (SWRP) Skimmer Reflection





## Independent Auditor's Report

The Board of Directors of the  
Albuquerque Bernalillo County Water Utility Authority  
and  
Mr. Joseph M. Maestas, P.E.  
New Mexico State Auditor

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the years ended June 30, 2023 and 2022, 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, 2023, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority as of June 30, 2023 and 2022, and the changes in its financial position and its 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, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit 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 Water Authority's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Authority's ability to continue as a going concern for reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability, schedule of pension contributions, schedules of changes in the net OPEB liability, schedules of OPEB contributions, and notes to required supplementary information related to pensions on pages 24-34 and 91-98 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.

### ***Supplementary Information***

The other schedules required by 2.2.2 NMAC on pages 123-124 and the schedule of expenditures of federal awards on page 125, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico  
November 30, 2023

## Management Discussion and Analysis

For Fiscal Years Ended June 30, 2023 and 2022

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, 2023. 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 6-15 of this report.

### Financial Highlights

The Water Authority's financial position, measured by the change in net position, increased 4.51 percent during fiscal year 2023, compared to an increase of 3.10 percent during fiscal year 2022.

- 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 \$690.9 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 \$61.0 million.
- Operating revenues increased from \$224.2 million in 2022 to \$231.0 million in 2023.
- Capital contributions were \$35.7 million in 2023 compared to \$21.3 million in 2022.
- Debt service coverage for senior liens decreased to 170% from 218% for fiscal year 2023; which continues to remain above the 133% requirement established by the governing board and bond covenants.

### 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 40-90 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 starting on page 63.

## Financial Analysis

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

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

	FY2023	Restated FY2022	FY2021	FY2023 vs FY2022	FY2022 vs FY2021
<b>Assets:</b>					
Current and other assets	\$ 200,831	\$ 270,921	\$ 199,591	\$ (70,090)	\$ 71,330
Capital assets	1,185,282	1,155,670	1,178,200	29,612	(22,530)
<b>Total Assets</b>	<b>1,386,113</b>	<b>1,426,591</b>	<b>1,377,791</b>	<b>(40,478)</b>	<b>48,800</b>
Total Deferred Outflow of Resources	23,684	21,993	41,059	1,691	(19,066)
<b>Liabilities:</b>					
Long-term liabilities	584,118	643,497	668,782	(59,379)	(25,285)
Other liabilities	115,093	110,331	93,757	4,762	16,574
<b>Total Liabilities</b>	<b>699,211</b>	<b>753,827</b>	<b>762,539</b>	<b>(54,616)</b>	<b>(8,712)</b>
Total Deferred Inflow of Resources	19,704	33,716	15,152	(14,012)	18,564
<b>Net Position:</b>					
Net investment in capital assets	629,850	579,356	589,168	50,495	(9,812)
Unrestricted	61,033	81,685	51,991	(20,652)	29,694
<b>Total Net Position</b>	<b>\$ 690,883</b>	<b>\$ 661,041</b>	<b>\$ 641,159</b>	<b>\$ 29,843</b>	<b>\$ 19,882</b>

As would be expected for a utility, the largest portion of the Water Authority's net position is the net investment in capital assets (91.2 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.

- Total assets in FY2023 decreased \$40.5 million from FY2022 and increased \$8.3 million from FY2021. The decrease was primarily due to a decrease in restricted cash from the increase in spending in the Capital Improvement Program.

- Other liabilities in FY2023 increased \$4.8 million from FY2022 and increased \$21.3 million from FY2021. The increase in FY2023 was primarily related to an increase in accounts payable and debt obligation requirements.
- Long-term liabilities in FY2023 decreased \$59.4 million from FY2022 and decreased \$84.7 million from FY2021. The decrease in FY2023 was primarily due to debt obligations and OPEB liabilities.

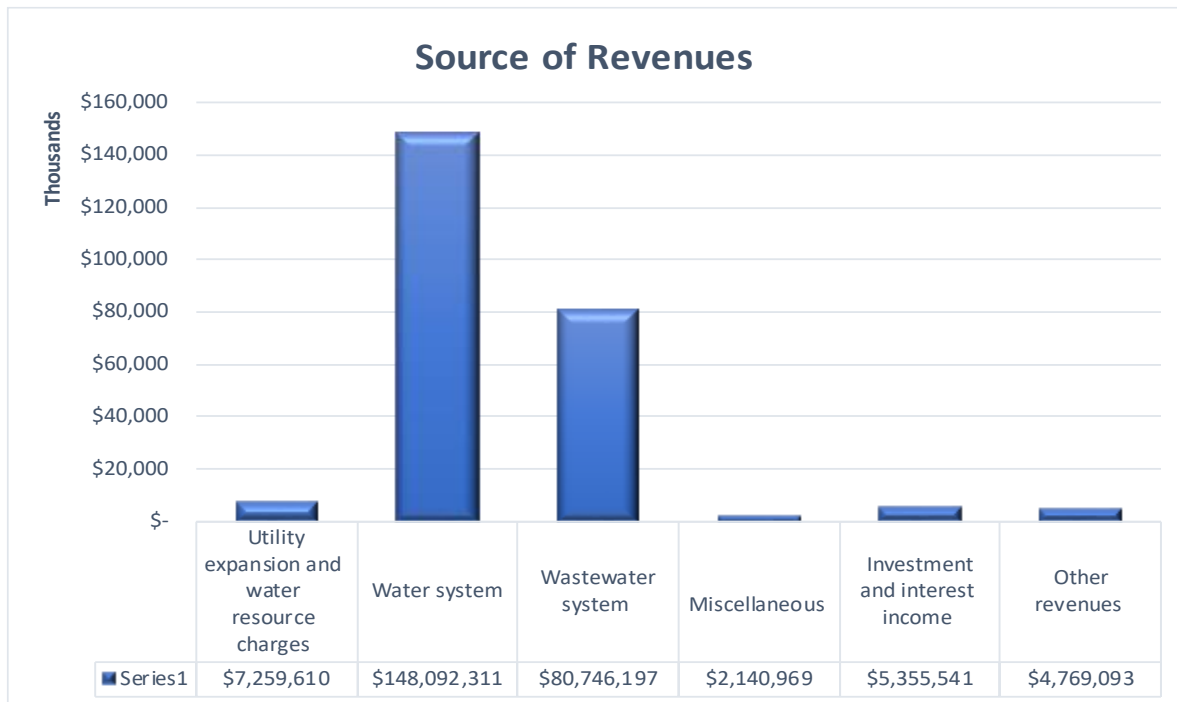
Table 2 presents a summarized comparative statement of revenues, expenses, and changes in net position for the last three fiscal years.

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

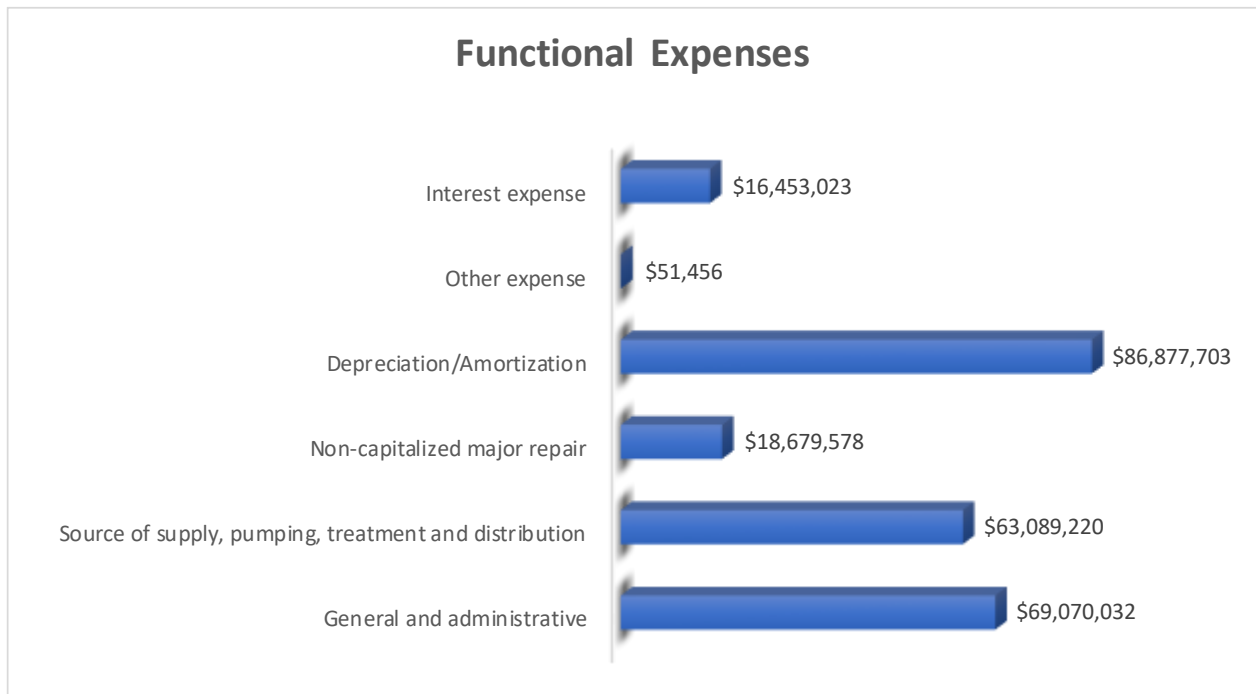
	FY 2023	Restated FY2022	FY2021	FY2023 vs FY2022	FY2022 vs FY2021
Revenues:					
Water system revenue	\$ 148,092	\$ 145,215	\$ 147,199	\$ 2,877	\$ (1,984)
Wastewater system revenue	80,746	76,845	76,442	3,901	403
Miscellaneous revenue	2,141	2,134	2,023	7	111
Utility expansion charges	6,400	8,421	9,060	(2,021)	(639)
Other non-operating revenue	10,985	3,874	5,270	7,111	(1,396)
Total Revenues	<u>248,364</u>	<u>236,489</u>	<u>239,994</u>	<u>11,875</u>	<u>(3,505)</u>
Expenses					
Operating	237,717	220,635	221,095	17,082	(460)
Interest (Non-operating)	16,453	17,352	17,194	(899)	158
Other Non-operating	51	668	340	(617)	328
Total Expenses	<u>254,221</u>	<u>238,655</u>	<u>238,629</u>	<u>15,566</u>	<u>26</u>
Income (Loss) Before Capital Contributions	(5,857)	(2,165)	1,365	(3,691)	(3,531)
Capital Contributions	35,699	21,270	6,337	14,429	14,935
Change in Net Position	29,842	19,105	7,702	10,738	11,404
Net Position, beginning of year	661,041	641,936	633,458	19,105	8,478
Net Position, end of year	<u>\$ 690,883</u>	<u>\$ 661,041</u>	<u>\$ 641,160</u>	<u>\$ 29,843</u>	<u>\$ 19,882</u>

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 \$5.9 million, a decrease of \$4.5 million from FY2022 and a decrease of \$7.2 million from FY2021.

Table 2 shows FY2023 revenues increased \$11.9 million from FY2022 and increased \$8.4 million from FY2021; primarily related to a rate revenue adjustment in FY2023. 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.



FY2023 operating expenses (exclusive of depreciation and amortization) increased by \$16.8 million from FY2022 and increased \$16.6 million from FY2021. The primary factors are related to inflationary increases within operating expenses. 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.



## 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 annually. The Decade Plan includes detailed requirements for program

development and project scope, schedule, budget, justification and alternatives. This ensures there is always an approved planning element in place for every approved annual Basic Program budget.

Table 3 presents the Water Authority's capital assets at June 30, 2023, 2022 and 2021.

Table 3  
Water Authority's Condensed Capital Assets  
(In thousands of dollars)

	FY2023	FY2022	FY2021	FY2023 vs FY2022	FY2022 vs FY2021
Capital assets not being depreciated:					
Land	\$ 25,490	\$ 25,463	\$ 25,417	\$ 27	\$ 46
Construction work in progress	107,233	58,300	48,902	48,933	9,398
Purchased water rights	49,251	49,251	49,251	(0)	-
Total capital assets not being depreciated	<u>181,974</u>	<u>133,014</u>	<u>123,570</u>	<u>48,960</u>	<u>9,444</u>
Capital assets being depreciated/amortized (net):					
Leases right to use	1,508	220	505	1,288	(285)
SBITAs right to use	1,815	2,034	-	(219)	2,034
Buildings and other improvements	988,494	1,009,392	1,041,081	(20,898)	(31,689)
Machinery and equipment	11,491	11,010	13,044	481	(2,034)
Total capital assets being depreciated/amortized (net)	<u>1,003,308</u>	<u>1,022,656</u>	<u>1,054,630</u>	<u>(19,348)</u>	<u>(31,974)</u>
Total Capital Assets	<u>\$ 1,185,282</u>	<u>\$ 1,155,670</u>	<u>\$ 1,178,200</u>	<u>\$ 29,612</u>	<u>\$ (22,530)</u>

Major capital asset additions for the current fiscal year included:

- \$31.9 million - Sanitary wastewater pipeline renewal
- \$19.5 million - Southside Water Reclamation Plant and collection system improvements
- \$7.6 million - Groundwater production and distribution improvements
- \$5.8 million - Drinking water pipeline renewal
- \$2.1 million - Lift Station and Vacuum Station renewal
- \$2.0 million - Drinking water plant treatment systems renewal

The Water Authority's capital assets as of June 30, 2023 total \$1.185 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 continued repair of large diameter wastewater lines due to collapses and aging infrastructure.

Other significant work areas were treatment plant primary clarifier 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 access road to the Reclamation Plant.

More capital asset detailed information can be found in the notes to the financial statements on page 56.

### Long-term Debt

At June 30, 2023, the Water Authority had \$530.6 million in significant long-term debt liabilities outstanding, a net decrease of \$65.1 million, or -10.9 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 \$66.9 million.

Table 4 presents a summary of the Water Authority's outstanding long-term liabilities at June 30, 2023, 2022, and 2021.

Table 4  
Water Authority's Condensed Long-term Liabilities  
(In thousands of dollars)

	FY2023	FY2022	FY2021	FY2023 vs FY2022	FY2022 vs FY2021
Notes from direct borrowings	\$ 10,291	\$ 10,512	\$ 8,565	\$ (221)	\$ 1,947
Revenue bonds	520,305	583,800	567,270	(63,495)	16,530
Water rights contract	-	1,360	2,679	(1,360)	(1,319)
Total	<u>\$ 530,596</u>	<u>\$ 595,672</u>	<u>\$ 578,514</u>	<u>\$ (65,076)</u>	<u>\$ 17,158</u>

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 are the ratings received for the Water Authority as of June 30, 2023.



## Rating Agency:

Standard & Poor's _____ AA+	Rating reflects Very Strong Capacity to Meet Financial Commitments
Moody's _____ Aa2	Rating reflects Excellent Financial Position; Bonds Maintain Positive Investment Qualities
Fitch _____ AA+	Rating reflects Very Strong Capacity to Meet Financial Commitments

More information about the Water Authority's long-term liabilities is presented in the notes to the financial statements on page 57.

## Economic Factors and Next Year's Budget and Rates

The pandemic seems to be moving from the pandemic phase to the endemic phase and businesses and consumers are learning to live with a new normal. Logistics and the lack of availability of raw materials is still an issue, the labor shortage is making it difficult for businesses to retain talent and inflationary pressures are everywhere. Although the state of New Mexico was not hit nearly as hard as other states at the outset of the pandemic, the state is lagging in the recovery. Recent large investments in the state by corporations are evidence that the state is starting to improve its position. New Mexico is steadily recovering jobs and is predicted to return to pre-pandemic levels by the end of 2023.

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 2024 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 2024 budget according to the utility's projected estimated revenues. General Fund revenue for FY2024 is estimated to be \$248.4 million, representing an increase of \$3.7 million from the fiscal year 2023 budget amount. There is no rate revenue increase in effect for fiscal year 2024.

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.

On September 23, 2021, S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (S&P) downgraded its rating from AAA to AA+, with a stable rating outlook, on the Water Authority's senior lien obligations. S&P also downgraded its rating from AA+ to AA, with a stable rating outlook, on the Water Authority's subordinate lien obligations.

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:  
<https://www.abcwua.org/your-drinking-water-water-resources-mgt-strategy>.

