



Albuquerque Bernalillo County Water Utility Authority

ANNUAL INFORMATION STATEMENT

DATED MARCH 30, 2026

**IN CONNECTION WITH WATER AND WASTEWATER BONDS AND
OTHER OBLIGATIONS**

BASE CUPSIP: 013493

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AUTHORITY BOARD

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Councilor Klarissa Peña
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WATER AUTHORITY ADMINISTRATION

Mark Sanchez, Executive Director
Chris Melendrez, General Counsel
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Vacant, Chief Operating Officer
Hobert "H" Warren, Field Division Manager
Joel Berman, P.E., Plant Division Manager
Cody R. Stinson, Chief Information Officer
Andres E. Santiago, Risk Manager
David Morris, Public Affairs Manager
Erica L. Jaramillo, Human Resources Manager
Danielle Shuryn, Compliance Manager
Mark Kelly, P.E., Water Resources Manager
David Laughlin, Engineering Division Manager

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Albuquerque, New Mexico

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INTRODUCTION

The Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”) governs the water and wastewater utility for all of the City of Albuquerque (the “City”) and Bernalillo County (the “County”). The Water Authority’s governing board (the “Board”) includes three (3) Bernalillo County Commissioners, three (3) Albuquerque City Councilors, the Mayor of Albuquerque and a Village of Los Ranchos de Albuquerque Trustee as an Ex Officio member. The current members of the Board and the administrative officers of the Water Authority are as set forth on the inside cover page hereof. The Water Authority is focused regionally on providing a safe and sustainable water supply to its service area for the next 100 years. The water supply plan, entitled “Water 2120 Securing our Future” (and referred to herein as “Water 2120”), consists of multiple policies to guide water resources management for the Water Authority including additional water conservation, reuse for irrigation and indirect potable reuse, protection of watersheds and the environment. The plan also includes preserving and protecting the aquifer for the long-term by adopting a new groundwater management plan that reduces overall use of the aquifer and preserves portions of it for generations to come. The Water Authority utilizes an asset management approach to infrastructure including replacing or renovating existing surface and groundwater treatment and distribution systems and sewer collection and wastewater treatment facilities. In addition, the Water Authority is working towards realizing better management efficiencies for rate payers and providing long range planning and delivery for water and wastewater in the service area.

The joint water and wastewater system (the “System”) is owned and operated by the Water Authority pursuant to Section 72-1-10 NMSA 1978. The Water Authority has the statutory powers provided to all public water and wastewater utilities in the State of New Mexico (the “State”) and is recognized as a political subdivision of the State. The City provides certain services to the Water Authority pursuant to 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 and County. The MOU confirmed a significantly altered business relationship between the City and the Water Authority. With the establishment by the Water Authority of its own financial and human resource systems effective July 1, 2013, the Water Authority initiated a deliberate and planned business strategy to internally assume or contract with third parties for nearly all of the services that had been previously provided by the City. The only remaining services provided to the Water Authority by the City are for 1) administration of the Water Authority’s group insurance program, and 2) administration of the joint OPEB trust established during Fiscal Year 2014. In addition, the City leases space of City owned buildings to the Water Authority.

Actions of the Board taken after January 1, 2026, including information relating to bonds, notes or other obligations of the Water Authority issued or incurred after that date, are not included in this Annual Information Statement unless otherwise indicated. Other information contained in this Annual Information Statement is current as of January 1, 2026, unless specifically stated otherwise in this Annual Information Statement. The information in this Annual Information Statement is subject to change without notice and the delivery of this Annual Information Statement shall not create any implication that the affairs of the Water Authority have remained unchanged since the date of its delivery. The distribution of this Annual Information Statement by the Water Authority does not in any way imply that the Water Authority has obligated itself to update the information herein. All financial and other information presented in this Annual Information Statement has been provided by the Water Authority from its records, except for information expressly attributed to other sources believed to be reliable.

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OUTSTANDING OBLIGATIONS

Outstanding System Obligations

The obligations generally described below, and certain terms of such obligations are summarized in the Water Authority’s Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2025.

The following outstanding special limited obligations are payable from and secured by a senior lien (but not an exclusive senior lien) on Net Revenues of the System (“Senior Obligations”):

OUTSTANDING SENIOR OBLIGATIONS AS OF FEBRUARY 1, 2026

<u>Senior Obligations</u>	<u>Senior Obligations Authorizing Legislation</u>	<u>Original Principal Amount (\$)</u>	<u>Principal Amount Outstanding (\$)</u>
Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A	O-14-2 and R-14-10	97,270,000	10,255,000
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2017	O-16-2 & R-16-13	87,970,000	51,185,000
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2018	O-18-7 & R-18-20	75,085,000	39,135,000
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020	O-19-3 & R-19-26	69,440,000	44,670,000
Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Taxable Series 2020A	O-20-2 & R-19-26	47,800,000	21,925,000
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2021	R-21-21	73,255,000	65,650,000
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2023	R-23-18	113,425,000	113,425,000
Drinking Water State Revolving Fund Loan and Subsidy Agreement DW-6343 (2024)	R-24-7	770,000	770,000
Senior Lien Joint Water and Sewer System Improvement Revenue and Refunding Bonds, Series 2025	R-25-24	164,420,000	164,420,000
	Total		511,435,000

The following outstanding special limited obligations are payable from and secured by a subordinate lien (but not an exclusive subordinate lien) on Net Revenues of the System (“Subordinate Obligations”):

OUTSTANDING SUBORDINATE OBLIGATIONS AS OF FEBRUARY 1, 2026

<u>Subordinate Obligations</u>	<u>Subordinate Obligations Authorizing Legislation</u>	<u>Original Principal Amount (\$)</u>	<u>Principal Amount Outstanding (\$)</u>
2008 NMFA Drinking Water Loan	O-08-4 & R-08-13 as amended by F/S O-14-2	12,000,000	2,894,616
Water Project Fund Loan/Grant Agreement No. WPF-5103 (2021)	R-20-26	800,000	682,887
Water Project Fund Loan/Grant Agreement No. WPF-5401 (2021)	R-21-31	800,000	725,325
Water Project Fund Loan/Grant Agreement No. WPF-5659 (2023)	R-22-31	200,000	182,461
Water Project Fund Loan/Grant Agreement No. WPF-5660 (2023)	R-22-32	710,000	677,665
	Total		5,162,954

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The Water Authority currently has the following outstanding obligations payable from and secured by Net Revenues subordinate to the liens on the Net Revenues of the Senior Obligations and Subordinate Obligations (“Super Subordinate Obligations”):

**OUTSTANDING SUPER SUBORDINATE OBLIGATIONS
AS OF FEBRUARY 1, 2026**

<u>Super Subordinate Obligations</u>	<u>Super Subordinate Obligations Authorizing Legislation</u>	<u>Original Principal Amount (\$)</u>	<u>Principal Amount Outstanding (\$)</u>
Water Project Fund Loan/Grant Agreement No. WPF-5935 (2024)	R-23-48	370,000	370,000
NMED Loan CWSRF EQ 147 (2024)	R-23-19	4,000,000	4,000,000
Water Project Fund Loan/Grant Agreement No. WPF-6261 (2024)	R-24-36	200,000	200,000
Water Project Fund Loan/Grant Agreement No. WPF-6262 (2024)	R-24-37	20,000	20,000
Water Project Fund Loan/Grant Agreement No. WPF-6263 (2025)	R-25-7	90,250	90,250
NMED Loan CWSRF EQ 151 (2025)	R-25-13	9,000,000	9,000,000
Water Project Fund Loan/Grant Agreement No. WPF-6545 (2026)	R-25-42	1,400,000	1,400,000
	Total		15,080,250

Combined Debt Service and Coverage Ratios

The following schedule shows, for each Fiscal Year, the total combined debt service requirements payable for the outstanding System obligations and projected debt service coverage based on Fiscal Year 2026 System Net Revenues.