#### 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.

## Statements of Net Position

June 30, 2023

(With Comparative Amounts for June 30, 2022)

ASSETS	2023	Restated 2022
<b>CURRENT ASSETS:</b>		
Cash	\$ 114,281,749	\$ 103,374,934
Investments	49,882,942	76,089,917
Accounts and leases receivable, net of allowance	22,953,490	23,964,523
Notes receivable, current portion	1,317,725	1,723,247
Due from other governments	2,737,938	6,726,082
Prepaid items	1,424,880	683,898
Total current assets	<u>192,598,724</u>	<u>212,562,601</u>
<b>NONCURRENT ASSETS:</b>		
Long-term notes receivable	4,977,223	5,540,882
Restricted assets:		
Cash	<u>3,255,271</u>	<u>52,818,145</u>
Total other noncurrent assets	<u>8,232,494</u>	<u>58,359,027</u>
Capital assets, net of accumulated depreciation/amortization:		
Buildings and other improvements	988,493,369	1,009,392,052
Leases right-to-use	1,508,207	219,544
SBITA right-to-use	1,814,945	2,033,504
Machinery and equipment	<u>11,491,040</u>	<u>11,010,292</u>
Net depreciable and amortizable capital assets	1,003,307,561	1,022,655,392
Capital assets, not being depreciated:		
Land	25,490,033	25,462,800
Purchased water rights	49,251,368	49,251,368
Construction work in progress	<u>107,233,215</u>	<u>58,299,962</u>
Total capital assets	<u>1,185,282,177</u>	<u>1,155,669,522</u>
Total noncurrent assets	<u>1,193,514,671</u>	<u>1,214,028,549</u>
<b>TOTAL ASSETS</b>	<u>1,386,113,395</u>	<u>1,426,591,150</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to other post-employment benefits	5,144,080	6,394,516
Deferred amounts related to pensions	11,079,006	5,019,966
Deferred amounts on refunding	<u>7,461,121</u>	<u>10,578,504</u>
Total deferred outflows of resources	<u>23,684,207</u>	<u>21,992,986</u>

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

## Statements of Net Position, Continued

June 30, 2023

(With Comparative Amounts for June 30, 2022)

LIABILITIES	2023	Restated 2022
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 25,949,678	\$ 21,528,999
Accrued payroll	4,173,583	3,553,590
Claims payable, current portion	1,254,774	1,719,711
Accrued compensated absences, current portion	3,935,865	4,035,189
Deposits	1,099,257	1,020,390
Lease liability, current portion	461,237	167,639
SBITA liability, current portion	770,513	640,963
Debt obligations, current portion:		
Revenue bonds	66,050,000	63,495,000
Notes from direct borrowings	858,701	780,280
Water rights contract	-	1,359,809
Accrued interest for SBITA	34,966	39,748
Accrued interest for debt obligations	10,504,642	11,989,511
Total current liabilities	<u>115,093,216</u>	<u>110,330,829</u>
<b>NONCURRENT LIABILITIES:</b>		
Debt obligations, net of current portion:		
Revenue bonds	487,232,126	562,886,873
Notes from direct borrowings	9,432,200	9,732,008
Water rights contract	-	-
Total long-term debt obligations	<u>496,664,326</u>	<u>572,618,881</u>
Other noncurrent liabilities:		
Claims payable, net of current portion	2,974,875	3,061,967
Lease liability, net of current portion	1,087,624	72,539
SBITA liability, net of current portion	255,748	575,537
Net pension liability	64,975,550	41,794,768
Net post-employment benefit obligations liability	16,468,970	24,278,782
Accrued compensated absences, net of current portion	1,690,572	1,094,118
Total other noncurrent liabilities	<u>87,453,339</u>	<u>70,877,711</u>
Total noncurrent liabilities	<u>584,117,665</u>	<u>643,496,592</u>
<b>TOTAL LIABILITIES</b>	<u>699,210,881</u>	<u>753,827,421</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to leases	391,958	433,068
Deferred amounts related to other post-employment benefit	17,054,263	15,558,882
Deferred amounts related to pensions	2,257,795	17,723,870
Total deferred inflows of resources	<u>19,704,016</u>	<u>33,715,820</u>
<b>NET POSITION</b>		
Net investment in capital assets	629,850,422	579,355,522
Unrestricted	61,032,283	81,685,373
<b>TOTAL NET POSITION</b>	<u>\$ 690,882,705</u>	<u>\$ 661,040,895</u>

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

## Statements of Revenues, Expenses, and Change in Net Position

For the Year Ended June 30, 2023

(With Comparative Amounts for June 30, 2022)

	<u>2023</u>	<u>Restated 2022</u>
<b>OPERATING REVENUES:</b>		
Charges for services:		
Water system	\$ 148,092,311	\$ 145,215,374
Wastewater system	80,746,197	76,845,065
Miscellaneous	2,140,969	2,134,395
Total operating revenues	<u>230,979,477</u>	<u>224,194,834</u>
<b>OPERATING EXPENSES:</b>		
General and administrative	69,070,032	61,872,732
Source of supply, pumping, treatment and distribution	63,089,220	54,988,517
Non-capitalized major repair	18,679,578	17,184,915
Amortization	1,654,887	453,147
Depreciation	85,222,816	86,136,347
Total operating expenses	<u>237,716,533</u>	<u>220,635,658</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(6,737,056)</u>	<u>3,559,176</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment and interest income	5,355,541	647,128
Interest expense	(16,453,023)	(17,351,811)
Utility expansion charges	6,399,829	8,421,390
Water resource charges	859,781	1,873,759
Debt issuance costs	(51,456)	(667,711)
Lease of stored water income	523,200	200,177
Other revenues	4,245,893	1,152,842
Total nonoperating revenues (expenses), net	<u>879,765</u>	<u>(5,724,226)</u>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(5,857,292)</u>	<u>(2,165,050)</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Developer contributions	6,701,554	6,322,521
Other contributions	28,997,548	14,947,101
Total capital contributions	<u>35,699,102</u>	<u>21,269,622</u>
<b>CHANGE IN NET POSITION</b>	29,841,810	19,104,572
<b>NET POSITION:</b>		
Net position, beginning of year	661,040,895	641,159,067
Cumulative effect of GASB Statement No. 96 implementation	-	777,256
Net position, beginning of year, as restated	<u>661,040,895</u>	<u>641,936,323</u>
Net position, end of year	<u>\$ 690,882,705</u>	<u>\$ 661,040,895</u>

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

## Statements of Cash Flows

For the Year Ended June 30, 2023

(With Comparative Amounts for June 30, 2022)

	2023	Restated 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 231,990,510	\$ 220,737,354
Cash payments for employee wages and benefits	(66,000,138)	(58,926,981)
Cash payments to suppliers for goods and services	(83,964,470)	(70,655,603)
Other operating income	4,199,561	1,144,125
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>86,225,463</u></b>	<b><u>92,298,895</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets, net	(107,710,095)	(55,825,864)
Principal payments of long-term debt obligations	(65,560,582)	(58,639,060)
Principal payments on lease/SBITA liabilities	(1,023,536)	(1,943,806)
Proceeds from loan agreements	484,385	2,541,415
Proceeds from revenue bonds	-	86,698,548
Interest paid on debt obligations/SBITA	(24,481,494)	(25,285,059)
Proceeds from sale of assets	109,601	102,471
Capital grants, net	32,985,692	9,709,630
Utility expansion and water resource charges, net	8,751,991	10,002,743
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(156,444,038)</u></b>	<b><u>(32,638,982)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	5,355,541	647,128
Purchase (Sale) of investments	26,206,975	(65,087,319)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b><u>31,562,516</u></b>	<b><u>(64,440,191)</u></b>
<b>NET DECREASE IN CASH:</b>	<b>(38,656,059)</b>	<b>(4,780,278)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b><u>154,578,135</u></b>	<b><u>159,358,413</u></b>
<b>CASH, END OF YEAR</b>	<b><u>\$ 115,922,076</u></b>	<b><u>\$ 154,578,135</u></b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>		
Cash	\$ 114,281,749	\$ 103,374,934
Restricted cash	3,255,271	52,818,145
	<b><u>\$ 117,537,020</u></b>	<b><u>\$ 156,193,079</u></b>

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

## Statements of Cash Flows, Continued

For the Year Ended June 30, 2023

(With Comparative Amounts for June 30, 2022)

	2023	Restated 2022
	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (6,737,056)	\$ 3,559,176
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	86,877,703	86,589,494
Other non-operating income, net	4,199,561	1,144,125
Changes in assets and liabilities:		
Increase (decrease) in accounts and leases receivable	1,011,033	(3,457,478)
Increase (decrease) in deposits	78,867	78,920
Increase (decrease) in deferred amounts related to leases	(41,110)	(176,977)
Increase (decrease) in accounts payable	4,420,681	7,136,914
Increase (decrease) in accrued payroll, prepaid items, claims payable, employee benefits, and deferred amounts related to pensions and other post-employment benefits	(4,081,346)	(2,886,177)
Increase (decrease) in compensated absences payable	497,130	310,898
TOTAL ADJUSTMENTS	<u>92,962,519</u>	<u>88,739,719</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 86,225,463</u>	<u>\$ 92,298,895</u>
DISCLOSURE ON NON-CASH TRANSACTIONS:		
Capital contributions received from private developers	\$ 6,701,554	\$ 6,322,521
Leases/SBITA right to use	2,141,977	2,841,744
Loss on capital assets	(63,269)	(93,755)
Amortization of premium on revenue bonds	(9,604,747)	(10,532,836)
Amortization of deferred amounts on refunding	3,117,383	3,117,383
Debt issuance costs deducted directly from issuance of refunding bonds	(51,456)	(667,711)

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

## Notes to the Financial Statements (an integral part of the financial statements)

For the Fiscal Years Ended June 30, 2023 and 2022

### 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, 2023 and 2022, and the results of its operations for the years ended June 30, 2023 and 2022 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 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.

## **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, 2023 and 2022, 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.

## **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.

## **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 “Leases” for additional accounting policies related to leases.

### 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 remaining 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 remaining 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. The decrease in

unamortized premiums for fiscal year 2023 consists of \$9,604,746 in amortization expense. Amortization expense during fiscal year 2022 was \$10,532,836. 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 represents a consumption of net assets 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 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 represents an acquisition of net assets 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 "Defined Benefit Pension Plan" for cumulative change and for details of deferred outflows and inflows of resources related to pensions and see Note "Post-Employment Benefit Obligations" 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 and amortization, reduced by the outstanding balances of bonds, mortgages, notes, leases, SBITAs, 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. Subscription-Based Information Technology Arrangements

The Water Authority accounts for subscription-based information technology arrangements (SBITAs) according to GASB Statement No. 96. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology software, alone or in combination with tangible capital assets (the underlying information technology assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying information technology assets. The term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

The Water Authority recognizes SBITAs as a SBITA liability and an intangible right-to-use asset (SBITA asset) in the financial statements. The SBITA liabilities are recognized for SBITAs with an initial individual value of \$5,000 or more in total future payments. At the commencement of a SBITA, the Water Authority initially measures the SBITA liability at the present value of payments expected to be made during the term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability plus other payments to the SBITA vendor associated with the contract that are reasonably certain of being required. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

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

- a. The Water Authority uses its Incremental Borrowing Rate (IBR) of 5% for all SBITAs.
- b. The SBITA term includes the non-cancellable period of the SBITA; the term of the SBITA contract, including options to extend regardless of their probability of being exercised, must be more than 12 months.

- c. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and option payments if the Water Authority is reasonably certain to exercise the option.

The Water Authority monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

### 13. New accounting pronouncements

In fiscal year 2023, the Water Authority implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements and restated the 2022 financial statements.

The requirements of this Statement will improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

Below is a reconciliation of the restated net position for the implementation of GASB Statement No. 96.

Beginning 2022 net position as previously reported		\$ 641,159,067
SBITA expense	1,614,941	
SBITA amortization expense	<u>(837,685)</u>	
Cumulative effect of GASB Statement No. 96 implementation		<u>777,256</u>
Restated 2022 beginning net position		641,936,323
Change in net position		<u>19,104,572</u>
Restated 2022 ending net position		<u>\$ 661,040,895</u>

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, 2023.

- GASB Statement No. 99, Omnibus 2022
- GASB Statement No. 100, Accounting Changes and Error Corrections
- GASB Statement No. 101, Compensated Absences

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.

### **Stewardship, Compliance and Accountability**

The budgetary data is prepared consistent with the basis of accounting described in Note “Summary of Significant Accounting Policies” with these exceptions; debt service principal payments, refunding bond proceeds and related transactions, 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 FY2023, 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.

### **Cash and Investments**

At June 30, 2023, the carrying amount of the Water Authority’s deposits and investments was \$167,419,962 and the bank and investment balance was \$172,165,342. 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, 2023 and 2022:

<b>CASH AND INVESTMENTS</b>	<b>30-Jun-2023</b>	<b>30-Jun-2022</b>
Restricted	\$ 3,255,271	\$ 52,818,145
Unrestricted:		
Cash	114,281,749	103,374,934
Investments	<u>49,882,942</u>	<u>76,089,917</u>
Total cash and investments reported in statements of net position	<u>\$ 167,419,962</u>	<u>\$ 232,282,996</u>

### 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, 2023 and 2022, \$121,551,247 and \$156,646,749, respectively, 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, 2023 and 2022 consisted of the following:

INSTITUTION	Rio Grande Credit Union		Wells Fargo Bank		Bank of Albuquerque	
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
Total amount on deposit	\$231,153	\$249,578	\$116,781,382	\$111,384,658	\$ 5,269,865	\$45,762,091
Less: FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	-	-	116,531,382	111,134,658	5,019,865	45,512,091
50% collateral requirement	-	-	<u>58,265,691</u>	<u>55,567,329</u>	<u>2,509,933</u>	<u>22,756,046</u>
Pledged securities, fair value	-	-	86,040,065	162,201,900	6,013,447	49,876,415
Pledged in excess of requirement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,774,374</u>	<u>\$106,634,571</u>	<u>\$ 3,503,515</u>	<u>\$27,120,370</u>

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 the Water Authority at month-end including the book and market value of holdings.

Fair Value Measurements. The Water Authority categorizes its fair value measurements 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

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, 2023 and 2022:

Investment Type	Fair Value		Weighted Average		Category	
	FY23	FY22	FY23	FY22	FY23	FY22
State Treasurer's Investment Pool (LGIP)	\$ 941	\$ 22,387	0.06	0.13	N/A	N/A
US Treasury Bills (US Government obligations)	<u>49,882,001</u>	<u>76,067,530</u>	0.24	0.02	Level 1	Level 1
Total Investments	<u>\$ 49,882,942</u>	<u>\$ 76,089,917</u>				

As a participant in the New Mexico State Treasurer's Local Government Investment Pool (LGIP), the Water Authority is not required to categorize the value of shares in accordance with the fair value hierarchy. The Water Authority's investment in the LGIP represents a proportionate interest in the Pool's portfolio. The Water Authority's portion is not identified with specific investments and is not subject to custodial risk; however, separately issued financial statements of the LGIP

disclose the collateral pledged to secure the State Treasurer's cash and investments. The most recent report may be obtained by contacting the New Mexico State Treasurer's Office, P.O. Box 5135, Santa Fe, NM 87502-5135 or at [www.nmsto.gov](http://www.nmsto.gov).

## 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

The U.S. Treasury bills are rated AA+ and the State Treasurer's LGIP is rated AAAm by Standard & Poor's.

## 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.

An acceptable method for reporting interest rate risk is weighted average maturity (WAM). As of June 30, 2023, the Water Authority's portfolio has no investment that matured beyond 12 months; the LGIP WAM (R) was 22 days and the WAM (F) was 86 days. The U.S. Treasury bills WAM was 7 days.