**Total Combined Debt Service
Outstanding Water/Wastewater Obligations
As of February 1, 2026**

Period Ending 6/30	Outstanding Senior Lien Debt Service (\$)	Outstanding Sub Lien Debt Service (\$)	Total Senior and Sub Lien Debt Service (\$)	Outstanding Super Sub Lien Debt Service (\$)	Total Outstanding Debt Service (\$)	Net Revenues (\$)	Senior Lien Coverage (x)	Senior and Subordinate Lien Coverage (x)	Senior, Subordinate and Super Subordinate Lien Coverage (x)
2025	78,358,367	9,882,132	88,240,498	200,210	88,440,709	152,417,427	1.95	1.73	1.72
2026	84,944,341	775,743	85,720,084	219,264	85,939,348	152,417,427	1.79	1.78	1.77
2027	69,455,184	775,773	70,230,957	230,595	70,461,553	152,417,427	2.19	2.17	2.16
2028	66,171,457	775,803	66,947,260	758,730	67,705,989	152,417,427	2.30	2.28	2.25
2029	65,667,042	775,833	66,442,875	758,686	67,201,561	152,417,427	2.32	2.29	2.27
2030	63,061,782	600,866	63,662,648	758,640	64,421,288	152,417,427	2.42	2.39	2.37
2031	53,513,445	128,058	53,641,502	758,597	54,400,099	152,417,427	2.85	2.84	2.80
2032	52,997,204	128,058	53,125,262	758,552	53,883,814	152,417,427	2.88	2.87	2.83
2033	46,120,570	128,058	46,248,628	758,505	47,007,133	152,417,427	3.30	3.30	3.24
2034	28,468,073	128,057	28,596,130	758,461	29,354,591	152,417,427	5.35	5.33	5.19
2035	22,311,506	128,057	22,439,562	758,416	23,197,978	152,417,427	6.83	6.79	6.57
2036	14,773,695	128,057	14,901,753	758,370	15,660,123	152,417,427	10.32	10.23	9.73
2037	13,620,267	128,058	13,748,325	758,327	14,506,652	152,417,427	11.19	11.09	10.51
2038	9,617,639	128,057	9,745,696	758,280	10,503,975	152,417,427	15.85	15.64	14.51
2039	8,434,750	128,057	8,562,807	758,235	9,321,042	152,417,427	18.07	17.80	16.35
2040	8,437,350	128,057	8,565,407	758,191	9,323,598	152,417,427	18.06	17.79	16.35
2041	8,438,750	128,058	8,566,808	758,146	9,324,954	152,417,427	18.06	17.79	16.35
2042	8,443,450	128,057	8,571,507	758,099	9,329,607	152,417,427	18.05	17.78	16.34
2043	8,436,500	109,520	8,546,020	758,056	9,304,076	152,417,427	18.07	17.83	16.38
2044	8,441,100	36,565	8,477,665	758,009	9,235,674	152,417,427	18.06	17.98	16.50
2045	8,436,900	-	8,436,900	757,966	9,194,866	152,417,427	18.07	18.07	16.58
2046	8,441,825	-	8,441,825	538,656	8,980,481	152,417,427	18.06	18.06	16.97
2047	6,699,638	-	6,699,638	527,280	7,226,918	152,417,427	22.75	22.75	21.09
2048	6,699,475	-	6,699,475	-	6,699,475	152,417,427	22.75	22.75	22.75
2049	1,973,500	-	1,973,500	-	1,973,500	152,417,427	77.23	77.23	77.23
2050	1,974,000	-	1,974,000	-	1,974,000	152,417,427	77.21	77.21	77.21
TOTAL	753,937,808	15,268,923	769,206,732	15,366,271	784,573,003				

In the ordinances and resolutions pursuant to which the System obligations have been issued, the Water Authority agreed to charge all purchasers of services reasonable rates sufficient to produce Net Revenues of the System annually to cover 133% of the annual debt service requirements on all Senior Obligations (excluding reserves therefor) and 120% of the annual debt service requirement on all Subordinate Obligations (excluding reserves therefor). The Net Revenues of the System for Fiscal Year 2025 were \$152,417,427. The maximum fiscal year combined debt service requirements for Senior Obligations payable from Net Revenues of the System are \$84,944,341 (occurring in Fiscal Year-end June 30, 2026), resulting in a senior lien coverage ratio of 1.79x. The maximum fiscal year combined debt service requirements for Senior Obligations and Subordinate Obligations payable from Net Revenues of the System are \$88,240,498 (occurring in Fiscal Year-end June 30, 2025), resulting in a senior and subordinate lien coverage ratio of 1.73x. The maximum fiscal year combined debt service requirements for Senior Obligations, Subordinate Obligations and Super Subordinate Obligations payable from Net Revenues of the System are \$88,440,709 (occurring in Fiscal Year-end June 30, 2025), resulting in a total coverage ratio for all outstanding obligations payable from Net Revenues of 1.72x.

The Board continues to monitor rate covenant compliance and has previously approved separate 5% System rate increases for Fiscal Years 2013, 2014, 2015, 2016 and 2018, all of which have been added to System rates. There was no rate increase in Fiscal Years 2019, 2020, 2021 and 2022. On May 18, 2022, the Board approved a 5% System rate increase for Fiscal Year 2023 and a 12% rate revenue adjustment was approved for fiscal year 2025 and became effective on July 1, 2024. No rate revenue adjustment is proposed for fiscal year 2026. The Water Authority performs a comprehensive cost-of-service study every two years. The Water Authority will complete a cost-of-service study in Fall 2026 to look at the future needs of the system. The current Finance Plan forecasts rate increases in Fiscal Years 2029 (8.75%), 2031 (8.00%), 2033 (4.00%), and 2035 (4.00%).

Current Ratings

The outstanding Senior Obligations are currently rated “AA+” by S&P and “Aa2” by Moody’s. Certain Senior Obligations (Senior Lien Joint Water and Sewer System Revenue Bonds, Series 2014A) are rated “AA” by Fitch. These ratings are higher than the current ratings for the respective bond insurers, as applicable, and should be considered the ratings on the bonds. None of the outstanding Subordinate Obligations or Super Subordinate Obligations are rated by any of the major rating agencies.

JOINT WATER AND WASTEWATER SYSTEM OF THE WATER AUTHORITY

Water System

The Water System provides water services to approximately 682,762 residents, comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the Water System. As of January 1, 2026, service is provided to approximately 219,067 customer accounts, including 188,348 residential and 30,719 multifamily, commercial, institutional and industrial accounts. Approximately 86.0% of the water sales are for residential uses.

Surface water from the San Juan-Chama Drinking Water Project that is utilized by the San Juan-Chama Drinking Water Project is the primary source of potable water supply for the Water Authority. Groundwater is used to supplement surface water supplies to meet peak demands and to provide supply during drought periods or other times when surface water is not available. The Water Authority also owns and operates two (2) non-potable water systems to provide irrigation and industrial water in the service area. In calendar year 2025, the Water Authority’s potable water resources use consisted of 72% from groundwater and 28% from San Juan-Chama surface water. The non-potable water supply is derived from 5% of the reuse of

treated effluent and non-potable for irrigation. The groundwater supply is produced from 59 wells grouped in 17 well fields located throughout the metropolitan area and the San Juan-Chama surface water is diverted from the Rio Grande and the treatment plant can produce up to 84 MGD of potable surface water. Eliminating high arsenic wells (those greater than ten (10) parts per billion arsenic) results in an available production capacity of 153 MGD. Peak day demand for 2025 was 128 MGD. The Water Authority also has five (5) arsenic treatment facilities that remove naturally occurring arsenic from groundwater. Total well production capacity including arsenic treatment is approximately 177 MGD. Each well field includes chlorination for disinfection as required by the Safe Drinking Water Act.