## **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, 2023 and 2022, are as follows:

Receivables:	30-Jun-23	30-Jun-22
Accounts	\$ 22,831,137	\$ 23,865,977
Notes	6,294,948	7,264,129
Due from other governments	2,737,938	6,726,082
Leases	468,057	499,890
Less: allowance for doubtful accounts	(345,704)	(401,344)
Total receivable, net	\$ 31,986,376	\$ 37,954,734

## Capital Assets

Capital asset activity of the Water Authority for the years ended June 30, 2023 and 2022, are as follows:

Capital Asset Activity:	Balances at 30-Jun-21	Additions	Transfers/ Deletions	Restated Balances at 30-Jun-22	Additions	Transfers/ Deletions	Balances at 30-Jun-23
Capital assets, not being depreciated:							
Land	\$ 25,416,568	\$ 46,232	\$ -	\$ 25,462,800	\$ 27,233	\$ -	\$ 25,490,033
Construction work in progress	48,902,132	23,547,855	(14,150,025)	58,299,962	72,525,150	(23,591,897)	107,233,215
Purchased water rights	49,251,368	-	-	49,251,368	-	-	49,251,368
Total capital assets, not being depreciated	123,570,068	23,594,087	(14,150,025)	133,014,130	72,552,383	(23,591,897)	181,974,616
Capital assets, being depreciated/amortized:							
Leases right to use	2,001,346	176,544	(205,990)	1,971,900	1,776,265	(610,473)	3,137,692
SBITAs right to use	-	2,871,190	-	2,871,190	976,185	-	3,847,375
Buildings and other improvements	2,581,529,864	36,496,832	17,360,984	2,635,387,680	37,255,755	22,274,185	2,694,917,620
Machinery and equipment	48,030,296	1,860,431	(4,522,717)	45,368,010	3,993,037	(1,281,575)	48,079,472
Total capital assets being depreciated/amortized	2,631,561,506	41,404,997	12,632,277	2,685,598,780	44,001,242	20,382,137	2,749,982,159
Less: accumulated depreciation/amortization:							
Leases right to use	(1,496,244)	(453,148)	197,036	(1,752,356)	(460,142)	583,013	(1,629,485)
SBITAs right to use	-	(837,686)	-	(837,686)	(1,194,745)	-	(2,032,430)
Buildings and other improvements	(1,540,448,721)	(82,281,178)	(3,265,729)	(1,625,995,628)	(81,746,335)	1,317,712	(1,706,424,251)
Machinery and equipment	(34,986,281)	(3,855,169)	4,483,732	(34,357,718)	(3,476,481)	1,245,767	(36,588,432)
Total accumulated depreciation/amortization	(1,576,931,246)	(87,427,181)	1,415,039	(1,662,943,388)	(86,877,703)	3,146,492	(1,746,674,598)
Total capital assets, being depreciated/amortized, net	1,054,630,260	(46,022,185)	14,047,316	1,022,655,392	(42,876,461)	23,528,629	1,003,307,561
Total capital assets, net	\$ 1,178,200,328	\$ (22,428,098)	\$ (102,709)	\$ 1,155,669,522	\$ 29,675,922	\$ (63,268)	\$ 1,185,282,177



## Long-term Obligations

At June 30, 2023, the Water Authority has outstanding revenue bonds and notes from direct borrowings with the New Mexico Finance Authority (NMFA) totaling \$520,305,000 and \$10,290,900, 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 had a contract with the U.S. Department of Interior Bureau of Reclamation that was paid in full in FY2023.

Changes in the long-term obligations for the years ended June 30, 2023 and 2022, are as follows:

Long-term obligations:	Balances at		Deletions/ Defeasance	Balances at		Deletions/ Defeasance	Amounts Due In One Year		
	30-Jun-21	Additions		30-Jun-22	Additions		30-Jun-23	30-Jun-22	30-Jun-23
Revenue bonds	\$ 567,270,000	\$ 73,255,000	\$ (56,725,000)	\$ 583,800,000	\$ -	\$ (63,495,000)	\$ 520,305,000	\$ 63,495,000	\$ 66,050,000
Notes from direct borrowings	8,565,314	2,541,415	(594,441)	10,512,288	484,385	(705,773)	10,290,900	780,280	858,701
Water rights contract	2,679,428	-	(1,319,619)	1,359,809	-	(1,359,809)	-	1,359,809	-
Unamortized premiums	39,671,161	13,443,548	(10,532,836)	42,581,873	-	(9,604,747)	32,977,126	-	-
Leases	558,741	98,685	(417,248)	240,178	1,741,365	(432,681)	1,548,862	167,639	461,237
SBITAs	-	2,871,190	(1,654,689)	1,216,501	976,185	(1,166,425)	1,026,261	640,963	770,513
Accrued compensated absences	4,818,409	4,346,088	(4,035,189)	5,129,308	4,432,995	(3,935,865)	5,626,437	4,035,189	3,935,865
Total long-term liabilities	<u>\$ 623,563,053</u>	<u>\$ 96,555,926</u>	<u>\$ (75,279,022)</u>	<u>\$ 644,839,957</u>	<u>\$ 7,634,930</u>	<u>\$ (80,700,300)</u>	<u>\$ 571,774,586</u>	<u>\$ 70,478,880</u>	<u>\$ 72,076,316</u>

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, 2023, the net revenues were 170% of the annual debt service on all outstanding senior lien obligations.

On October 28, 2021, the Series 2021 Bonds sold at a purchase price equal to \$86,698,548 (representing the \$73,255,000 par amount plus a net original issue premium of \$13,443,548). The interest rate was 5.00 percent with a life of 18 years. Proceeds from the sale of the Series 2021 Bonds will be allocated as follows: (i) approximately \$60 million will be used for capital projects under the Water Authority's Decade Plan, and (ii) approximately \$23.5 million for special projects. Proceeds of the bonds will also be used to pay costs of issuance of the Series 2021 Bonds.

As of June 30, 2022, the construction phase of the \$2,724,282 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2019) has been completed and the Water Authority will now be paying debt service due in annual installments of \$116,731 to \$158,073 through May 1, 2040.

## 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, 2023, the net revenues were 148% of the annual debt service on all outstanding subordinate lien obligations.

On March 5, 2021, the Water Authority entered into a reimbursable loan/grant subordinate lien agreement in the amount of \$2,000,000 with the NMFA/Water Project Fund which consists of an available loan amount of \$800,000 and grant funds totaling \$1,200,000. Payments due for the loan portion start no greater than twenty-four (24) months after the closing date of the project beginning June 1, 2023. This loan/grant will be used to fund the replacement of 16,000 water meters with Advanced Metering Infrastructure (AMI) meters and devices.

On December 30, 2021, the Water Authority entered into a reimbursable loan/grant subordinate lien agreement in the amount of \$2,000,000 with the NMFA/Water Project Fund which consists of an available loan amount of \$800,000 and grant funds totaling \$1,200,000. Payments due for the loan portion start no greater than twenty-four (24) months after the closing date of the project beginning June 1, 2024. This loan/grant will be used to fund the replacement of 18,000 water meters with Advanced Metering Infrastructure (AMI) meters and devices.

As of June 30, 2022, the construction phase of the \$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2021) has been completed and the loan will be due in annual installments of \$36,444 to \$41,097 through June 1, 2042.

As of June 30, 2023, the construction phase of the \$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2022) has been completed and the loan will be due in annual installments of \$36,365 to \$41,101 through June 1, 2043.

### 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. Notes from direct borrowings and revenue bonds outstanding:

Notes from direct borrowings:	30-Jun-22	30-Jun-23
\$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	\$4,770,344	\$4,214,651
\$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	274,858	224,691
\$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	2,724,170	2,631,966
\$1,515,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2020), due in annual installments of \$43,553 to \$58,122 through 5/1/2052; interest at 1.00%; no prepayment provision	1,490,661	1,501,140
\$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2021), due in annual installments of \$36,444 to \$41,097 through 6/1/2042; interest at 0.25%; no prepayment provision	800,000	800,000
\$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2022), due in annual installments of \$36,365 to \$41,101 through 6/1/2043; interest at 0.25%; no prepayment provision	452,255	800,000
\$200,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2023), due in annual installments of \$9,108 to \$10,274 through 6/1/2044; interest at 0.25%; no prepayment provision	0	118,452
<b>Net notes from direct borrowings outstanding</b>	<b>\$10,512,288</b>	<b>\$10,290,900</b>

<b>Revenue Bonds:</b>	<b>30-Jun-22</b>	<b>30-Jun-23</b>
\$62,950,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013A, due to defeasance, due in annual installments of \$5,255,250 to \$5,258,750 through 7/1/2023; interest at 3.00% to 5.00%; call provision of 100% at 7/1/2023	\$9,775,000	\$5,005,000
\$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	11,540,000	5,210,000
\$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	52,915,000	42,945,000
\$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	34,145,000	25,710,000
\$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	150,500,000	138,715,000
\$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 \$6,585,000 through 7/1/2034; interest at 3.38% to 5.00%; call provision of 100% beginning 7/1/2027	71,350,000	66,670,000
\$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	64,250,000	58,425,000
\$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	63,440,000
\$47,800,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Taxable Series 2020A, due in annual installments of \$1,170,000 to \$6,660,000 through 7/1/2038; interest at 0.423% to 2.699%, call provision of 100% beginning 7/1/2029	46,630,000	40,930,000
\$73,255,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2021, due in annual installments of \$1,125,000 to \$6,915,000 through 7/1/2046; interest at 3.00% to 5.00%; call provision of 100% at 7/1/2029	73,255,000	73,255,000
<b>Total revenue bonds outstanding</b>	<b>583,800,000</b>	<b>520,305,000</b>
<b>Plus: Unamortized premium</b>	<b>42,581,873</b>	<b>32,977,126</b>
<b>Net revenue bonds outstanding</b>	<b>\$626,381,873</b>	<b>\$553,282,126</b>

Future maturities of notes from direct borrowings and revenue bonds as of June 30, 2023, are as follows:

Fiscal Year	Note from Direct Borrowings		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2024	\$858,701	\$152,306	\$66,050,000	\$21,248,981	\$88,309,988
2025	883,865	137,468	67,110,000	18,188,849	86,320,182
2026	897,627	123,732	64,990,000	15,165,240	81,176,600
2027	910,941	110,444	53,975,000	12,409,294	67,405,680
2028	890,736	97,077	45,530,000	10,234,529	56,752,343
2029-2033	2,602,052	288,178	168,570,000	26,802,796	198,263,026
2034-2038	1,403,092	163,828	39,890,000	4,171,375	45,628,294
2039-2043	1,299,552	70,063	7,885,000	1,857,994	11,112,609
2044-2048	270,464	21,861	6,305,000	516,700	7,114,025
2049-2053	273,870	8,065	0	0	281,934
Total	\$10,290,900	\$1,173,023	\$520,305,000	\$110,595,759	\$642,364,682

#### 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, 2023 and 2022, is \$0 and \$1,359,809, respectively.

#### 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. Refunded debt outstanding at June 30, 2023, is the Series 2013A Bonds in the amount of \$23,450,000.

## **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 annual comprehensive 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 FY23 and FY22:

<b>Municipal General Plan 3</b>	<b>FY23</b>		<b>FY22</b>	
	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 1</b>	<b>Tier 2</b>
Required Contribution Rates for:				
Employer	10.30%	10.30%	9.80%	9.80%
Employee < \$20,000	13.15%	13.15%	13.15%	13.15%
Employee > \$20,000	15.15%	15.15%	14.65%	14.65%
Pension Factor per year of Service	3.00%	2.50%	3.00%	2.50%
Pension Maximum as Percent of Final Average Salary	90%	90%	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 during fiscal years 2023 and 2022 were \$4,078,313 and \$3,478,865, respectively; and employer paid member benefits that were “picked up” by the employer were \$4,208,366 for the year ended June 30, 2023 and \$3,766,028 for the year ended June 30, 2022.

4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.

For the year ended June 30, 2023, the Water Authority reported a liability of \$64,975,550 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2022 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2022. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2022. 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, 2022, the Water Authority’s proportion was 3.663260%, which was a decrease of 0.046333% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the Water Authority reported a liability of \$41,794,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled- forward from the valuation date to the plan year ended June 30, 2021 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2021. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2021. 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, 2021, the Water Authority’s proportion was 3.709593%, which was an increase of 0.042593% from its proportion measured as of June 30, 2020.

The Water Authority recognized pension expense for the fiscal years ended June 30, 2023 and June 30, 2022 of \$5,747,965 and \$3,575,738, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FY23		FY22	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 260,473	\$ 1,580,179	\$ 1,040,419	\$ 143,092
Changes of assumptions	-	-	13,742	-
Net difference between projected and actual earnings on pension plan investments	6,430,350	-	-	17,175,250
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	309,871	677,616	486,940	405,528
Water Authority contributions subsequent to the measurement date	<u>4,078,313</u>	<u>-</u>	<u>3,478,865</u>	<u>-</u>
Total	<u>\$11,079,007</u>	<u>\$ 2,257,795</u>	<u>\$ 5,019,966</u>	<u>\$17,723,870</u>

In fiscal year 2022 and 2023, the \$3,478,865 and \$4,078,313, respectively, 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 years ending June 30, 2023 and 2024, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>FY23</u>	<u>FY22</u>
2023	\$ -	\$ (2,455,241)
2024	1,237,597	(3,092,784)
2025	750,281	(3,587,655)
2026	(2,322,196)	(7,047,089)
2027	5,077,217	-

## 5. Actuarial assumptions.

For fiscal year 2022 and 2023, the total pension liability in the June 30, 2021 and 2022, respectively actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

<b>Actuarial assumptions:</b>	<b>FY23</b>	<b>FY22</b>
Actuarial valuation date:	June 30, 2021	June 30, 2020
Actuarial cost method:	Entry age normal	Entry age normal
Amortization period:	25 years	25 years
Amortization method:	Level Percentage of Payroll	Level Percentage of Payroll
Actuarial assumptions:		
Investment rate of return:	7.25% annual rate, net of investment expense	7.25% annual rate, net of investment expense
Projected salary increases:	3.25% - 13.50% annual rate	3.25% - 13.50% annual rate
Includes inflation at:	2.50%	2.50%
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 generational. 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.	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 generational. 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)	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, 2021 and June 30, 2020, respectively. The total pension liability was rolled- forward from the valuation date to the plan year ended June 30, 2022 and June 30, 2021, respectively. These assumptions were adopted by the Board for use in the June 30, 2021 and June 30, 2020 actuarial valuation, respectively.

## 6. Long-term expected rate of return:

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

Asset Class	June 30, 2022		June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.50%	6.35%	35.50%	5.90%
Risk Reduction & Mitigation	19.50%	1.90%	19.50%	1.00%
Credit Oriented Fixed Income	15.00%	4.45%	15.00%	4.20%
Real Assets to include Real Estate Equity	20.00%	5.10%	20.00%	6.00%
Multi-Risk Allocation	<u>10.00%</u>	6.65%	<u>10.00%</u>	6.40%
Total	<u>100.00%</u>		<u>100.00%</u>	

## 7. Discount rate.

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2022 and June 30, 2021. 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%)	
	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21
Water Authority's proportionate share of the net pension liability	\$ 98,321,933	\$ 74,970,615	\$ 64,975,550	\$ 41,794,768	\$ 37,273,521	\$ 14,274,427

9. Pension plan fiduciary net position.

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

## 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 participate 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 2023 and the three preceding years were as follows:

<b>ICMA 401(a)</b>	<b>Employer Contributions</b>	<b>Total Payroll</b>
Fiscal Year ended:		
6/30/2020	382,018	2,009,564
6/30/2021	402,128	2,115,349
6/30/2022	415,960	2,188,110
6/30/2023	439,383	2,311,324

## Post-Employment Benefit Obligations

In addition to providing pension benefits, the Water Authority provides certain life insurance and health care benefits for retired employees. Post-employment benefit plan expenses for the years ended June 30, 2023 and 2022, are as follows:

OPEB Expense (Income):	30-Jun-23	30-Jun-22
Retiree Life Insurance Plan	\$ 38,490	\$ 48,038
Retiree Health Care Authority Plan	<u>(4,211,663)</u>	<u>(3,192,088)</u>
Total OPEB Expense/(Income)	<u>\$ (4,173,173)</u>	<u>\$ (3,144,050)</u>

## 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 market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### 1. 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 ACFR 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/>.

## 2. 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.

## 3. Employees covered by benefit terms.

At January 1, 2022 valuation date, the OPEB membership for the Water Authority consisted of the following:

<b>Plan membership</b>	<b>30-Jun-23</b>	<b>30-Jun-22</b>
Number of active plan members	284	284
Number of inactive plan members currently receiving benefits	<u>275</u>	<u>275</u>
Total	<u>559</u>	<u>559</u>



#### 4. Contributions.

The Water Authority has set the contribution rate each year based on an actuarial valuation. The Water Authority 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, 2023 were \$39,952 and were \$50,238 for the year ended June 30, 2022.

#### 5. Total OPEB Plan liability.

The Water Authority's total OPEB liability as of June 30, 2023 and June 30, 2022 was \$280,387 and \$433,288, respectively, and were determined by actuarial valuations of January 1, 2022 and 2021, respectively.

#### 6. Actuarial Assumptions and Other Inputs.

The total liability in the January 2022 and 2021 actuarial valuations 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:

<b>Actuarial assumptions:</b>	<b>FY23</b>	<b>FY22</b>
Actuarial valuation date:	January 1, 2022	January 1, 2022
Measurement date	Last day of the current fiscal year (June 30, 2023)	Last day of the current fiscal year (June 30, 2022)
Funding method	Entry Age Normal Cost, level percent of pay	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of assets	Market value of assets
Long term return on assets	5.0% as of June 30, 2023 and June 30, 2022 net of plan investment expenses	5.0% as of June 30, 2021 and June 30, 2022 net of plan investment expenses
Discount rates	5.0% as of June 30, 2023 and June 30, 2022 net of plan investment expenses	5.0% as of June 30, 2021 and June 30, 2022 net of plan investment expenses
Participants valued	Only current active employees hired prior to July 1, 2013 and retired participates are valued. This plan is closed to new members.	Only current active employees hired prior to July 1, 2013 and retired participates are valued. This plan is closed to new members.
Salary increase	3.25% per year	3.25% per year
General inflation	2.50% per year	2.50% per year

The demographic actuarial assumptions used are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2020 actuarial valuation, except for a different basis used to project future mortality improvements.

Demographic actuarial assumptions:	FY23	FY22
Mortality improvement	MacLeod Watts Scale 2022 on a fully generational basis from 2014 forward. Active participants: 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. Retired participants: Existing coverage is assumed apply until the retiree's death.	MacLeod Watts Scale 2020 on a fully generational basis from 2014 forward. Active participants: 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. Retired participants: Existing coverage is assumed apply until the retiree's death.
Participation rates	Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.	Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.
Dependent coverage	Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.35 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.	Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.35 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.
Employer cost-sharing	The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described in the January 2022 valuation.	The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described in the January 2022 valuation.
Development of age-related premiums	None	None
Changes recognized during the current measurement period	None	None

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.

## 7. 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 overall lower liabilities due to future expected benefits being discounted at a higher rate.

#### 8. 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	6/30/2023 6/30/2022	6/30/2022 6/30/2021	6/30/2021 6/30/2020	FY2023 vs FY2022	FY2022 vs FY2021
Total OPEB liability	\$ 1,852,465	\$ 1,822,401	\$1,813,659	\$ 30,064	\$ 8,742
Fiduciary Net Postion	<u>1,572,078</u>	<u>1,389,113</u>	<u>1,545,321</u>	<u>182,965</u>	<u>(156,208)</u>
Net OPEB liability (asset)	280,387	433,288	268,338	(152,901)	164,950
Deferred Resource (Outflows) Inflows Due To:					
Assumptions	2,226	(5,542)	(28,769)	7,768	23,227
Plan Experience	(23)	(29,234)	(76,437)	29,211	47,203
Investment Experience	<u>4,033</u>	<u>(54,432)</u>	<u>226,838</u>	<u>58,465</u>	<u>(281,270)</u>
Net Deferred (Outflows) Inflows	<u>6,236</u>	<u>(89,208)</u>	<u>121,632</u>	<u>95,444</u>	<u>(210,840)</u>
Impact on Statement of Net Position	<u>\$ 286,623</u>	<u>\$ 344,080</u>	<u>\$ 389,970</u>	<u>\$ (57,457)</u>	<u>\$ (45,890)</u>

Change in Net Position during the Fiscal Year	6/30/2022 6/30/2023	6/30/2021 6/30/2022
Impact on Statement of Net Position	\$ 344,080	\$ 389,970
OPEB Expense	38,490	48,038
Employer Contributions During Fiscal Year	<u>(95,947)</u>	<u>(93,928)</u>
Impact on Statement of Net Position	<u>\$ 286,623</u>	<u>\$ 344,080</u>
OPEB Expense		
Employer Contributions During Fiscal Year	95,947	93,928
Deterioration (Improvement) in Net Position	<u>(57,457)</u>	<u>(45,890)</u>
OPEB Expense	<u>\$ 38,490</u>	<u>\$ 48,038</u>

#### 9. 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:

percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current discount rate:

<b>Fiscal Year</b>	<b>1% Decrease (4.00%)</b>	<b>Current Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
As of June 30, 2023	\$ 599,345	\$ 280,387	\$ 26,732
As of June 30, 2022	\$ 755,038	\$ 433,288	\$ 178,602

10. OPEB Plan expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

The Water Authority recognized OPEB expense for the years ended June 30, 2023 and June 30, 2022 of \$38,490 and \$48,038, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>30-Jun-23</b>		<b>30-Jun-22</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,047	\$ 6,024	\$ 39,654	\$ 10,420
Changes of assumptions	3,639	5,865	15,689	10,147
Net differences between projected and actual earnings on investments	160,576	164,609	214,101	159,669
<b>Total</b>	<b>\$ 170,262</b>	<b>\$ 176,498</b>	<b>\$ 269,444</b>	<b>\$ 180,236</b>

Future recognition of these deferred resources are as follows:

<b>Year ended June 30:</b>	<b>30-Jun-23</b>	<b>30-Jun-22</b>
	<b>Recognized Net Deferred Outflows (Inflows) of Resources</b>	
2023	-	28,662
2024	(18,228)	(1,532)
2025	(8,144)	8,552
2026	36,830	53,526
2027	(16,694)	-

## 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.

#### 1. 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.org/financial-audits](http://www.nmrhca.org/financial-audits).

#### 2. 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.

### 3. Employees covered by benefit terms.

At June 30, 2022, the Fund's measurement date, the following employees were covered by the benefit terms:

<u>Plan membership</u>	<u>Measurement Date</u>	
	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Current retirees and surviving spouses	53,092	53,092
Inactive and eligible for deferred benefit	11,759	11,754
Current active members	<u>92,520</u>	<u>92,484</u>
Total	<u><u>157,371</u></u>	<u><u>157,330</u></u>

<u>Active Membership</u>	<u>Measurement Date</u>	
	<u>30-Jun-22</u>	<u>30-Jun-21</u>
State general	18,691	18,691
State police and corrections	1,919	1,919
Municipal general	20,357	20,357
Municipal police	1,573	1,573
Municipal fire	756	756
Educational retirement board	<u>49,224</u>	<u>49,188</u>
Total	<u><u>92,520</u></u>	<u><u>92,484</u></u>

### 4. Contributions.

Employer and employee contributions to the Fund total 3% for nonenhanced 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 for the years ended June 30, 2023 and June 30, 2022 were \$793,373 and \$709,917, respectively, equal to its required contributions for the year.



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

The Water Authority reported a liability at June 30, 2023 and June 30, 2022 of \$16,188,583 and \$23,845,494, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and 2020. The Water Authority's proportion of the net OPEB liability, based on actual contributions provided to the Fund for the years ending June 30, 2022 and June 30, 2021 was 0.70032% and 0.72471%, respectively. The Water Authority recognized OPEB income for the years ended June 30, 2023 and June 30, 2022 of \$4,211,663 and \$3,192,088, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	30-Jun-23		30-Jun-22	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 269,264	\$ 2,399,492	\$ 348,653	\$ 3,802,860
Net differences between projected and actual earnings on investments	223,225	-	-	683,511
Changes of assumptions	3,454,260	12,000,414	4,774,089	8,620,991
Change in proportion Water Authority contributions made after the measurement date	233,696	2,477,859	292,413	2,271,284
	<u>793,373</u>	<u>-</u>	<u>709,917</u>	<u>-</u>
Total	<u>\$ 4,973,818</u>	<u>\$16,877,765</u>	<u>\$ 6,125,072</u>	<u>\$15,378,646</u>

Deferred outflows of resources totaling \$793,373 and \$709,917, respectively 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 years ending June 30, 2024 and 2023, respectively. 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:	30-Jun-23	30-Jun-22
2023	\$ -	\$(4,021,283)
2024	(4,040,583)	(2,732,920)
2025	(3,016,843)	(1,678,110)
2026	(1,966,820)	(595,334)
2027	(2,282,026)	(935,844)
2028	(1,391,048)	-
Total	\$(12,697,320)	\$(9,963,491)

#### 6. Actuarial assumptions.

The total OPEB liability was determined by actuarial valuations as of June 30, 2021 and 2020, using the following actuarial assumptions:

<b>Actuarial assumptions:</b>	<b>FY23</b>	<b>FY22</b>
Actuarial valuation date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry age actuarial cost method. Age is the age at the member's hire date. Actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.	Entry age actuarial cost method. Age is the age at the member's hire date. Actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.
Asset valuation method	Market value of assets	Market value of assets
<b>Actuarial assumptions:</b>		
Inflation	2.50% for PERA members	2.50% for PERA members
Projected payroll increases	3.25% to 13.00%, based on years of service, including inflation	3.25% to 13.00%, based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation	7.05%, 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 nonMedicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs.	8% graded down to 4.5% over 14 years for nonMedicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs.
Mortality	PERA members: Headcount-Weighted RP2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.	PERA members: Headcount-Weighted RP2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

## 7. 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:

Asset Class	30-Jun-23		30-Jun-22	
	Target Allocation	Long-term Rate of Return	Target Allocation	Long-term Rate of Return
Large Cap U.S. Equity	20.0%	6.6%	20.0%	7.1%
Mid/Small Cap U.S. Equity	3.0%	6.6%	3.0%	7.1%
Developed Non-U.S. Equity	12.0%	7.3%	12.0%	7.8%
Emerging Market Equity	15.0%	9.2%	15.0%	10.2%
U.S. Core Fixed Income	20.0%	0.4%	20.0%	2.1%
Private Equity	10.0%	10.6%	10.0%	11.8%
Credit & Structured Finance	10.0%	3.1%	10.0%	5.3%
Absolute Return	5.0%	2.5%	5.0%	4.1%
Real Estate	5.0%	3.7%	5.0%	4.9%
Total	<u>100.0%</u>		<u>100.0%</u>	

#### 8. Discount rate.

The discount rate used to measure the Fund's total OPEB liability is 5.42% as of June 30, 2022 and 3.62% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that employer and plan member 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, 2059. The 7.00% discount rate, which includes the assumed inflation rate of 2.50% for PERA members, was used to calculate the net OPEB liability through 2052. Beyond 2059, the index rate for 20-year, tax exempt general obligation

municipal bonds with an average rating of AA/Aa or higher (3.54%) was applied. Thus, 5.42% is the blended discount rate.

9. 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 discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

<b>Fiscal Year</b>	<b>1% Decrease (4.42%)</b>	<b>Current Rate (5.42%)</b>	<b>1% Increase (6.42%)</b>
As of June 30, 2023	\$ 20,145,695	\$ 16,188,583	\$13,033,581

<b>Fiscal Year</b>	<b>1% Decrease (2.62%)</b>	<b>Current Rate (3.62%)</b>	<b>1% Increase (4.62%)</b>
As of June 30, 2022	\$ 29,961,306	\$ 23,845,494	\$19,088,063

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:

<b>Fiscal Year</b>	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
As of June 30, 2023	\$ 12,971,269	\$ 16,188,583	\$18,930,576
As of June 30, 2022	\$ 19,179,459	\$ 23,845,494	\$27,603,053

10. 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 years ended June 30, 2022 and June 30, 2021 at [www.nmrhca.org/financial-audits/](http://www.nmrhca.org/financial-audits/).

## 11. Payable changes in the net OPEB liability.

The Water Authority reported a payable for the years ended June 30, 2023 and June 30, 2022 of \$45,678 and \$0, respectively, for outstanding contributions due to NMRHCA.

## 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, 2023, and 2022. The amounts and change in claims liability in fiscal years 2023 and 2022 were:

	<u>30-Jun-23</u>	<u>30-Jun-22</u>
Claims liability at July 1	\$ 4,781,678	\$ 4,805,265
Current year claims / adjustments	1,823,517	1,373,174
Claims liquidated	<u>(2,375,546)</u>	<u>(1,396,761)</u>
Claims liability at June 30	<u>\$ 4,229,649</u>	<u>\$ 4,781,678</u>

The components of the claims liability at June 30 are:

	<u>30-Jun-23</u>	<u>30-Jun-22</u>
Current portion	\$ 1,254,774	\$ 1,719,711
Noncurrent portion	<u>2,974,875</u>	<u>3,061,967</u>
Total claims liability	<u>\$ 4,229,649</u>	<u>\$ 4,781,678</u>

## 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 \$33,090 and \$29,942 in monthly lease payments for the years ended June 30, 2023 and 2022, respectively. The lease receivable at June 30, 2023 and 2022 was \$468,057 and \$499,890, respectively; a decrease of 5.0%. 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, 2023 and 2022 the deferred inflow of resources was \$391,958 and \$433,068, respectively; a decrease of 9.0%.

### 2. Lease liability.

The Water Authority has entered into leases for the acquisition and use of buildings and equipment. The Water Authority made principal payments for these leases in the amount of \$432,681 and \$417,248 for the years ended June 30, 2023 and 2022, respectively; using an interest rate of 5% for leases entered into prior to July 1, 2020, and 1.737% for its leases entered into on or after July 1, 2020. The buildings and equipment are amortized over the lease term.

The value of the lease liability at June 30, 2023 and 2022 was \$1,548,862 and \$240,178, respectively; an increase of 544.0%. This increase is attributed to modifications and renewals of leases. The value of the right- to use assets at June 30, 2023 was \$3,137,693 and at June 30, 2022 was \$1,971,900, respectively. The accumulated amortization at June 30, 2023 and 2022 was \$1,629,485 and \$1,752,356, respectively.

The future principal and interest least payments as of June 30, 2023 is as follows:

Year ended June 30:	FY23		
	Principal	Interest	Total
2024	\$ 461,237	\$ 33,085	\$ 494,322
2025	388,273	19,968	408,242
2026	359,268	9,962	369,230
2027	291,263	3,602	294,865
2028	48,820	106	48,926
Total	\$ 1,548,862	\$ 66,723	\$ 1,615,584

## Subscription-Based Information Technology Arrangements (SBITA's)

### 1. SBITA Assets.

The Water Authority has entered into SBITAs for the use of various vendor information technology software and has recorded intangible right-to-use SBITA assets as a result of implementing GASB 96. SBITA asset activity for the years ended June 30, 2023 and June 30, 2022, is as follows:

SBITA activity:	Balances at 30-Jun-21	Additions	Transfers/ Deletions	Balances at 30-Jun-22	Additions	Transfers/ Deletions	Balances at 30-Jun-23
Right of use assets - SBITAs	\$ -	\$ 2,871,190	\$ -	\$ 2,871,190	\$ 976,185	\$ -	\$ 3,847,375
Accumulated amortization for SBITAs	-	(837,685)	-	(837,685)	(1,194,744)	-	(2,032,430)
Total net asset balance	\$ -	\$ 2,033,505	\$ -	\$ 2,033,505	\$ (218,559)	\$ -	\$ 1,814,945



## 2. SBITA Liability.

The Water Authority recognizes a subscription liability associated with SBITAs, measured as the present value of the remaining subscription payments. This is measured at the applicable Incremental Borrowing Rate (IBR) of 5.0%. The IBR is an estimation made by the Water Authority based on current borrowing rates at June 30, 2023.