Water storage reservoirs provide for fire, peak hour and uphill transfer to storage. Water is distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 pounds per square inch (“psi”) for consumers. 62 reservoirs are located throughout the service area, with a total reservoir storage capacity of 242 million gallons. Reservoir water can also be transferred to a higher zone or across zones through an east-west series of reservoirs by means of pump stations sited at the reservoirs. There are a total of 39 potable water pump stations housing 130 booster pumps, with an aggregate capacity of 748 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by 3,110 miles of pipelines, consisting of active distribution mains, transmission mains, well collector and hydrant legs, and are situated at various locations east and west of the service area to provide multiple sources of supply to customers and for operating economies. The Water System takes advantage of the unique topography of the Water Authority’s service area, which allows ground level storage while simultaneously providing system pressure by gravity. Control of the Water System is provided by remote telemetry units distributed throughout the Water System for control from a central control facility.

On September 3, 2025, the New Mexico Environment Department issued an Administrative Order to the Water Authority following a hazardous waste Compliance Evaluation Inspection conducted on December 6, 2024, at the San Juan-Chama Surface Water Plant and Customer Service Operations sites. All required corrective actions have been completed. A penalty of \$25,695 was assessed and paid by the Water Authority on September 15, 2025.

Water Supply

Existing Water Resources

On September 4, 2003, the New Mexico Office of the State Engineer granted the 1993 application of the City’s Water Utility Department (the “Utility”) to appropriate groundwater in the Middle Rio Grande Administrative Area. This water rights permit allows the withdrawal of groundwater from the aquifer in the amount of up to 155,000 acre-feet per annum as follows:

<u>Years</u>	<u>Annual Diversion Limit (acre-feet)</u>
2016 thru 2029	142,900
2030 and thereafter	155,000

The previous groundwater permit limited the Water Authority’s pumping to 132,100 acre-feet per year. The permit is governed by the Middle Rio Grande Administrative Area Guidelines for Review of Water Rights Applications adopted by the State Engineer in 2000.

The Water Authority also holds groundwater diversion permit RG-4462 with 14 groundwater wells permitted and eight (8) wells drilled in the Corrales trunk with a maximum diversion limit of 10,000 acre-feet per year. The permit and wells were acquired when the Water Authority acquired New Mexico Utilities, Inc. in 2009.

The average annual groundwater withdrawal for the five (5) years ending in Calendar Year 2025 was 59,333 acre-feet with a maximum withdrawal of 69,282 acre-feet occurring in Calendar Year 2021. Additionally, the Water Authority has the right to use consumptively 74,622.2 acre-feet of surface water per year, which includes imported Colorado River water received pursuant to a contract with the Secretary of the Interior for 48,200 acre-feet per year from the San Juan-Chama Drinking Water Project, pre-1907 water rights of 4,916.7 acre-feet, vested water rights of 17,875 acre-feet from the New Mexico State Engineer's Rio Grande Basin declaration in 1956, and other native water rights. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, the Water Authority also has approximately 137,609 acre-feet of San Juan-Chama water (as of December 31, 2025) from prior year deliveries stored in reservoirs located in northern/central New Mexico (Abiquiu, Heron, and Elephant Butte Reservoirs). In July 2003, the Water Authority began diversions of San Juan-Chama water under the Non-Potable Surface Water Reuse Project. The total surface water diversions for Calendar Year 2025 were 26,531 acre-feet with an average of 36,467 acre-feet over the last five (5) years.

The Water Authority believes that water received pursuant to the contract for San Juan-Chama water and the native water rights to Rio Grande Basin water will be sufficient to support, in perpetuity, a customer population of more than 1,000,000 using 135 gallons per capita per day ("GPCD") with 40% consumptive use and 60% return flow. Alternatively, these same water resources will support a customer population of 500,000 using water at the rate of 250 gallons per person per day with the same consumptive use and return flow. The current service population is approximately 659,687, and the current usage was approximately 124 GPCD (during Calendar Year 2025), down from an average of 250 GPCD when compared to the period of 1987 through 1993. The Water Authority believes this decrease can be attributed to the Water Authority's Water Conservation Program.

San Juan-Chama Drinking Water Project

Imported Colorado River water from the San Juan-Chama Drinking Water Project was purchased in 1963 and began flowing into the Rio Grande in the early 1970's. This water was intended to be directly diverted or to provide legally required offsets for the effects of pumping the aquifer on the Rio Grande. Studies in the 1990's showed that the Rio Grande is not directly connected to the aquifer and that continued sole reliance on groundwater would lead to water quality impacts and land surface subsidence. The policy to transition to direct diversion and full use of the imported Colorado River water (San Juan-Chama water) was adopted in 1997 along with seven (7) dedicated rate increases to pay for the construction and operation.

Construction of the San Juan-Chama Drinking Water Project began in August 2004 following the completion of the diversion and environmental permitting. The San Juan-Chama Drinking Water Project came on-line on December 5, 2008. The San Juan-Chama Drinking Water Project consists of a diversion dam on the Rio Grande, 18 pipeline segments, approximately 44 miles of pipeline, a raw water pump station, a raw water intake and fish passage structure designed to protect habitat on the Rio Grande and the endangered Rio Grande Silvery Minnow, and a surface water treatment plant. Construction costs for the project were approximately \$385 million with an additional \$70 million for design, construction inspection and land purchases.

The San Juan-Chama Drinking Water Project diverts San Juan-Chama water in combination with native water from the Rio Grande for purification to replace sole reliance on the aquifer. Under a permit with the New Mexico Office of the State Engineer, the native water is diverted from the Rio Grande to the surface water treatment plant where the water is purified through a state-of-the-art multi-barrier treatment system designed to remove particulate matter, sediment and bacterial and microbial contaminants. The treatment plant is capable of processing 90 million gallons of water each day. The purified drinking water is then blended with groundwater at the existing reservoirs to supplement drinking water supplies. The State Engineer's permit has many conditions that require diversion from the Rio Grande to be curtailed or stopped including a minimum flow requirement at the Central Avenue gauge. The minimum flow requirements have reduced the ability to divert San Juan-Chama water from the Drinking Water Project since the beginning

of operations due to drought. Even with the reduced diversions in the summer months, the aquifer in the Middle Rio Grande Basin has been rising since 2008. Since that time, the water table has risen as much as 55 feet in some areas of the basin and it is predicted to rise for another decade. The San Juan-Chama Drinking Water Project provides Water Authority customers with a significant additional source of drinking water.

Water Supply Plan

Prior to 1997, the water supply plan for the Water Authority's service area, which was based on technical knowledge of the surface and groundwater systems at the time, could be summarized as follows: the City would pump groundwater to meet water system demands; groundwater pumping would cause additional seepage (induced recharge) from the river, and the City would provide surface water to offset river depletion by return wastewater flow, native water rights and imported water obtained under contract with the Secretary of Interior from the San Juan-Chama Diversion Project. Technical investigations by the New Mexico Bureau of Mines and Mineral Resources, the U.S. Geological Survey and the Bureau of Reclamation concluded that the Water Authority's wastewater return flows were sufficient to offset the annual seepage from the Rio Grande associated with the Water Authority's groundwater pumping.