The future principal and interest payments on the SBITAs as of June 30, 2023 is follows:

Year ended June 30:	FY23		
	Principal	Interest	Total
2024	\$ 770,513	\$50,904	\$ 821,417
2025	235,401	11,925	247,326
2026	9,601	892	10,493
2027	5,239	550	5,789
2028	5,507	282	5,789
2029 to 2033	-	-	-
Total	\$ 1,026,261	\$ 64,553	\$ 1,090,814

## Commitments and Contingencies

### 1. Construction commitments.

At June 30, 2023, the uncompleted construction and other commitments for construction improvements and replacements was \$95.0 million. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

### 2. 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.

### 3. 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.

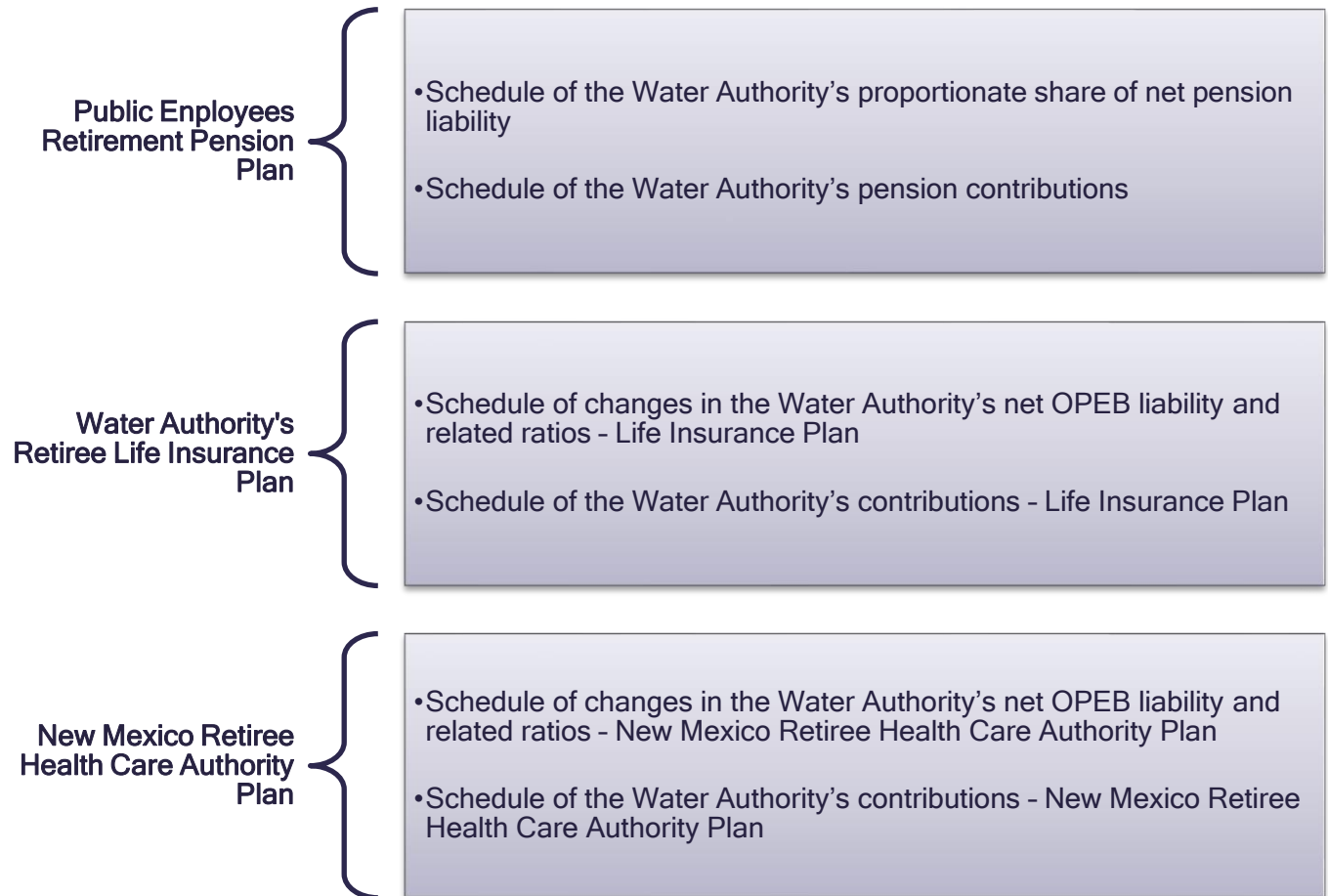
### **Subsequent Events**

On October 31, 2023, the Series 2023 PPRF-6194 revenue bonds were sold at a purchase price equal to \$121,895,276 (representing the \$113,425,000 par amount plus a net original premium of \$7,895,276).

## Required Supplementary Information

For the Fiscal Years ended June 30, 2023 and 2022

Required Supplementary Information (RSI) Schedules include:



## Schedule of the Water Authority's Proportionate Share of Net Pension Liability

For the Fiscal Years ended June 30, 2023 and 2022

Municipal General Plan 3

Last 10 Fiscal Years (\*)

Fiscal Year	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Date	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water Authority's proportion of the net pension liability (asset)	0.8991%	0.7965%	0.9956%	0.9923%	0.9638%	0.9732%	0.9580%	0.8958%	0.8842%
Water Authority's proportion of the net pension liability (asset)	\$64,975,550	\$41,794,768	\$74,155,075	\$64,315,537	\$59,487,543	\$51,278,088	\$59,008,103	\$38,165,167	\$29,351,538
Water Authority's covered payroll	35,498,419	34,972,804	34,618,321	33,897,914	33,413,035	32,774,164	31,630,023	30,540,919	31,037,398
Water Authority's proportion of the net pension liability as percentage of its covered employee payroll	183.04%	119.51%	214.21%	189.73%	178.04%	156.46%	186.56%	124.96%	94.57%
Plan fiduciary net position as a percentage of the total pension liability	69.35%	77.25%	66.36%	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.

## Schedule of the Water Authority's Pension Contributions

For the Fiscal Years ended June 30, 2023 and 2022

Municipal General Plan 3

Last 10 Fiscal Years (\*)

Fiscal Year	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required contribution	\$4,078,313	\$3,478,865	\$3,492,946	\$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	<u>(4,078,313)</u>	<u>(3,478,865)</u>	<u>(3,492,946)</u>	<u>(3,389,467)</u>	<u>(3,237,258)</u>	<u>(3,190,941)</u>	<u>(3,129,931)</u>	<u>(3,020,676)</u>	<u>(2,959,288)</u>
Annual contributions excess (deficiency)	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Water Authority's covered payroll	39,665,061	35,498,419	34,972,804	34,618,321	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	10.30%	9.80%	9.80%	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.

### Required Supplementary Information (RSI) notes for the 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 annual comprehensive 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, 2021 is available at the web address listed above.

## Schedule of Changes in the Water Authority's Net OPEB Liability and Related Ratios – Life Insurance Plan

For the Fiscal Years ended June 30, 2023 and 2022

Last 10 Fiscal Years (\*)

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service Cost	\$ 6,582	\$ 8,979	\$ 8,696	\$ 13,024	\$ 12,404	\$ 14,174
Interest	89,791	89,617	87,837	84,303	81,674	67,539
Differences between expected and actual	-	(14,816)	-	19,046	8,671	187,222
Changes of assumption	-	(14,429)	-	14,667	-	60,908
Benefit payments	(66,309)	(60,609)	(61,817)	(50,285)	(51,258)	(39,498)
Total OPEB liability - beginning	<u>1,822,401</u>	<u>1,813,659</u>	<u>1,778,943</u>	<u>1,698,188</u>	<u>1,646,697</u>	<u>1,356,352</u>
Total OPEB liability - ending (a)	<u>1,852,465</u>	<u>1,822,401</u>	<u>1,813,659</u>	<u>1,778,943</u>	<u>1,698,188</u>	<u>1,646,697</u>
Plan fiduciary net position						
Contributions - employer	\$ 95,947	\$ 93,928	\$ 93,888	\$ 89,757	\$ 87,675	\$ 82,290
Net investment income	153,666	(189,527)	281,343	106,530	87,979	70,136
Benefit payments	(66,309)	(60,609)	(61,817)	(50,285)	(51,258)	(39,498)
Administrative fees	-	-	-	-	-	(516)
Change in trust receivable	-	-	-	-	377	-
Accrued audit service fees	(339)	-	-	-	(553)	-
Accrued interest and trust income	-	-	-	-	34	-
Nat change in plan fiduciary net position	<u>182,965</u>	<u>(156,208)</u>	<u>313,414</u>	<u>146,002</u>	<u>124,254</u>	<u>112,412</u>
Plan fiduciary net position - beginning	<u>1,389,113</u>	<u>1,545,321</u>	<u>1,231,907</u>	<u>1,085,906</u>	<u>961,133</u>	<u>848,721</u>
Plan fiduciary net position - ending (a) - (b)	<u>1,572,078</u>	<u>1,389,113</u>	<u>1,545,321</u>	<u>1,231,908</u>	<u>1,085,387</u>	<u>961,133</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 280,387</u>	<u>\$ 433,288</u>	<u>\$ 268,338</u>	<u>\$ 547,035</u>	<u>\$ 612,801</u>	<u>\$ 685,564</u>
Plan fiduciary net position as a percentage of the total OPEB liability	84.86%	76.22%	85.20%	69.25%	63.91%	58.37%
Covered-employee payroll	\$ 21,676,266	\$ 19,194,531	\$ 21,622,661	\$ 20,927,400	\$ 22,590,131	\$ 24,644,318
Net OPEB liability as a percentage of covered-employee payroll	1.29%	2.26%	1.24%	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.

## Schedule of the Water Authority's Contributions – Life Insurance Plan

For the Fiscal Years ended June 30, 2023 and 2022

Last 10 Fiscal Years (\*)

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution during the fiscal year	\$ 39,952	\$ 50,238	\$ 48,658	\$ 59,817	\$ 61,103	\$ 59,081
Contribution in relation to the actuarially determined contribution	<u>95,947</u>	<u>93,928</u>	<u>93,888</u>	<u>89,757</u>	<u>87,675</u>	<u>82,290</u>
Contribution deficiency (excess)	<u>(55,995)</u>	<u>(43,690)</u>	<u>(45,230)</u>	<u>(29,940)</u>	<u>(26,572)</u>	<u>(23,209)</u>
Covered-employee payroll	21,676,266	19,194,531	21,622,661	20,927,400	22,590,131	24,644,318
Contributions as a percentage of covered-employee payroll	0.44%	0.49%	0.43%	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.

Required Supplementary Information (RSI) notes for the Retiree Life Insurance Plan:

Benefit changes. The report was prepared based on a roll forward of the January 1, 2022 actuarial valuation. No benefit changes and no material changes in plan members or premium rates were reported to MacLeod Watts from those provided for the 2022 valuation. Accordingly, no plan (liability) experience was recognized, and no assumptions were changed. The difference between the expected and actual return on trust assets was reflected. The difference will be recognized over a 5-year period.

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, 2022
Measurement date	June 30, 2023 (last day of the current fiscal year)
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, 2023 and June 30,2022
Discount rate	5.0% as of June 30, 2023 and June 30,2022
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 rate	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, 2020 actuarial valuation, except for a different basis used to project future mortality improvements.



## Schedule of Changes in the Water Authority's Net OPEB Liability and Related Ratios – New Mexico Retiree Health Care Authority Plan

For the Fiscal Years ended June 30, 2023 and 2022

Last 10 Fiscal Years (\*)

	2023	2022	2021	2020	2019	2018
Water Authority's proportion of the net OPEB liability	0.7003%	0.7247%	0.7175%	0.7665%	0.7828%	0.7935%
Water Authority's proportion of the net pension liability	\$16,188,583	\$ 23,845,494	\$ 30,125,485	\$ 24,852,261	\$ 34,038,052	\$ 35,956,560
Water Authority's covered payroll	35,497,453	34,974,312	34,615,302	33,886,260	33,413,155	32,774,164
Water Authority's proportion of the net OPEB liability as percentage of its covered payroll	45.60%	68.18%	87.03%	73.34%	101.87%	109.71%
Plan fiduciary net position as a percentage of the total OPEB liability	33.33%	25.39%	16.50%	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.

## Schedule of the Water Authority's Contributions – New Mexico Retiree Health Care Authority Plan

For the Fiscal Years ended June 30, 2023 and 2022

Last 10 Fiscal Years (\*)

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 793,373	\$ 709,917	\$ 699,487	\$ 692,297	\$ 677,725	\$ 645,263
Contribution in relation to the contractually required contribution	<u>(793,373)</u>	<u>(709,917)</u>	<u>(699,487)</u>	<u>(692,297)</u>	<u>(677,725)</u>	<u>(645,263)</u>
Contribution deficiency (excess)	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Water Authority's covered-employee payroll	39,668,676	35,497,453	34,974,312	34,615,302	33,886,260	33,413,155
Contributions as a percentage of covered-employee payroll	2.00%	2.00%	2.00%	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.

Required Supplementary Information (RSI) notes for the Retiree Health Care Authority Plan:

Changes of Assumptions. There were no changes of assumptions

# STATISTICAL SECTION – UNAUDITED



Diversion Dam off the Rio Grande River



## Index to Statistical Section

For the Fiscal Years ended June 30, 2023 and 2022

### 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

Schedule 2 - Changes in Net Position

Schedule 3 - Trend Analysis for Net Position and Operations

### 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

Schedule 5 - Revenue from Utility Expansion and Water Resource Charges

Schedule 6 - Water and Wastewater Users by Class and Meter Size

Schedule 7 - Water Consumption

Schedule 8 - Principal Revenue Payers

### 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

Schedule 10 - Senior / Subordinate Lien Debt Coverage Ratio

### 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

Schedule 12 - Top Ten Major Employers

### 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

Schedule 14 - Operating Indicators by Function

Schedule 15 - Capital Statistics by Function

Schedule 16 - Other Statistical Data

Schedule 17 - Financial Benchmarks

## Schedule 1 – Net Position by Component

Last Ten Fiscal Years (in thousands of dollars)

	FISCAL YEAR									
	2023	2022 <sup>(3)</sup>	2021	2020	2019 <sup>(2)</sup>	2018 <sup>(1)</sup>	2017	2016	2015	2014
Net investment in										
capital assets	\$629,850	\$579,356	\$589,168	\$594,404	\$568,941	\$571,387	\$560,766	\$568,245	\$576,678	\$595,695
Unrestricted	61,033	81,685	51,991	39,054	65,275	51,319	30,408	53,425	23,764	51,027
Total Net Position	<u>\$690,883</u>	<u>\$661,041</u>	<u>\$641,159</u>	<u>\$633,458</u>	<u>\$634,216</u>	<u>\$622,706</u>	<u>\$591,174</u>	<u>\$621,670</u>	<u>\$600,442</u>	<u>\$646,722</u>

<sup>(1)</sup> The 2018 net investment in capital assets amount has been updated to include capital assets previously omitted from the 2018 balances.

<sup>(2)</sup> The 2019 net investment in capital assets amount has been updated to include capital assets right to use lease assets from the 2018 balances.

<sup>(3)</sup> The 2022 net investment in capital assets amount has been updated to include capital assets right to use SBITA assets from the 2021 balances.

Source: ABCWUA Financial/Business Services Division

## Schedule 2 – Changes in Net Position

Last Ten Fiscal Years (in thousands of dollars)

	FISCAL YEAR									
	2023	2022 <sup>(3)</sup>	2021	2020	2019 <sup>(2)</sup>	2018 <sup>(1)</sup>	2017	2016	2015	2014
<b>Operating revenues:</b>										
Water revenues	\$ 148,092	\$ 145,215	\$ 147,199	\$ 147,245	\$ 141,268	\$ 148,315	\$ 144,343	\$ 140,551	\$ 119,707	\$ 113,061
Wastewater revenues	80,746	76,845	76,442	76,231	76,848	76,253	69,101	68,167	64,171	61,327
Miscellaneous revenues	2,141	2,134	2,023	2,133	1,868	1,828	1,750	1,339	1,323	1,232
<b>Total operating revenues</b>	<b>230,979</b>	<b>224,194</b>	<b>225,664</b>	<b>225,609</b>	<b>219,984</b>	<b>226,396</b>	<b>215,194</b>	<b>210,057</b>	<b>185,201</b>	<b>175,620</b>
<b>Non-operating revenues</b>										
Investment and interest income	5,356	647	622	2,164	3,118	832	86	155	44	160
Utility expansion charges	6,400	8,421	9,060	8,917	6,885	9,686	8,117	8,795	7,251	7,872
Water resource charge	860	1,874	1,613	839	438	364	429	462	290	-
Other revenues	4,769	1,354	3,035	1,512	4,823	2,662	2,917	5,828	2,158	8,245
<b>Total non-operating revenues</b>	<b>17,384</b>	<b>12,296</b>	<b>14,330</b>	<b>13,432</b>	<b>15,264</b>	<b>13,544</b>	<b>11,549</b>	<b>15,240</b>	<b>9,743</b>	<b>16,277</b>
<b>Total revenues</b>	<b>248,364</b>	<b>236,490</b>	<b>239,994</b>	<b>239,041</b>	<b>235,248</b>	<b>239,940</b>	<b>226,743</b>	<b>225,297</b>	<b>194,944</b>	<b>191,897</b>
<b>Operating expenses:</b>										
General and administrative	69,070	61,873	61,977	69,395	66,274	64,227	63,307	59,910	53,996	54,966
Source of supply, pumping, treatment and distribution	63,089	53,374	50,881	51,686	48,844	48,471	48,018	46,987	46,525	46,538
Noncapitalized major repair	18,680	17,185	21,576	19,139	13,012	7,785	5,796	4,285	6,429	5,642
Depreciation and amortization	86,878	87,426	86,661	85,513	85,056	82,630	81,648	80,357	83,094	84,788
<b>Total operating expenses</b>	<b>237,717</b>	<b>219,858</b>	<b>221,095</b>	<b>225,733</b>	<b>213,186</b>	<b>203,113</b>	<b>198,769</b>	<b>191,539</b>	<b>190,044</b>	<b>191,934</b>
<b>Non-operating expenses</b>										
Interest expense	16,453	17,352	17,194	19,842	20,068	18,295	18,449	18,034	19,857	27,546
Other expenses	51	668	341	666	629	-	710	-	2,273	812
<b>Total non-operating expenses</b>	<b>16,504</b>	<b>18,020</b>	<b>17,535</b>	<b>20,508</b>	<b>20,697</b>	<b>18,295</b>	<b>19,159</b>	<b>18,034</b>	<b>22,130</b>	<b>28,358</b>
<b>Total expenses</b>	<b>254,221</b>	<b>237,878</b>	<b>238,630</b>	<b>246,241</b>	<b>233,883</b>	<b>221,408</b>	<b>217,928</b>	<b>209,573</b>	<b>212,174</b>	<b>220,292</b>
Income (loss) before capital contributions	(5,858)	(1,388)	1,364	(7,200)	1,365	18,532	8,815	15,724	(17,230)	(28,395)
Capital contributions	35,699	21,270	6,338	6,441	10,145	13,000	3,522	5,504	7,348	9,388
<b>Change in net position</b>	<b>\$ 29,842</b>	<b>\$ 19,882</b>	<b>\$ 7,702</b>	<b>\$ (759)</b>	<b>\$ 11,510</b>	<b>\$ 31,532</b>	<b>\$ 12,337</b>	<b>\$ 21,228</b>	<b>\$ (9,882)</b>	<b>\$ (19,007)</b>

<sup>(1)</sup> The Water Authority 2018 balances have been restated to reflect certain capital asset and grant activity that was previously omitted in the 2018 balances. Also, in 2018 interest income has been separated from utility expansion charges and is now combined with investment income.