In 1997, the City Council adopted the Water Resource Management Strategy ("1997 WRMS") as the City's water supply plan. The 1997 WRMS was the culmination of years of planning and technical investigations, cooperation with federal, state and local agencies and public involvement and education. The 1997 WRMS: (1) calls for the City (or the Water Authority as successor) to more fully utilize its renewable water resources in order to reduce reliance on groundwater to serve customers; (2) provides for limited reuse of industrial and municipal effluent to irrigate large turf areas; (3) provides for the development of a groundwater drought reserve, which was recommended by resource economists in a report commissioned to provide for the Water Authority's anticipated year 2060 water demands; (4) includes recommended implementation and financing plans; and (5) recommends pursuit of regional solutions and several specific additional sources of water for the future. The total estimated capital and initial operating costs of the 1997 WRMS was \$425.2 million (including \$10.8 million for costs of site selection and acquisition, \$385 million for the drinking water supply project, and \$29.4 million for three (3) reclamation and reuse projects).

In 2007, the Water Authority adopted a new WRMS as its water supply plan (the "2007 WRMS"). The 2007 WRMS is a combination of existing policies from the original 1997 WRMS with several new policies that were developed in cooperation with federal, state, and local agencies and significant public involvement and education. The 2007 WRMS outlines 13 policies including continued support for the San Juan-Chama Drinking Water Project and the remaining reuse and reclamation projects.

The four (4) specific projects identified in the 1997 WRMS have been implemented. The Water Authority received a permit from the Office of the State Engineer for diverting and consuming San Juan-Chama water in the amount of 96,200 acre-feet per year on July 8, 2004. The final revised Order and Permit (SP-4830) for the San Juan-Chama Drinking Water Project was received in December 2014, which completed the legal process. The Water Authority received a Record of Decision on the National Environmental Policy Act process on June 1, 2004 and an approved Biological Opinion from the Fish and Wildlife Service in February 2004. The Biological Opinion concluded that the effects of the San Juan-Chama Drinking Water Project will not jeopardize the continued existence of the Rio Grande Silvery Minnow and will not adversely affect critical habitat.

With respect to the three (3) water reclamation and reuse projects identified in the 1997 WRMS, the Industrial Recycling Project has been completed and operational since approximately August 2000. The North I-25 Non-Potable Surface Water Project began full operations in January 2004. Together these two (2) projects provide approximately 2,600 acre-feet of water each year for irrigation use in the Northeast Heights area of the City. The Southside Municipal Effluent Polishing and Reuse Project utilizes

approximately 1,000 acre-feet per year of treated wastewater effluent for irrigation and industrial use in the Southeast Heights and South Valley areas of the City. The completion and operation of the Southside Reuse Project completes the four (4) projects as called for in the original 1997 WRMS and updated 2007 WRMS to provide a safe and sustainable water supply to 2060 (which is as far as the 1997 WRMS projected).

As a result of the implementation of the 2007 WRMS, the aquifer has been rising throughout the Middle Rio Grande. Although the region has experienced numerous droughts, the water supply is increasing in the City's area as a result of the Water Authority's transition to surface water (San Juan-Chama Drinking Water Project), reuse and significant water conservation efforts. Over the last 20 years, the Water Authority has saved approximately 1,000,000 acre-feet of groundwater through conservation and conjunctive-use of its resource portfolio.

Following the past successful water planning work in 1997 and 2007, in September 2016 the Board adopted Water 2120. Water 2120 is a long-range water supply plan that provides policy directives to meet water supply gaps for a range of potential future demands over the next 100 years. Water 2120 also reflects updates in the scientific literature on climate modeling enhancing the Water Authority's understanding of the new water resources to manage. The document consists of 13 policies and more than 60 sub-policies to guide implementation of the plan including programs and projects needed to provide a safe, sustainable and resilient water supply for the next 100 years.

The plan focuses on full utilization of the water rights and resources already owned by the Water Authority. The overall approach to Water 2120 was to simulate a number of scenarios of supply and demand over the next 100 years, with current supplies and rights, and to quantify key results. To fill the gaps in supply, numerous potential water supply alternatives were examined, and simulations were run. One of the key policies in the new water supply plan was to implement a groundwater management strategy that protects a large quantity of the aquifer for future generations. A management level was established such that new supplies would be implemented over time to reduce long-term aquifer drawdown and allow future generations the opportunity to utilize that savings account.

In addition to the groundwater management plan, the new 100 year plan focuses on utilizing the existing rights owned by the Water Authority with additional water conservation. Additional water reuse and storage provide flexibility for the future along with increased ASR (defined below). Watershed restoration and management are also part of the new plan to ensure the Water Authority is taking the necessary steps to protect the environment from potentially devastating fires and watershed damage.

Aquifer Storage and Recovery

Aquifer storage and recovery ("ASR") is a means of storing excess water in the aquifer to reduce evaporation and provide a groundwater drought reserve when surface water supplies are not available. ASR is another water resources management tool that the Water Authority is implementing to ensure a safe and sustainable water supply. The Water Authority initiated the first land application project, called the Bear Canyon ASR Project, in 2009. In November 2014, the Water Authority received the full-scale permit for the Bear Canyon ASR Project and began regular operations. The current recoverable volume at the Bear Canyon ASR Project is 2,959 acre-feet. The full-scale permit allows for up to 3,000 acre-feet of recharge per year with a maximum of 10,000 acre-feet.

The Water Authority received a permit from the New Mexico Office of the State Engineer for the large-scale ASR project capable of injecting approximately 5,000 acre-feet a year into the aquifer which will provide for additional storage that will assist in further expanding the drought supply for the Water Authority. Construction was completed on the large-scale ASR in March 2019, and injection went on-line in January 2020. The large-scale ASR currently has a recoverable volume of 5,010 acre-feet. Additional ASR projects are called for in the new 100-year plan that would include both infiltration and direct injection.

The Water Authority is in the process of expanding its current ASR program through the addition of three (3) direct injection and recovery ASR wells through two (2) projects: (i) Expansion of the existing San Juan-Chama Drinking Water Large-Scale Recharge project, by adding two (2) new ASR wells; and (ii) Arroyo del Oso Golf Course project, by building all new piping and a new ASR well. These projects will construct and equip wells using similar well designs to ASR-01 at the San Juan-Chama Drinking Water Large-Scale Recharge project and will recharge treated San Juan-Chama surface water. The addition of the three (3) wells is anticipated to increase the annual recharge volume by 5,250 acre-feet per year; the actual volume will be based on final design and construction of the wells. Funding for the new wells consists of a combination of New Mexico Water Trust Board funding, WaterSMART grants, federal appropriations, and capital outlays.

South Valley Drinking Water Project

Construction of the South Valley Drinking Water Project is being completed in phases and is managed by the Bernalillo County Public Works Department. The Water Authority is the significant financial sponsor of the project. The project will construct water system infrastructure in the Southwest Valley of the County and allow the residents to connect to the System and end their use of wells. The project will provide water service to approximately 3,200 developed parcels in the Southwest Valley. Phase 1, consisting of a major transmission line, was completed in August 2007. The Water Authority contributed \$9 million of the \$14 million cost. Phases 2 and 2A consist of a water distribution system to 1,240 households in the area and were completed in May 2008 with a cost of approximately \$8.5 million with the Water Authority's share at \$7.5 million. Phase 3, consisting of the Pajarito Reservoir and transmission line, was completed in December 2009, and Phase 4, consisting of the Pajarito Pump Station, was completed in May 2011, with the Water Authority committing \$8.4 million. The Water Authority and County recently partnered to complete Phases 7A, 7B, and 7C of the water line project in the Los Padillas area, also known as the Los Padillas Water Project. The Water Authority contributed \$250,000 in addition to the labor and equipment to install the water lines. The County contributed \$1.7 million toward the project. The Water Authority expended an additional \$2.575 million for installation of transmission/distribution piping on Coors Blvd. as an additional component to the Los Padillas Water Project. Construction of this project was completed in March 2022, and such piping connected the distribution systems that were installed in Phases 2, 5, and 6, and will provide waterline connections for the future identified Phases 8 and 9. For Phases 8 and 9 of the South Valley Drinking Water Project, the County has provided \$8 million of Rescue Act (defined below) funds to the Water Authority for planning, design, and a portion of construction. See "FINANCIAL INFORMATION – Financial Management – *Other Projects*" for a description of the Rescue Act and other Rescue Act funding provided by the County to the Water Authority.

Currently, the Water Authority and its engineering consultant are actively engaged in planning and design work for Phases 8 and 9, which will include a preliminary engineering report, and a final design package for Phases 8A, 8B, 8C, and 8D. The Water Authority completed construction of Phases 8A and 8B.1 in December 2025 using the County's \$8 million of Rescue Act funds. Final design packages for Phases 8B.2, 8C, and 8D are currently underway. However, bid dates for Phases 8B.2, 8C and 8D have not been determined as the funding for such phases has not been identified.

Arsenic Standard Applicable to Water Supply

The U.S. Environmental Protection Agency (the "EPA") promulgated regulations in 2001 reducing the allowable amount of arsenic in municipal drinking water from 50 parts per billion to 10 parts per billion. When the EPA adopted the standard, Congress allowed large water systems the opportunity to apply for a maximum three-year exemption, which the Water Authority applied for and was granted.

Two (2) projects were instituted to comply with the arsenic standard. The first and most important is the San Juan-Chama Drinking Water Project, which utilizes a treatment process that removes arsenic.

The second project is the College Arsenic Treatment Plant, which treats high arsenic well water from the Gonzales to College Well Collector Line project.

The Water Authority continues to be in compliance with EPA's arsenic regulations but because of diversion limitations placed by the State Engineer on the San Juan-Chama Drinking Water Project, additional arsenic removal treatment systems to remove arsenic from the Water Authority's existing facilities or other production facilities with lower arsenic water may be needed to meet demand in the future.

The Water Authority is currently developing a Technical Memorandum that includes a long-term strategy for utilizing existing wells that are currently out of service within the System due to high arsenic levels and to identify priority arsenic treatment plant projects for design and construction. The Water Authority is currently finalizing construction of a new 17 MGD arsenic treatment plant to restore operation of five high arsenic wells; this new treatment plant is scheduled to start operating in late spring of 2026. The Water Authority is also advancing with construction of a second 4.3 MGD arsenic treatment plant to restore operation of an additional high arsenic well, with construction completion scheduled for calendar year 2028. The Water Authority is also completing the design phase of two new aquifer storage recovery wells to inject up to 5 MGD of highly treated potable surface water into the aquifer with the goal of storing additional groundwater for use during drought periods.

Water Conservation Program

In an effort to extend the lifetime of the Water Authority's water resources, the City initiated a water conservation program in 1995. The City adopted a goal of 30% reduction from baseline period water use to be attained by 2005. The City utilized Calendar Years 1987 through 1993 as the baseline period, with gross community per capita water use at an average of 250 gallons per day. Gross community water use needed to be reduced to 175 GPCD to achieve the 30% conservation savings goal. At the end of 2005, Water Authority customers had reduced their per capita use by 33% compared with use during the established baseline period.

In 2004, the Water Authority adopted a water conservation goal of 10% reduction in addition to the 30% reduction goal established in 1995 to be implemented in 2005 with reduction rates of 1% per year until 2014 to achieve a usage of 150 GPCD. This goal was achieved three (3) years early in 2011.

In 2013, the Water Authority adopted an additional reduction goal to reduce per capita usage from 150 GPCD to 135 GPCD over the next ten (10) years. A program was established to accomplish the goal following significant public input and meetings with the Board. The elements consisted of increased public education, "test your toilet month," new rebate programs, and revisions to the xeriscape program. As part of Water 2120, the Water Authority adopted a new conservation goal of 110 GPCD by 2037. In March 2018, an updated water conservation plan was adopted which revises the rebate programs and places greater emphasis on outdoor efficiency in order to achieve the new goal.

Elements of the current long-term water conservation strategy will stay in place including public education and marketing efforts, converting high water use landscaping with xeriscaping, replacing high water use washing machines with low use models, installing rainwater harvesting equipment, rain sensors, and more efficient sprinkler system heads. Free irrigation audits are available to all customers. The Water Authority has developed water management software to assist large water users such as Albuquerque Public Schools, the City, and the County in tracking and reducing water usage. Finally, the Water Authority has established water budgets for over 1,300 large turf customers.

In 2022, the Water Authority and over 30 other water agencies in the Colorado River basin committed to reducing their demand through conservation efforts. Among the actions identified to make these reductions is a commitment to reduce the quantity of non-functional turfgrass by 30% through

replacement with drought and climate resilient landscaping, while maintaining vital urban landscapes and tree canopies.

The Water Conservation Program has achieved significant reductions in water use since 1995 and is recognized as one of the most successful water conservation programs in the United States. In 2025, usage was 124 GPCD. As a result of the water conservation program, the Authority has increased rates to maintain revenue levels. The Authority has previously approved 5% System rate increases for Fiscal Years 2013, 2014, 2015, 2016 and 2018, to help address System revenues lost due to conservation. There was no rate increase in Fiscal Years 2019, 2020, 2021 and 2022. On May 18, 2022, the Board approved a 5% System rate increase for Fiscal Year 2023 and a 12% rate increase was approved for Fiscal Year 2025 and became effective July 1, 2024. There was no rate revenue adjustment for fiscal year 2026. The Water Authority will prepare a cost-of-service study in Fall 2026 to look at the future needs of the system. The current Finance Plan forecasts rate increases in Fiscal Years 2029 (8.75%), 2031 (8.00%), 2033 (4.00%), and 2035 (4.00%). See “FINANCIAL INFORMATION – Rates and Charges of the System.”

Surface and Groundwater Protection Plan

The Water Authority’s Rivers and Aquifers Protection Plan (“RAPP”) was adopted by the Water Authority governing board in 2018. The goals of the RAPP are to prevent any additional groundwater contamination in the County, to facilitate clean-up of existing contamination, and to promote the coordinated protection and prudent use of groundwater. Additionally, the RAPP includes surface water quality protection measures for the Water Authority’s use of its San Juan-Chama Drinking Water Project water. The Water Authority, City, and County have jointly established a Water Protection Advisory Board (“WPAB”) to address both surface water and groundwater quality protection. Additionally, the WPAB studies and advises the Water Authority, City, and County on surface and groundwater protection concerns, including policies necessary to enhance protection of surface and groundwater quality including promoting consistency among the governmental entities in pursuing these goals.

Kirtland Air Force Base Fuel Spill

In 1999, the United States Air Force discovered an underground fuel leak around its bulk fuel storage facility at Kirtland Air Force Base (the “KAFB”) in the Southeast portion of the City. The Air Force, in conjunction with the New Mexico Environment Department (“NMED”) and the City, immediately began to investigate the scope of the leak and to take the necessary regulatory steps. The Air Force installed a soil vapor remediation system which began extracting fuel vapor from the soil in 2003 and was operational until 2014. Beginning in 2015, the Air Force started groundwater remediation with a pump and treat system that currently utilizes four (4) extraction wells located inside the contamination plume. Other intermediate remediation efforts, including bioventing and 1,2-dibromoethane bioremediation, have been disapproved by NMED and discontinued. The groundwater pump and treat is currently the only operational remediation at the site. The Air Force conducts staggered sampling of the total 174 wells in the groundwater monitoring network with 71 wells sampled in Q1 and Q3 and 167 wells sampled in Q2 and Q4 each year. The 302 soil vapor monitoring points are sampled on a semi-annual frequency. The Water Authority’s groundwater supply wells remain safe and have not experienced contamination. The project remains in the site characterization phase with a Phase I RCRA Facility Investigation (RFI) Report submitted in 2018 and the Phase II RFI Report submitted in 2025. The Phase II RFI Report is currently in review by NMED with a request for additional information sent, via email, to the Air Force in December 2025. NMED approval of these reports is necessary to proceed into the Corrective Measures Evaluation (CME) phase where a final remedy will be selected, and the site can proceed with cleanup. The Water Authority continues to advocate for rapid cleanup of the contamination, providing technical reviews of project documents, and requesting that the Air Force resume technical working group meetings. In 2022, the Water Authority drilled, installed, and began sampling the data gap groundwater monitoring well. It received capital outlay funding in 2021.