<sup>(2)</sup> The Water Authority 2019 balances have been restated to reflect certain capital asset and grant activity that was previously omitted in the 2019 balances. Also, amortization for lease right to use assets was added with the implementation of GASB Statement No. 87.

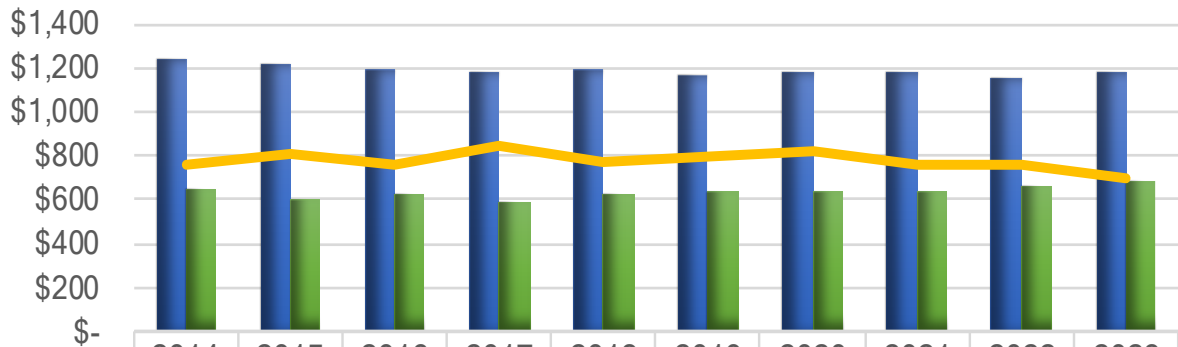
<sup>(3)</sup> The Water Authority 2022 balances have been restated to reflect amortization for SBITA right to use assets that were added with the implementation of GASB Statement No. 96.

Source: ABCWUA Financial/Business Services Division

## Schedule 3 – Trend Analysis for Net Position and Operations

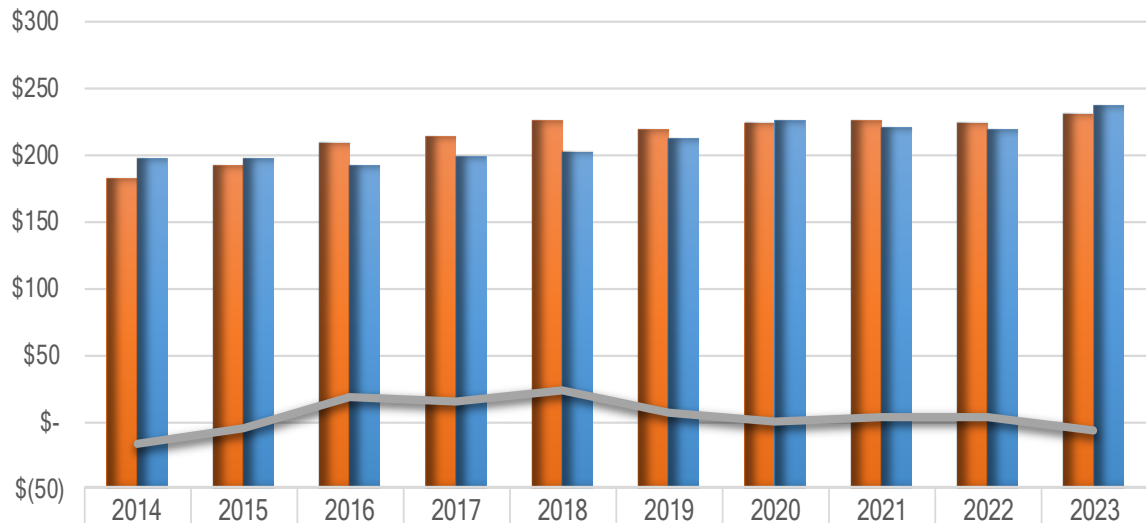
Last Ten Fiscal Years (in thousands of dollars)

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



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Capital Assets	\$1,246	\$1,220	\$1,187	\$1,182	\$1,188	\$1,168	\$1,175	\$1,178	\$1,156	\$1,185
Net Position	646	600	622	591	623	634	633	641	661	691
Total Obligations	754	807	763	843	771	801	827	763	754	699

### Trend Analysis of Authority Operations



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Charges for services	\$182	\$192	\$210	\$215	\$226	\$220	\$225	\$226	\$224	\$231
Total operating expenses	198	197	192	199	203	213	226	221	220	238
Operating income (loss)	(16)	(5)	18	16	23	7	(0.1)	4	4	(7)

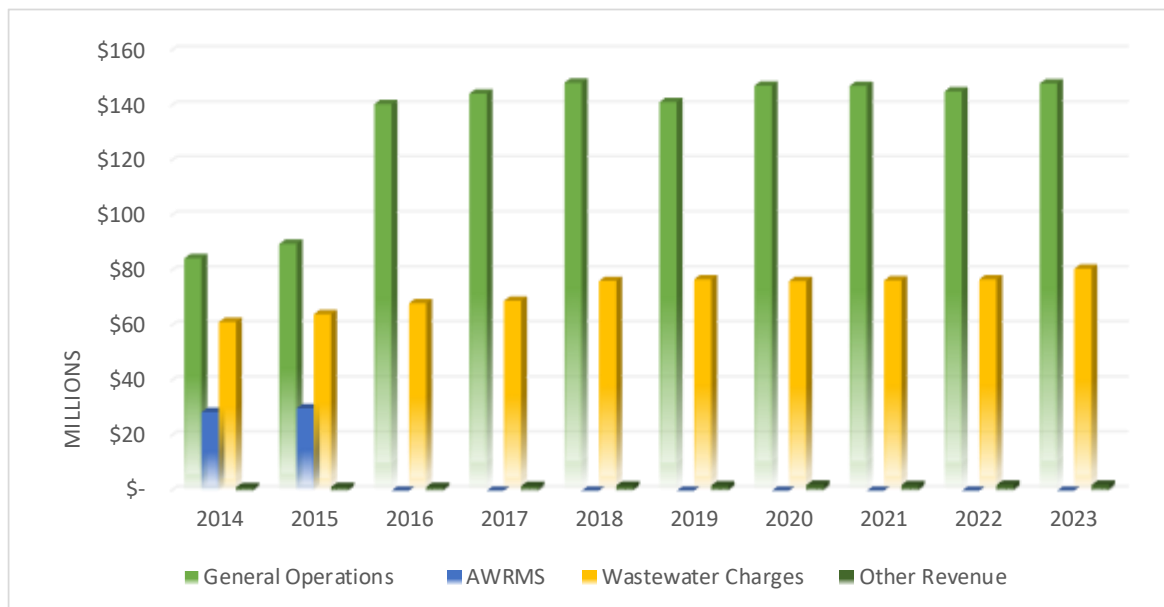
## Schedule 4 – Revenue from Water and Wastewater Charges and Other Operating Revenues

Last Ten Fiscal Years

Fiscal Year	Revenue from Water Charges		Wastewater Charges	Other Revenue	Total Operating Revenue
	General Operations	AWRMS <sup>(1)</sup>			
2023	148,092,311	-	80,746,197	2,140,969	230,979,477
2022	145,215,374	-	76,845,065	2,134,395	224,194,834
2021	147,199,054	-	76,441,792	2,022,568	225,663,414
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

<sup>(1)</sup> In 2016 the Albuquerque Water Resource Management Strategy (AWRMS) revenues were combined with General Operations revenue as part of the new rate ordinance structure.

Source: ABCWUA Financial/Business Services Division



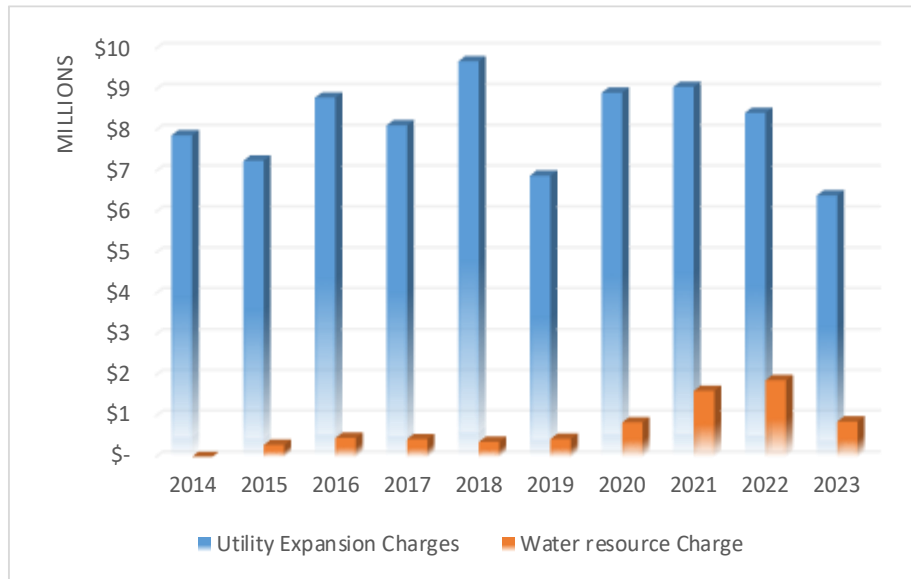


## Schedule 5 – Revenue from Utility Expansion and Water Resource Charges

Last Ten Fiscal Years

Fiscal Year	Utility Expansion Charges	Water Resource Charge
2023	\$ 6,399,829	\$ 859,781
2022	8,421,390	1,873,759
2021	9,060,038	1,612,875
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	0

Source: ABCWUA Financial/Business Services Division



## Schedule 6 – Water and Wastewater Users by Class and Meter Size

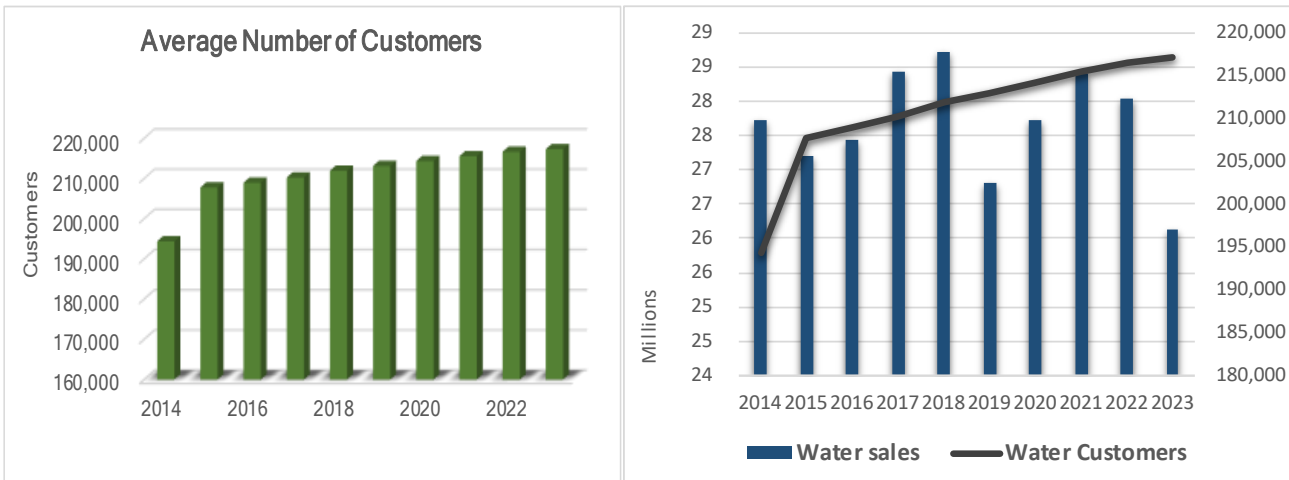
Last Ten Fiscal Years

Class	FISCAL YEAR									
	2023	2022	2021	2020	2019	2018	2017 <sup>(1)</sup>	2016	2015	2014
Residential	187,187	186,730	185,889	184,919	183,942	183,018	181,814	187,479	186,461	174,193
Multi-Family	7,973	7,943	7,925	7,907	7,876	7,851	7,801	7,268	7,115	6,569
Commercial	12,352	12,314	12,242	12,159	12,100	12,023	11,913	11,901	11,923	11,303
Institutional	3,854	3,829	3,807	3,766	3,701	3,680	3,650	2,187	2,150	2,196
Industrial	129	128	123	119	121	122	119	110	113	99
Other metered	1,191	1,099	996	909	824	720	616			
Subtotal	212,686	212,043	210,982	209,779	208,564	207,414	205,913	208,945	207,762	194,360
SW	1,423	1,418	1,410	1,402	1,392	1,365	1,362			
Other non-metered	3,186	3,176	3,150	3,139	3,135	3,120	2,940			
Total	217,295	216,637	215,542	214,320	213,091	211,899	210,215			

Meter Size	FISCAL YEAR									
	2023	2022	2021	2020	2019	2018	2017 <sup>(1)</sup>	2016	2015	2014
¾"	188,364	187,847	186,802	185,668	184,464	183,398	182,232	185,894	184,743	171,395
1" and 1 ¼ "	17,835	17,831	17,815	17,847	17,843	17,975	17,796	17,392	17,447	17,474
1 ½ "	2,580	2,567	2,549	2,522	2,522	2,467	2,381	2,300	2,269	2,238
2"	2,898	2,796	2,811	2,737	2,713	2,575	2,509	2,386	2,349	2,303
3"	611	603	606	609	626	606	603	590	575	578
4"	288	288	286	286	287	284	282	278	276	270
6"	67	68	69	66	66	66	68	64	63	60
8" and over	43	44	44	44	43	43	42	41	40	42
Subtotal	212,686	212,044	210,982	209,779	208,564	207,414	205,913	208,945	207,762	194,360
Other Non-metered	4,609	4,593	4,560	4,541	4,527	4,485	4,302			
Total	217,295	216,637	215,542	214,320	213,091	211,899	210,215			

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

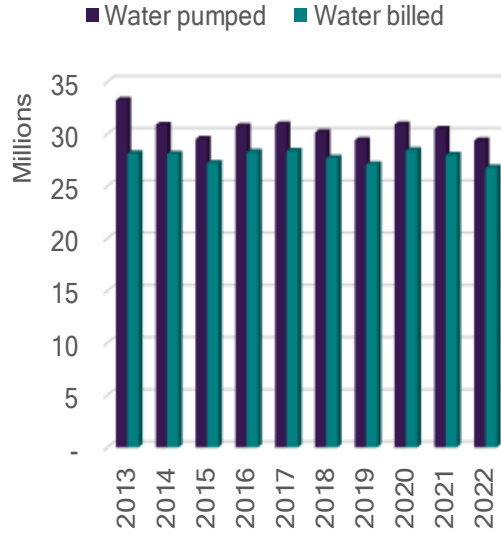
Source: ABCWUA Financial/Business Services Division