The monitoring well was installed at the northern extent of the contamination and was first identified as critical to the characterization of contamination in groundwater during the Water Authority’s review of the 2018 Phase 1 RFI Report. The Water Authority conducts quarterly water quality monitoring at the monitoring well to ensure protection of nearby supply wells. Additionally, the Water Authority participated in all public meetings, stakeholder meetings, and initiated a tour of the project with the Board Chair and the Air Force. The Water Authority has worked with local, State, and federal elected officials to ensure progress towards cleanup of the site. NMED has also increased its oversight of the Air Force remediation. Additionally, in accordance with the recommendation of the Ater Protection Advisory Board, the Water Authority has been working with elected officials to renew a contingency plan agreement between the Water Authority and the Air Force for the installation of a replacement supply well, in the event that there is an impact to a Water Authority supply well. For additional information concerning the KAFB Bulk Fuels Facility jet fuel leak remediation project, please see <https://www.kirtland.af.mil/Home/Environment/Bulk-Fuels-Facility/>. *Neither the information on (nor accessed through) such website of KAFB is incorporated herein by reference, either expressly or by implication, and the Water Authority does not assume any responsibility for the accuracy of the information on such website.*

Drought Relief Measures

The Water Authority adopted the City’s Drought Management Strategy when the Water Authority was created in 2004. The Drought Management Strategy was updated and approved over the years by the Board, most recently in 2023. The purpose of a Drought Management Strategy is to make the best use of available public water supplies while proactively managing demand to align with Water 2120 and associated conservation goals during periods of prolonged drought. In April 2023, the Drought Management Strategy was renamed “Water Resources Drought Management Plan.” All elements of the plan remained the same and such plan identifies four (4) levels of drought as follows: drought advisory, drought watch, drought warning and drought emergency, and provides various educational steps and voluntary and mandatory conservation measures to reduce water usage during each of these drought levels. These triggers are monitored to track supply expectations from snowpack conditions and respond to customer demand under hot and dry weather.

Water Usage

The System’s water component serves consumers inside and outside of the City limits. The consumers served outside the City limits constitute approximately 10.5% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths with yields ranging from approximately 500 gallons per minute to more than 3,700 gallons per minute. During Calendar Years 2021-2025, the Water System supplied the following water volumes to customers within the service area including contributions from both surface water and groundwater supplies:

WATER USAGE⁽¹⁾

2021-2025

<u>Calendar Year</u>	<u>Gallons Produced (in 000s)</u>	<u>Gallons Billed (in 000s)</u>	<u>Percentage Billed</u>
2021	30,460,000	27,967,068	91.82%
2022	29,352,000	26,768,692	91.20
2023	29,950,000	27,897,712	93.55
2024	28,772,000	27,392,067	95.20
2025	28,800,000	27,470,844	95.38

⁽¹⁾ There is a difference between gallons produced and gallons billed. Gallons which are produced but not billed include certain accounts billed on the basis of estimated usage, amounts lost due to line leakage and breakage, and fire protection usage which is not metered. These variables fluctuate from year to year and impact the percentage billed. The fire protection usage is not metered but is built into the rate covenant for the System and is not considered a free use. In addition, the above usage figures do not account for reuse of non-potable water for reuse as part of the Southside Water Reuse Project.

Source: Water Authority.

The top ten (10) water customers of the System are:

WATER SYSTEM TOP TEN CUSTOMERS⁽¹⁾
Fiscal Year 2025

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected Revenue</u>	<u>% of Total Revenue</u>
City of Albuquerque	2,713,631	\$10,252,637	6.07%
Albuquerque Public Schools	549,365	3,016,055	1.78%
University of New Mexico	254,203	1,396,067	0.83%
Bernalillo County	171,083	758,361	0.42%
Kirtland Air Force Base	113,303	711,325	0.42%
Sumitomo	130,145	356,657	0.21%
Lovelace Health	97,756	344,020	0.20%
Central NM Community College	64,346	319,249	0.19%
ABCWUA	46,094	290,190	0.17%
Albuquerque Academy	110,587	282,537	0.17%
Total	4,250,513	\$17,727,098	10.49%
Total Revenue for Water System		\$168,975,232	

⁽¹⁾ Includes non-potable water customers. Amounts may not foot due to rounding.
Source: Water Authority.

Wastewater Plant and Collection System

The System’s wastewater component consists of small diameter collector sewers, sewage lift stations, and large diameter interceptor sewers conveying wastewater flows by gravity to the Southside Water Reclamation Plant (the “SWRP”). The wastewater treatment plant provides preliminary screening, grit removal, primary clarification and sludge removal, advanced secondary treatment including ammonia and nitrogen removal, final clarification, and effluent disinfection using ultraviolet light prior to discharge to the Rio Grande.

Treatment plant capacity is based upon 76 MGD hydraulic capacity. Existing flows at the plant have averaged 47.3 MGD over the past five (5) years, but these figures do not reflect the amount of non-potable water being reused for irrigation and industrial use at the SWRP. The Water Authority has an operational industrial pretreatment program approved by the EPA. The EPA recognized that the Water Authority’s pollution prevention efforts have been largely responsible for the Water Authority maintaining compliance with strict standards contained in National Pollutant Discharge Elimination System (“NPDES”) Permit #NM0022250, with the most recent renewal of such permit effective February 1, 2026 (as renewed, the “NPDES Permit”). The Water Authority’s wastewater effluent discharge consistently meets all requirements contained in the NPDES Permit except for a new limit for Total Dissolved Solids (“TDS”). In January 2026, the Water Authority filed a Notice of Appeal and a motion seeking an extension of time to file its brief related to the TDS limitations in the NPDES Permit, which took effect February 1, 2026. The Water Authority is only contesting the TDS limitations and no other permit conditions. The Water Authority filed its brief related to the appeal with the Environmental Appeals Board of the Environmental Protection Agency on February 23, 2026 and is waiting for EPA’s response.

The Water Authority received an Administrative Order (an “AO”) from the EPA for violations of the NPDES Permit associated with sanitary sewer overflows, laboratory reporting issues, and plant violations from 2001 to 2010. The Water Authority received two (2) additional AOs for an overflow which occurred on February 27, 2015 as a result of a major power failure. The first 2015 AO required that the Water Authority implement electrical and other improvements to prevent another power failure and the potential for another spill. All of that work was completed in 2015 and a project completion report was filed with the EPA. The second 2015 AO included adoption of the Corrective Action Plan items that were completed, and a project completion report was submitted to the EPA in June 2018. On September 26, 2024, the US Environmental Protection Agency (EPA) issued a Consent Agreement and Final Order to the Water Authority in response to an Administrative Complaint. As a result of this order, the Water Authority paid a civil penalty of \$72,600 to the EPA on October 22, 2024. Since January 2003, the wastewater treatment plant has had a 6.6 mega-watt cogeneration facility to provide most of its power needs. The cogeneration facilities are complemented by a 1 mega-watt ground mounted solar energy array and a 6.3 mega-watt covered parking mounted solar energy array. These on-site power generating facilities normally supply 100% of the wastewater treatment plant’s present electrical needs, along with providing heating for various buildings and sludge digesters. The engines are fueled by methane produced in the digesters and by natural gas purchased through a contract carrier. The SWRP currently generates electricity from the biogas produced in the digesters.

The Water Authority currently manages wastewater sludge using two (2) methods: surface disposal and production of compost. The Water Authority sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated surface disposal site is used when seasonal market conditions are not favorable for sale of compost product. During Fiscal Year 2025, 23% of all sludge produced at the treatment plant was beneficially recycled into compost and sold. The Water Authority’s Compliance Division operates a water quality laboratory, providing analytical support for process control and regulatory compliance for wastewater, drinking water, groundwater, storm water, surface water, the zoological park, residuals management and environmental health programs. The laboratory is internationally accredited under International Standards Organization Standard 17025 for inorganic chemistry and microbiology testing. The entire laboratory is also accredited by the American Association for Laboratory Accreditation. The Water Authority reduces expenses by analyzing a majority of the bacteriological samples at the Water Authority’s internal water quality lab.

The following table sets forth the quantity of wastewater treated and customers served through the Wastewater System for Calendar Years 2021-2025:

**TREATED WASTEWATER
Calendar Years 2021-2025**

<u>Calendar Year</u>	<u>Gallons Treated (in 000s)</u>	<u>Average # of Customers</u>
2021	17,728,286	203,015
2022	16,618,000	203,951
2023	16,951,110	204,248
2024	17,203,900	204,959
2025	17,330,000	203,896

Source: Water Authority.

The top ten (10) wastewater customers of the System are:

WASTEWATER SYSTEM TOP TEN CUSTOMERS⁽¹⁾

Fiscal Year 2025

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected Revenue</u>	<u>% of Total Revenue</u>
Intel Corporation	—	\$3,279,117	3.43%
Kirtland Air Force Base	743,025	1,706,476	1.78%
University of New Mexico	913,556	1,358,469	1.42%
City of Albuquerque	167,461	951,505	0.99%
Albuquerque Public Schools	107,766	944,371	0.99%
Creamland Dairies	53,981	694,366	0.73%
Sumitomo	—	327,977	0.34%
General Mills	—	259,867	0.27%
Lovelace Health	72,298	252,012	0.26%
Bernalillo County	25,496	159,406	0.17%
Total	<u>2,083,583</u>	<u>\$9,933,566</u>	<u>10.39%</u>
Total Revenue Wastewater System		\$95,629,641	

⁽¹⁾ Amounts may not foot due to rounding.

Source: Water Authority.

Management of the System

Water Authority management is responsible for day-to-day operations of the System, policy, System expansion, budget, rates, personnel reorganizations, unbudgeted intra-year positions, negotiation or renegotiation of labor contracts and litigation relating to the System. The individuals described in the following paragraphs are the present management for the Water Authority.

Mark Sanchez, Executive Director. Mr. Sanchez has been the Executive Director of the Water Authority since its inception in 2004 and was formerly the Director of Council Services for the Albuquerque City Council. Mr. Sanchez holds a master’s degree in business administration from New Mexico Highlands University and a master’s degree in public administration from the University of New Mexico. He is a graduate of the Harvard JFK School of Government Program for Senior Executives in State and Local Government. Mr. Sanchez has held executive-level positions in government, private sector and the non-profit sector in the areas of water, reuse and wastewater, business and government policy, housing and community development, health, human and social services, job training and economic development. Mr. Sanchez serves as Chairman of the New Mexico Interstate Stream Commission, Past-President of the National Association of Clean Water Agencies. He has been very active at the local, State and national levels on water, reuse and wastewater utility issues.

Chris Melendrez, General Counsel. Mr. Melendrez has served as General Counsel since June 2023. He holds a B.S. with dual majors in Geography and City and Regional Planning from New Mexico State University, and a J.D. from the University of New Mexico School of Law. Mr. Melendrez has over 22 years of experience in land use and land development matters, and over 18 years of experience as a licensed attorney. He has previously served as a judicial law clerk for the New Mexico Court of Appeals and has provided representation and advisement to public entities in State and Local Government including the New Mexico State Land Office and the Albuquerque City Council.

Marta Ortiz, Chief Financial Officer. Ms. Ortiz has held the Chief Financial Officer position since July 2023. Previous roles in the Water Authority include CIP/Asset Management Program Manager and Controller. As Chief Financial Officer, Ms. Ortiz is responsible for the Financial and Business Services division including Customer Services, Finance, Budget, Accounting, Purchasing and Warehouse functions, Grants Management and Asset Management. Ms. Ortiz has over 32 years of experience in governmental finance, capital asset management, and financial reporting. Prior to joining the Water Authority, she was Acting Finance Director and Accounting Manager for the City of Rio Rancho, New Mexico for 14 years.

Ms. Ortiz received a B.S. in Business Administration with a concentration in Accounting from the University of Phoenix in Albuquerque, New Mexico.

Hobert “H” Warren, Field Division Manager. Mr. Warren has served as the Field Division manager since 2018. He obtained his Bachelor of Business Administration from the University of New Mexico. His career has spanned over 30 years in the areas of operations, compliance, collections, construction, transition planning, automated meter reading implementation, smart water, billing systems, and rate studies. Prior to employment with the Water Authority, Mr. Warren was the local operations manager for a company that owns and operates more than 130 regulated water and wastewater systems in nine (9) states.

Joel Berman, Plant Division Manager. Mr. Berman began managing the Plant Division in 2023 after joining the Water Authority as the Field-Distribution Chief Engineer in 2015. Prior to employment with the Water Authority, Mr. Berman worked in the public and private sectors in planning, designing, constructing, operating and maintaining water and wastewater systems. Mr. Berman has a B.S. in Environmental Engineering from Northern Arizona University and is a licensed professional engineer.

Cody R. Stinson, Chief Information Officer. Mr. Stinson has a B.A. from the University of New Mexico in Management of Information Systems, and a M.B.A. from the University of New Mexico in Management of Technology. Mr. Stinson also has over 28 years of Information Technology experience, including work for the New Mexico State Judiciary, and as Deputy Chief Information Officer for the County. Mr. Stinson has managed several large implementations, including the Video Arraignment Process for the Bernalillo County Metropolitan Court, and the County’s procurement and implementation of its Enterprise Resource Planning solution, which was SAP.

Andres E. Santiago, Risk Manager. Mr. Santiago is currently the Risk Manager for the Water Authority, a role he has held since 2019 following his tenure as Director of Risk Management for Bernalillo County starting in 2016. In the private sector, he gained extensive experience with corporate risk and compliance programs during his time at W. L. Gore and Associates. With over 27 years of experience in both public and private sectors, Mr. Santiago holds both a bachelor’s and a master’s degree from the University of New Mexico.

David Morris, Public Affairs Manager. Mr. Morris has been the head of communications and public relations for the Water Authority since 2007. He holds a B.A. in Journalism from the University of New Mexico and a master’s degree from the LBJ School of Public Affairs at the University of Texas at Austin. He has more than 32 years of communications experience, with stints in advertising, healthcare, and international development.

Erica L. Jaramillo, SHRM-CP, PHR, Human Resources Manager. Ms. Jaramillo has been with Water Authority Human Resources since 2011 and was promoted to Human Resources Manager in 2020. She graduated with Honors from University of Phoenix with a B.S. in Business Management. Ms. Jaramillo is also a proud graduate of Leadership Sandoval County in 2011. She has over 28 years of experience in management and human resources in both the private and public sector, specializing in employee development, mediation and labor relations.

Danielle Shuryn, Compliance Manager. Ms. Shuryn began managing the Compliance Division in 2020 after joining the Water Authority as the Water Quality Program Manager in 2019. She has a B.S. in Environmental Science from Allegheny College and a Master of Water Resources degree from the University of New Mexico. Ms. Shuryn has over 18 years of experience working at the NMED in State and Federal regulatory compliance programs that oversee statewide wastewater and drinking water systems. During her 10 years at the NMED Drinking Water Bureau, Ms. Shuryn achieved extensive experience in creating programs that promote the development of managerial, financial and technical capacity for New Mexico public water systems through educational assistance and technical support.