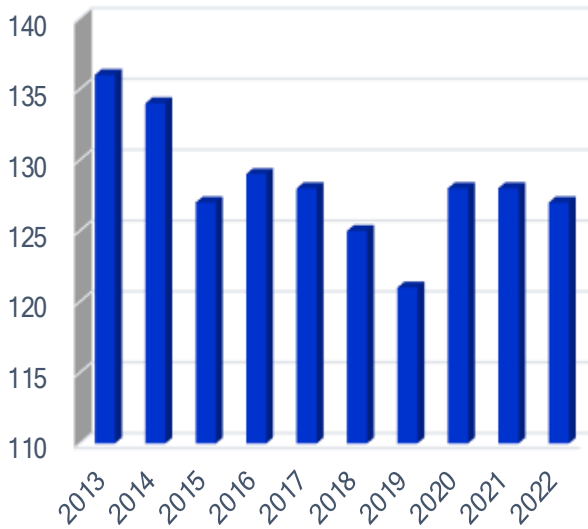
## Schedule 7 – Water Consumption

Last Ten Calendar Years

	<u>Water Pumped</u>	<u>Water Billed</u>	<u>% Billed</u>
2022	29,351,780	26,768,692	91.20%
2021	30,466,000	27,967,068	91.80%
2020	30,878,760	28,431,768	92.08%
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%



### Per Capita Water Usage



	<u>Per Capita Water Usage</u>
2022	127
2021	128
2020	128
2019	121
2018	125
2017	128
2016	129
2015	127
2014	134
2013	136

Source: ABCWUA Financial/Business Services Division

## Schedule 8 – Principal Revenue Payers

Current Fiscal Year and Nine Years Ago

Water Customer Name	2023				2014			
	Water Revenue	Rank	% of Total Revenue	Consumption	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$ 8,620,281	1	5.82%	2,382,724	\$ 6,439,686	1	5.66%	2,446,486
Albuquerque Public Schools	2,687,122	2	1.81%	505,590	2,408,558	2	2.12%	689,789
University of New Mexico	1,320,690	3	0.89%	254,212	985,043	3	0.87%	269,600
Bernalillo County	681,322	4	0.46%	174,200	600,705	4	0.53%	201,189
Kirtland Air Force Base	653,564	5	0.44%	119,093	413,546	5	0.36%	142,385
Central NM Community College	309,429	6	0.21%	69,287	265,325	7	0.23%	79,961
Sumitomo	307,010	7	0.21%	120,876	204,004	9	0.18%	101,277
Lovelace Health	277,915	8	0.19%	81,669	269,454	6	0.24%	111,820
ABCWUA	271,405	9	0.18%	37,979	224,933	8	0.20%	59,027
New Mexico Fair Grounds	221,050	10	0.15%	62,787	198,412	10	0.17%	54,943
<b>Total</b>	<b>\$ 15,349,789</b>		<b>10.37%</b>	<b>3,808,417</b>	<b>\$ 12,009,666</b>		<b>10.56%</b>	<b>4,156,477</b>
<b>Total Water System Revenue</b>	<b>\$ 148,092,311</b>				<b>\$ 113,696,174</b>			

Wastewater Customer Name	2023				2014			
	Water Revenue	Rank	% of Total Revenue	Consumption	Water Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$ 1,482,129	1	1.84%	742,747	\$ 1,058,944	2	1.75%	640,563
Intel Corporation	1,205,696	2	1.49%	-	1,759,019	1	2.90%	-
University of New Mexico	1,150,733	3	1.43%	815,901	830,762	3	1.37%	547,474
Albuquerque Public Schools	785,516	4	0.97%	99,019	736,671	4	1.22%	167,665
City of Albuquerque	726,411	5	0.90%	156,614	533,975	5	0.88%	166,092
Creamland Dairies	543,001	6	0.67%	52,686	430,769	6	0.71%	53,826
Sumitomo	262,672	7	0.33%	-	157,999	9	0.26%	-
General Mills	199,610	8	0.25%	9	167,872	8	0.28%	13
Lovelace Health	159,660	9	0.20%	55,047	178,276	7	0.29%	96,842
Bernalillo County	153,903	10	0.19%	33,478	148,291	10	0.24%	48,509
<b>Total</b>	<b>\$ 6,669,331</b>		<b>8.26%</b>	<b>1,955,501</b>	<b>\$ 6,002,578</b>		<b>9.91%</b>	<b>1,720,984</b>
<b>Total Wastewater System Revenue</b>	<b>\$ 80,746,197</b>				<b>\$ 60,600,108</b>			

Source: ABCWUA Financial/Business Services Division

## Schedule 9 – Outstanding Debt Ratio

Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Revenue Bonds	Notes from direct borrowings	Water Rights Contract	Unamortized Premium	Leases/SBITAs	Total	Per Capita*	Per Customer*
2023	\$ 520,305	\$ 10,291	\$ -	\$ 32,977	\$ 2,575	\$ 566,148	837	2,605
2022	583,800	10,512	1,360	42,582	1,457	639,711	949	2,953
2021	567,270	8,565	2,679	39,671	559	618,744	917	2,871
2020	595,930	31,560	3,960	52,874	964	685,288	1,009	3,198
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	3,338
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	1,294	3,595
2014	515,450	131,515	10,887	23,864	-	681,716	1,204	3,507

Note:

1. Per Capita is based on the estimated population provided by the US Census Bureau V2021 (Bernalillo County).
2. Per customer is based on the number of customers for the Authority.
3. Updated FY2017 schedule includes unamortized premium amounts, which includes restated amounts for the per capita and per customer for 2014-2016.

\*Not presented in thousands of dollars

Source: ABCWUA Financial/Business Services Division

## Schedule 10 – Senior / Subordinate Lien Debt Coverage Debt Coverage Ratio

Last Ten Fiscal Years (in thousands of dollars)

### SENIOR LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage	Coverage Required
				Principal	Interest	Amortized Premium		
2023	\$ 265,295	\$ 150,839	\$ 114,456	\$55,210	\$21,555	\$ (9,041)	1.70	1.33
2022	251,310	116,861	134,449	48,540	22,912	(9,747)	2.18	1.33
2021	241,235	112,883	128,352	49,354	23,410	(10,488)	2.06	1.33
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

### SENIOR AND SUBORDINATE LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage	Coverage Required
				Principal	Interest	Amortized Premium		
2023	\$ 265,295	\$ 150,839	\$ 114,456	\$64,201	\$22,937	\$ (9,605)	1.48	1.20
2022	251,310	116,861	134,449	57,319	24,722	(10,533)	1.88	1.20
2021	241,235	112,883	128,352	58,168	25,624	(11,512)	1.78	1.20
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

Note:

1. Gross revenues include operating, non-operating, and miscellaneous revenues.
2. Operating expenses exclude depreciation and amortization, bad debt, and non-capitalized major repairs.
3. Interest, with accruals, less amortization of premium and/or discount with annual amortization displayed as of 2014.

Source: ABCWUA Financial/Business Services Division

## Schedule 11 – Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population Albuquerque MSA	Total Personal Income	Per Capita Personal Income	Unemployment Rate
2023	676,444	35,764,947	52.872	3.8%
2022	674,393	32,678,387	48.456	4.7%
2021	676,444	31,499,968	46.567	6.9%
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%

**Note:**

Population is based on the estimated population provided by the US Census Bureau V2021 (Bernalillo County).

Sources: US Census Bureau and the University of New Mexico Bureau of Business and Economic Research

## Schedule 12 – Top Ten Major Employers

Current Fiscal Year and Nine Years Ago

Employer	2023			2014		
	Number of Employees	Rank	% of Albuquerque MSA* Employment	Number of Employees	Rank	% of Albuquerque MSA* Employment
Kirtland Air Force Base <sup>(1)</sup>	23,000	1	6.12%	10,615	3	2.72%
Presbyterian Health System	13,457	2	3.58%	8,217	5	2.11%
Sandia National Laboratories	12,581	3	3.35%	8,930	4	2.29%
Albuquerque Public Schools	11,289	4	3.00%	14,810	1	3.80%
University of New Mexico	7,989	5	2.13%	14,644	2	3.76%
University of New Mexico Hospital	6,772	6	1.80%	5,959	6	1.53%
City of Albuquerque	5,800	7	1.54%	5,854	7	1.50%
State of New Mexico	4,950	8	1.32%	5,590	8	1.43%
Lovelace Health System	3,659	9	0.97%	4,000	9	1.03%
Bernalillo County	2,809	10	0.75%	-		0.00%
Total	<u>92,306</u>		<u>24.56%</u>	<u>78,619</u>		<u>20.17%</u>
Total Employment			<u>375,846</u>			<u>389,765</u>

<sup>(1)</sup>For FY2014, Kirtland Air Force Base employment was separated between civilian and military personnel

Source: New Mexico Partnership and listed employers

\*Metropolitan Service Area (MSA)

Total Employment:BBER report



## Schedule 13 – Full-time Equivalent Water Authority Employees by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2023	2022	2021 <sup>(5)</sup>	2020 <sup>(4)</sup>	2019 <sup>(3)</sup>	2018 <sup>(2)</sup>	2017 <sup>(1)</sup>	2016	2015	2014
<b>Administration</b>										
Water Authority	7.0	7.0	7.0	7.0	15.0	14.0	13.0	8.0	8.0	13.0
Legal/Risk	0.0	0.0	0.0	0.0	0.0	0.0	7.0	5.0	5.0	0.0
Risk	5.0	5.0	5.0	5.0	5.0	6.0	0.0	0.0	0.0	0.0
Legal	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Human Resources	15.0	15.0	15.0	15.0	15.0	14.0	13.0	13.0	13.0	13.0
<b>Financial/Business Services</b>										
Finance	44.0	42.0	40.0	39.0	29.5	30.5	31.5	31.5	28.5	27.0
Customer Services	49.0	49.0	51.0	52.0	91.0	91.0	90.0	92.0	80.0	80.0
Information Technology	43.0	38.0	37.0	34.0	27.0	26.0	26.0	25.0	27.0	25.0
<b>Plant</b>										
Wastewater Treatment	88.0	91.0	91.0	91.0	91.0	92.0	92.0	99.0	99.0	99.0
San-Juan Chama Water Treatment Plant	35.0	34.0	34.0	34.0	33.0	30.0	28.0	56.0	56.0	57.0
Groundwater	55.0	53.0	54.0	53.0	53.0	54.0	55.0	26.0	27.0	28.0
<b>Field</b>										
Wastewater Collection	64.0	64.0	64.0	62.0	62.0	62.0	61.0	60.0	60.0	65.0
Water Field Operations	149.0	151.0	150.0	153.0	123.0	124.0	124.0	117.0	126.0	126.0
Compliance	44.0	44.0	43.5	44.5	44.5	44.5	45.5	46.0	46.0	44.0
Water Resources Management		0.0	0.0	0.0	0.0	0.0	0.0	40.0	41.0	35.0
Planning & Engineering		0.0	0.0	27.0	31.0	26.0	23.0			
Central Engineering	24.0	24.0	24.0							
Asset Management	6.0	5.0	5.0	5.0						
Planning & Util. Development	4.0	3.0	3.0							
Water Resources	13.0	14.0	13.0	12.0	12.0	11.0	16.0			
CIP Funded	0.0	0.0	0.0	0.0	0.0	7.0	7.0	9.0	9.0	9.0
	<u>646.0</u>	<u>640.0</u>	<u>637.5</u>	<u>634.5</u>	<u>633.0</u>	<u>633.0</u>	<u>632.0</u>	<u>627.5</u>	<u>625.5</u>	<u>621.0</u>

**Note:**

1. In 2017, Water Resources Management function separated; now the Planning and Engineering and Water Resources divisions.
2. In 2018, the Legal/Risk functions were separated; now the Legal and Risk divisions.
3. In 2019, CIP-Funded positions were moved to various operating divisions.
4. 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.
5. In 2021, Planning and Engineering function separated; now Central Engineering, Asset Management, and Planning and Utility Development.

Source: ABCWUA Financial/Business Services Division

## Schedule 14 – Operating Indicators by Function

Last Ten Calendar Years

Function	Calendar Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Estimated Population (Service Area)	654,067	665,392	685,486	683,207	680,946	676,298	670,779	658,238	656,305	643,881
Number of Meters (Billed)	212,258	211,444	210,357	209,029	207,858	206,606	208,140	208,200	206,944	205,316
Estimated Persons Per Meter	3.08	3.15	3.26	3.27	3.28	3.27	3.22	3.16	3.17	3.14
Annual Pumpage (1,000 Gallons)	29,351,780	30,466,000	30,878,760	29,392,000	30,139,000	30,895,000	30,720,000	29,498,000	30,836,000	33,222,000
Annual Water Billed (1,000 Gallons)	26,768,692	27,967,068	28,431,768	27,073,469	27,696,655	28,357,626	28,250,591	27,195,260	28,075,612	28,113,371
Average Daily Pumpage (Gallons)	79,219,834	83,468,493	84,599,000	80,526,027	82,572,603	84,643,836	84,164,384	80,816,438	84,482,192	91,019,178
Peak Day Pumpage (Gallons)	142,460,000	142,984,000	141,450,000	147,000,000	147,000,000	150,600,000	159,000,000	146,000,000	144,000,000	157,000,000
Peak Day Consumption (Gallons)	133,668,000	137,644,000	140,223,000	145,000,000	143,000,000	147,300,000	141,000,000	148,000,000	150,000,000	148,000,000
Average Daily Production Per Meter (Gallons)	373	395	402	385	397	410	404	388	408	443
Well Pumping Capacity (per 24 hour period)	176,000,000	176,000,000	176,000,000	176,000,000	176,000,000	176,000,000	178,000,000	184,000,000	183,000,000	187,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000	253,000,000	249,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000	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	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	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	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

Source: ABCWUA Operations Division

## Schedule 15 – Capital Statistics by Function

Last Ten Calendar Years

Function	Calendar Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fire Hydrants	16,337	16,194	16,076	15,948	15,853	15,731	15,646	15,572	15,344	15,249
Number of Miles of Lines										
- Water	2,821	2,802	2,783	2,767	2,756	2,739	2,729	2,721	2,691	2,680
- Wastewater	1,946	1,936	1,926	1,920	1,914	1,908	1,904	1,900	1,879	1,875
- San Juan Chama	38	38	38	38	38	37	37	37	37	37

Source: ABCWUA Operations Division

## Schedule 16 – Other Statistical Data

Last Ten Fiscal Years (in thousands of dollars)

Function	2023	2022	2021	2020	2019	Average	Maximum
Groundwater Diversion	45,835.3 (14.94)	62,050.1 (20.22)	75,722.0 (24.67)	40,871.0 (13.32)	40,718.2 (13.27)	53,039.3 (17.28)	75,722.0 (24.67)
System Wells Only	44,751.9 (14.58)	60,790.2 (19.81)	74,742.0 (24.35)	39,417.4 (12.84)	39,791.7 (12.97)	51,898.6 (16.91)	74,742.0 (24.35)
Surface Water Diversion	31,756.9 (10.35)	31,756.9 (10.35)	20,584.2 (6.71)	64,255.0 (20.94)	51,088.5 (16.65)	39,888.3 (13.00)	64,255.0 (20.94)
Recovered Surface Water from River	244.2 (0.08)	3.2 (0.00)	2.9 (0.00)	8.7 (0.00)	35.7 (0.01)	58.9 (0.019)	244.2 (0.08)
Total System Water Diversion	76,508.7 (24.93)	92,547.1 (30.16)	95,326.2 (31.06)	103,672.4 (33.78)	90,880.2 (29.61)	91,786.9 (29.91)	103,672.4 (33.78)
Groundwater Use	45,835.3 (14.94)	62,050.1 (20.22)	75,722.0 (24.67)	40,871.1 (13.32)	40,718.2 (13.27)	53,039.3 (17.28)	75,722.0 (24.67)
Surface Water Use	31,756.9 (10.35)	32,673.6 (10.65)	23,460.3 (7.64)	67,107.1 (21.87)	54,228.3 (17.67)	41,845.2 (13.64)	67,107.1 (21.87)
Percent Groundwater Use	59.1	65.5	76.3	37.9	42.9	55.9	76.3
Percent Surface Water Use	40.9	34.5	23.7	62.1	57.1	44.1	62.1
GPCD*	127.0	128.0	128.0	121.0	125.0	125.8	128.0
Water Rights Holdings	Vested (V)	Acquired Pre-1907	Acquired (A) Total	(V+A)	SJ-Chama	Total	
As of December 31,2021	17,875.0	4,916.7	8,547.2	26,422.2	48,200.0	74,622.2	

\*GPCD is calculated by calendar year.

## Schedule 16 - Other Statistical Data continued

Last Ten Fiscal Years (in thousands of dollars)

Function	2018	2017	2016	2015	2014	Average	Maximum
Groundwater Diversion	31,174.1 (10.16)	34,746.7 (11.32)	34,842.0 (11.35)	40,497.3 (13.20)	53,198.7 (17.33)	38,891.8 (12.67)	53,198.7 (17.33)
System Wells Only	30,434.7 (9.92)	34,040.3 (11.09)	34,194.7 (11.14)	39,377.1 (12.83)	51,842.3 (16.89)	37,977.8 (12.38)	51,842.3 (16.89)
Surface Water Diversion	66,371.0 (21.63)	62,716.3 (20.44)	59,481.5 (19.38)	54,033.9 (17.61)	42,660.6 (13.90)	57,052.7 (18.59)	66,371.0 (21.63)
Recovered Surface Water from River	- 0.00	- 0.00	1,077.2 (0.35)	- 0.00	-	N/A	N/A
Total System Water Diversion	96,805.7 (31.54)	96,756.6 (31.53)	94,753.4 (30.88)	93,411.0 (30.44)	94,502.9 (30.79)	95,245.9 (31.04)	96,805.7 (31.54)
Groundwater Use	31,174.1 (10.16)	34,040.3 (11.09)	34,194.7 (11.14)	39,377.1 (12.83)	51,842.3 (16.89)	38,125.7 (12.42)	51,842.3 (16.89)
Surface Water Use	69,070.9 (22.51)	62,716.3 (20.44)	60,558.8 (19.73)	54,033.9 (17.61)	42,660.6 (13.90)	57,808.1 (18.84)	69,070.9 (22.51)
Percent Groundwater Use	31.1	35.2	36.1	42.2	54.9	39.7	54.9
Percent Surface Water Use	68.9	64.8	63.9	57.8	45.1	60.3	68.9
GPCD*	125.0	128.0	129.0	127.0	134.0	128.6	134.0
Water Rights Holdings	Vested (V)	Acquired Pre-1907	Acquired (A) Total	(V+A)	SJ-Chama	Total	
As of December 31,2013	17,875.0	4,916.7	8,397.1	26,272.1	48,200.0	74,472.1	

\*GPCD is calculated by calendar year.

## Schedule 17 – Financial Benchmarks

Last Ten Fiscal Years (in thousands of dollars)

Ratio Type	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating Ratio Calculation:										
Operating Revenues	\$230,979	\$224,195	\$225,663	\$225,609	\$219,984	\$226,396	\$215,194	\$210,057	\$192,312	\$182,350
/Operating Expenses	237,717	219,858	221,095	225,733	213,186	203,113	198,770	191,540	197,155	198,721
Operating Ratio:	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.0	0.9
Operating Revenues	230,979	224,195	225,663	225,609	219,984	226,396	215,194	210,057	192,312	182,350
/Operating Expenses (excl. Depr./Amort)	150,839	132,431	134,434	140,220	128,866	120,482	117,122	111,183	114,060	113,933
Operating Ratio, excluding Depr./Amort:	1.5	1.7	1.7	1.6	1.7	1.9	1.8	1.9	1.7	1.6
Days of Cash on Hand Calculation:										
Unrestricted Cash & Cash Equivalents	164,165	179,465	154,904	159,849	172,815	148,814	125,990	101,196	68,886	60,836
/Operating Expenses (excl. Depr./Amort) (365 days a year)	413	363	368	384	353	330	321	305	295	297
Days of Cash on Hand:	397.2	494.6	420.6	416.1	489.5	450.8	392.6	332.2	233.6	205.2
Days of Working Capital Calculation:										
Current Unrestricted Assets	192,599	212,563	178,580	182,178	193,538	169,525	146,372	121,366	85,288	78,784
Less: Current Liabilities	(115,093)	(110,863)	(93,757)	(108,176)	(96,912)	(88,883)	(78,147)	(81,583)	(74,295)	(66,823)
/Operating Expenses (excl. Depr./Amort) (365 days a year)	413	363	368	384	353	330	321	305	295	297
Days of Working Capital:	187.5	280.3	230.3	192.6	273.7	244.3	212.6	130.6	37.3	40.3
Current Ratio Calculation:										
Unrestricted Cash & Cash Equivalents	164,165	179,465	154,904	159,849	172,815	148,814	125,990	101,196	68,886	60,836
+ Receivables, net	28,434	33,098	23,677	22,328	20,724	20,711	20,380	20,170	16,401	17,948
/Current Liabilities	115,093	110,863	93,757	108,176	96,912	88,883	78,147	81,583	74,295	66,823
Current Ratio:	1.7	1.9	1.9	1.7	2.0	1.9	1.9	1.5	1.1	1.2

### Notes:

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 measures 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: ABCWUA Financial/Business Services Division

# OTHER SUPPLEMENTARY INFORMATION SECTION



Azotea, San Juan-Chama Project



## Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual

For the Fiscal Year ended June 30, 2023

REVENUES:	BUDGET		Actual Budgetary Basis	Variance from Final Budget - Budgetary Basis
	Original	Final		
<b>OPERATING:</b>				
Water service	\$ 96,107,000	\$ 96,107,000	\$ 105,447,789	\$ 9,340,789
Water facilities rehab	34,022,000	34,022,000	38,551,099	4,529,099
Wastewater service	69,112,000	69,112,000	44,458,494	(24,653,506)
Wastewater facilities rehab	28,982,000	28,982,000	36,287,703	7,305,703
Water resources management	4,500,000	4,500,000	4,218,931	(281,069)
COA administrative fees	2,192,000	2,192,000	2,140,969	(51,031)
Investment income	500,000	500,000	3,631,379	3,131,379
Miscellaneous revenue	9,284,000	9,284,000	902,962	(8,381,038)
State grants	-	-	-	-
SJCPCA*	172,000	186,254	186,761	507
<b>CAPITAL:</b>				
Transfer from operating	36,618,000	36,618,000	32,868,000	(3,750,000)
Transfer from debt service	4,000,000	4,000,000	4,000,000	-
Transfer from capital	-	-	-	-
Loan proceeds	-	2,173,229	484,385	(1,688,844)
Bond proceeds	-	-	-	-
Federal grants	-	55,778,944	7,450,522	(48,328,422)
State grants	-	22,404,841	3,646,637	(18,758,204)
Lease of water rights	-	423,200	523,200	100,000
Water resource charge	-	435,000	859,781	424,781
Interest income	-	-	28,601	28,601
Miscellaneous revenue	3,000,000	33,977,171	21,105,615	(12,871,556)
<b>DEBT SERVICE:</b>				
Utility expansion charges	8,000,000	8,000,000	6,399,829	(1,600,171)
Water resource charge	-	-	-	-
Interest income	-	-	425,682	425,682
Miscellaneous	-	-	-	-
Bond proceeds	-	-	-	-
Transfer from capital	-	-	-	-
Transfer from operating	78,000,000	78,000,000	74,850,000	(3,150,000)
Prior year restricted and unrestricted cash budgeted	232,282,996	232,282,996		
<b>TOTAL REVENUES</b>	<b>\$606,771,996</b>	<b>\$ 718,978,635</b>	<b>\$388,468,339</b>	<b>\$ (98,227,300)</b>

\*SJCPCA - San Juan Chama Project Contractors Association



## Schedule of Revenues, Expenses, and Changes in Net Position

### Budget and Actual, Continued

For the Fiscal Year ended June 30, 2023

\*SJPCCA - San Juan Chama Project Contractors Association

EXPENSES:	BUDGET		Actual Budgetary Basis	Variance from Final Budget - Budgetary Basis
	Original	Final		
<b>OPERATING:</b>				
Administration	1,839,000	1,821,300	1,567,729	253,571
Risk	5,668,000	5,668,000	6,628,380	(960,380)
Legal	816,000	816,000	1,215,389	(399,389)
Human resources	1,856,000	1,841,050	1,778,531	62,519
Finance	4,327,000	4,364,540	4,625,168	(260,628)
Fleet & facility maintenance	5,242,000	5,250,604	5,669,250	(418,646)
Customer service	5,265,000	5,229,040	4,969,786	259,254
Information technology	9,775,000	9,874,276	10,913,603	(1,039,327)
Wastewater plant	11,747,000	11,732,000	12,154,322	(422,322)
SJC water treatment plant	4,790,000	4,790,000	4,593,436	196,564
Groundwater operations	7,169,000	7,169,000	7,318,823	(149,823)
Wastewater collection	7,835,000	7,833,700	8,188,029	(354,329)
Water field operations	21,100,000	21,064,140	20,994,511	69,629
Compliance	5,920,000	5,913,100	6,179,111	(266,011)
Planning and engineering	4,256,000	4,242,050	4,270,275	(28,225)
Asset management	763,000	763,000	783,663	(20,663)
Water resources	4,652,000	4,648,200	3,982,956	665,244
General government*	23,377,000	26,377,000	30,171,922	(3,794,922)
San Juan-Chama	2,747,000	2,747,000	2,954,582	(207,582)
SJPCCA*	172,000	198,533	134,016	64,517
Transfer to debt service	78,000,000	78,000,000	74,850,000	3,150,000
Transfer to capital	36,618,000	36,618,000	32,868,000	3,750,000
<b>CAPITAL:</b>				-
Capital expense	79,207,000	248,694,626	125,830,654	122,863,972
Transfer to other funds	-	-	-	-
<b>DEBT SERVICE:</b>				-
Debt service	88,663,000	88,663,000	87,137,529	1,525,471
Transfer to capital	4,000,000	4,000,000	4,000,000	-
<b>TOTAL EXPENSES</b>	<b>\$415,804,000</b>	<b>\$ 588,318,159</b>	<b>\$463,779,666</b>	<b>\$ 124,538,493</b>
Revenues over (under) expenses	\$190,967,996	\$ 130,660,476	\$ (75,311,327)	\$ 26,311,193

## Schedule of Revenues, Expenses, and Changes in Net Position

### Budget and Actual, Continued

For the Fiscal Year ended June 30, 2023

NET EFFECT:	BUDGET		Actual Budgetary Basis	Variance from Final Budget - Budgetary Basis
	Original	Final		
Revenues (expenses) not budgeted:				
Depreciation			(85,222,816)	
Amortization on premiums and discounts			6,487,364	
Loss on capital assets			(35,808)	
Non-budgeted miscellaneous expenses			3,790,633	
Miscellaneous revenues			10,914	
Net expenses over revenues not budgeted			<u>\$ (74,969,713)</u>	
Changes to conform to generally accepted accounting principles:				
Principal payments on bonds and loan agreements			64,200,773	
Principal payments on water rights contract			1,359,809	
Expenses recorded in capital general ledger funds			107,099,620	
Loan proceeds			(484,385)	
Unrealized gain in fair value of investments			1,245,478	
Capital contributions			6,701,554	
Net changes to conform to generally accepted accounting principles			<u>\$180,122,849</u>	
Change in net position			<u>\$ 29,841,810</u>	

## Schedule of Deposits and Investments by Financial Institution

For the Fiscal Year ended June 30, 2023

By Financial Institution

Institution / Account name	Type of Account	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Bank of Albuquerque:				
Lockbox	Non-Interest Bearing Checking	5,269,865	-	5,269,865
Wells Fargo Bank:				
General Fund	Interest-Bearing Checking	104,597,539	(4,748,380)	99,849,159
SAF Reserve	Savings	2,147,000	-	2,147,000
Money Market Reserve	Savings	9,689,201	-	9,689,201
Flex Spending	Non-Interest Bearing Checking	347,642	-	347,642
Rio Grande Credit Union:				
Money Market	Savings	231,153	-	231,153
NM State Treasurer's Office:				
LGIP	Investments	941	-	941
US Bank:				
Treasury Money Market	Investments	49,882,001	-	49,882,001
Cash on hand		-	-	3,000
Total Deposits		<u>\$ 172,165,342</u>	<u>\$ (4,748,380)</u>	<u>\$ 167,419,962</u>

## Schedule of Pledged Collateral by Financial Institution

For the Fiscal Year ended June 30, 2023

By Financial Institution

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
<b>Bank of Albuquerque, N.A.</b>				
FN MA3864	31418DJJ2	\$523,555	12/01/2034	2.500%
FN MA3864	31418DJJ2	523,555	12/01/2034	2.500%
FN MA3864	31418DJJ2	785,333	12/01/2034	2.500%
FN MA3864	31418DJJ2	1,047,110	12/01/2034	2.500%
FHMS K055 A1	3137BPVZ9	269,929	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	269,929	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	269,929	04/24/2025	2.263%
FN BS1997	3140LCGF2	425,674	06/01/2028	1.340%
FNR 2016-37 BE	3136ASQA7	198,346	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	793,385	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	906,701	06/25/2046	2.000%
		<u>\$ 6,013,446</u>		

Location of collateral: Bank of Oklahoma Oklahoma City, OK

### Wells Fargo Bank, N.A.

Liberty Mutual Insurance Company	190051737	\$23,000,000	08/24/2022	N/A
FR QD5206	3133B2YB9	30,176,460	01/01/2052	2.500%
FN BU7578	3140M9M46	32,863,605	01/01/2052	3.000%
		<u>\$ 86,040,065</u>		

Location of collateral: Bank of New York Mellon New York, NY

Total Collateral of Cash Deposits \$ 92,053,511

## Schedule of Expenditures of Federal Awards

For the Fiscal Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity's Identifying Numbers	Federal Assistance Listing Number	Total Federal Expenditures
U.S. Department of Environmental Protection Agency			
Passed-Through New Mexico Finance Authority (NMFA)			
Capitalization Grants for Drinking Water State Revolving Funds	DW-5028	66.468	24,511
Total U.S. Department of Environmental Protection Agency			<u>\$24,511</u>
U.S. Department of Treasury			
Passed-Through Bernalillo County			
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I10-0505-KAFBIR	21.027	6,761,856
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I07-0502-MDCWSI	21.027	348,438
COVID 19 Coronavirus State and Local Recovery Funds (CSLFRF)	I09-0511-SVD8_9	21.027	247,414
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I16-0508-BPSNPR	21.027	70,613
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I21-0511-CARNWE	21.027	16,138
Total U.S. Department of Treasury			<u>\$7,444,459</u>
Total Expenditures of Federal Awards			<u><u>\$7,468,970</u></u>

## Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year ended June 30, 2023

### 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, 2023. 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 - Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantors.

The federal granting agency is responsible for providing the Water Authority with the Assistance Listing Number (ALN) for each grant or contract. In cases where the federal granting agency did not provide the ALN to the Water Authority, other identifying numbers are presented on the Schedule. For pass-through awards, the pass-through granting agency is responsible for providing the Water Authority with the pass-through grantor numbers.



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. Joseph M. Maestas, P.E.  
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 and budgetary comparison schedule of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2023.

### Report on 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 our 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.

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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 or significant deficiencies may exist that were not identified.

### **Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SJT Group LLC

Albuquerque, New Mexico

November 30, 2023





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. Joseph M. Maestas, P.E.  
New Mexico State Auditor

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

***Opinion on the Major Federal Program***

We have audited the Albuquerque Bernalillo County Water Utility Authority's (the "Water Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Water Authority's major federal program for the year ended June 30, 2023. 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.

In our opinion, the Water Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

***Basis for Opinion on the Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the Water Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Water Authority's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Water Authority's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Water Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Water Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Water Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ Obtain an understanding of the Water Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Water Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

SJT Group LLC

Albuquerque, New Mexico  
November 30, 2023

## Schedule of Findings and Questioned Costs

For the Fiscal Year ended June 30, 2023 and 2022

### 2023 SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

#### Federal Awards

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

Internal control over the major federal program:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

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

#### Identification of the Major Federal Program

Assistant Listing Number

21.027

Name of Federal Program or Cluster

COVID-19 Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? Yes

**Schedule of Findings and Questioned Costs, continued**

For the Fiscal Year ended June 30, 2023 and 2022

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**SECTION IV - OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE,  
SECTION 12-6-5, NMSA 1978**

None.

## Summary Schedule of Prior Year Audit Findings

For the Fiscal Years ended June 30, 2023 and 2022

No findings in prior year.

## Exit Conference

For the Fiscal Years ended June 30, 2023 and 2022

The Annual Comprehensive Financial Report has been prepared by the Financial / Business Services Division of the Water Authority from its books and records.

A virtual exit conference was held on Thursday, November 30, 2023, with the Water Authority with the following present:

On behalf of the Water Authority:

Barbara Baca, Member

Mark S. Sanchez, Executive Director

Marta J. Ortiz, Chief Financial Officer

Susan J. Lander, Controller

On behalf of the SJT Group LLC:

Joshua Trujillo, CPA          Principal

Brett Bauer, CPA             Audit Manager