Mark P. Kelly, P.E., Water Resources Manager. Mr. Kelly has been the Water Resources Manager since October 2020. In this role, he oversees the Conservation, Water Rights, and Education programs to ensure sustainable and efficient water use. Prior to his current position, he was the Water Authority's Compliance Manager. Mr. Kelly has 23 years of engineering experience in water and wastewater system design, as well as landfill design. He has been with the Water Authority since 2014. He has a B.S. in Environmental Engineering from the New Mexico Institute of Mining and Technology.

David Laughlin, Engineering Division Manager. Mr. Laughlin began managing the Engineering Division in 2023. Mr. Laughlin joined the Water Authority as a Principal Engineer in 2016, served as Chief Engineer beginning in 2020 and has served as Division Manager since 2023. Prior to employment with the Water Authority, Mr. Laughlin worked in the private sector in both consultant and contractor roles, focusing primarily on the design, construction, operation, and maintenance of water, wastewater, and groundwater remediation systems. Mr. Laughlin has a B.S. in Civil Engineering and a M.S. in Environmental Engineering from New Mexico State University and is a licensed professional engineer in Oregon and New Mexico.

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FINANCIAL INFORMATION

Statement of Net Position

The following table is the historical statement of net position for the System for Fiscal Years ended June 30, 2021-2025.

	<u>2025</u>	<u>2024⁽¹⁾</u>	<u>2023</u>	<u>2022⁽²⁾</u>	<u>2021</u>
ASSETS					
Current Assets					
Cash and investments	\$181,552,668	\$160,145,692	\$164,164,691	\$179,464,851	\$154,903,452
Accounts and leases receivable	25,080,668	19,305,099	22,953,490	23,964,523	20,507,045
Due from other governments	23,785,474	5,749,883	2,737,938	6,726,082	1,488,611
Prepaid assets	2,047,395	1,667,614	1,424,880	683,898	462,303
Notes receivable	1,717,623	1,929,737	1,317,725	1,723,247	1,218,622
Total Current Assets	234,183,828	188,798,025	192,598,724	212,562,601	178,580,033
Noncurrent Assets					
Long-term receivables	7,410,341	7,424,580	4,977,223	5,540,882	5,552,923
Restricted Assets					
Cash and investments	27,982,520	79,407,639	3,255,271	52,818,145	15,457,559
Total Restricted Assets	27,982,520	79,407,639	8,232,494	58,359,027	21,010,482
Capital Assets, net of accumulated depreciation/amortization					
Buildings and other improvements	994,379,975	1,010,735,412	988,493,369	1,009,392,052	1,041,081,143
Leases	597,211	1,032,760	1,508,207	219,544	505,102
Subscription-Based IT Arrangements (SBITA)	2,533,296	1,580,952	1,814,945	2,033,504	-
Purchased water rights	49,251,368	49,251,368	49,251,368	49,251,368	49,251,368
Land	24,997,731	24,997,731	25,490,033	25,462,800	25,416,568
Machinery and equipment	11,170,716	10,390,571	11,491,040	11,010,292	13,044,015
Construction work in progress	152,049,248	91,324,904	107,233,215	58,299,962	48,902,132
Total Capital Assets	1,235,183,320	1,189,313,699	1,185,282,177	1,155,669,522	1,178,200,328
Total Noncurrent Assets	1,270,576,181	1,276,145,918	1,193,514,671	1,214,028,549	1,199,210,810
TOTAL ASSETS	1,504,760,009	1,464,943,943	1,386,113,395	1,426,591,150	1,377,790,843
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to other post-employment benefits	3,700,438	4,474,661	5,144,080	6,394,516	6,882,821
Deferred amounts related to pensions	17,786,241	17,578,105	11,079,006	5,019,966	20,480,718
Deferred amounts on refunding	2,986,886	4,343,738	7,461,121	10,578,504	13,695,887
Total deferred outflows of resources	24,473,565	26,396,504	23,684,207	21,992,986	41,059,426
LIABILITIES					
Current Liabilities					
Accounts payable	50,131,593	34,300,579	25,949,678	21,528,999	14,392,083
Accrued payroll	-	-	4,173,583	3,553,590	2,408,685
Claims payable, current portion	1,112,019	1,251,931	1,254,774	1,719,711	1,708,055
Accrued compensated absences	5,286,810	4,185,913	3,935,865	4,035,189	3,339,179
Deposits	1,332,315	1,205,545	1,099,257	1,020,390	941,470
Lease	343,709	391,360	461,237	167,639	449,265
SBITA	749,082	380,976	770,513	640,963	-
Current portion debt obligation bonds	64,990,000	67,110,000	66,050,000	63,495,000	56,725,000
Loan agreements/lines of credit	721,545	777,657	858,701	780,280	594,441
Water rights contract	-	-	-	1,359,809	1,319,619
Accrued interest for SBITA	-	-	34,966	39,748	-
Accrued interest for debt obligations	10,330,485	-	10,504,642	11,989,511	11,879,342
Total Current Liabilities	134,997,558	109,603,961	115,093,216	110,330,829	93,757,139
Noncurrent Liabilities					
Debt obligations					□
Bonds net premium/discounts	347,097,536	419,392,720	487,232,126	562,886,873	550,216,161
Loan agreements/line of credit	122,756,272	121,630,376	9,432,200	9,732,008	7,970,873
Water rights contract	-	-	-	-	1,359,809
Total Debt Obligations	469,853,808	541,023,096	496,664,326	572,618,881	559,546,843
Other Noncurrent Liabilities					
Claims payable, net of current portion	2,686,897	2,934,244	2,974,875	3,061,967	3,097,210
Lease liability, net of current portion	508,516	691,768	1,087,624	72,539	109,476
SBITA liability, net of current portion	787,425	334,225	255,748	575,537	-
Net pension liability	78,207,747	77,093,018	64,975,550	41,794,768	74,155,075
Net post-employment benefit obligation liability	10,973,399	12,308,989	16,468,970	24,278,782	30,393,823
Accrued compensated absences	2,597,328	2,198,603	1,690,572	1,094,118	1,479,230
Total Other Noncurrent Liabilities	95,761,838	95,560,847	87,453,339	70,877,711	109,234,814
Total Noncurrent Liabilities	565,615,120	636,583,943	584,117,665	643,496,592	668,781,657
TOTAL LIABILITIES	700,612,678	746,187,904	699,210,881	753,827,421	762,538,796
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to leases	406,103	497,446	391,958	433,068	610,045
Deferred amounts related to other post-employment benefits	11,950,065	15,589,328	17,054,263	15,558,882	13,880,527
Deferred amounts related to pensions	5,136,012	1,518,488	2,257,795	17,723,870	661,834
NET POSITION					
Net investment in capital assets	728,198,640	662,355,993	629,850,422	579,355,522	589,167,871
Unrestricted	82,930,075	65,191,287	61,032,283	81,685,373	51,991,196
TOTAL NET POSITION	\$811,128,715	\$727,547,280	\$690,882,705	\$661,040,895	\$641,159,067

(1) Fiscal Year 2024 results were restated to reflect the implementation of GASB Statement No. 101 related to compensated absences, which decreased the net position as of June 30, 2023 by approximately \$779,133. Such restatement had the effect of increasing Net Revenues of the System and debt service coverage for System obligations for Fiscal Year 2024.

(2) Fiscal Year 2022 results were restated to reflect the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements in Fiscal Year 2023, which decreased the net position as of June 30, 2022 by approximately \$777,256. Such restatement had no effect on Net Revenues of the System or debt service coverage for System obligations for Fiscal Year 2022.

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2021-2025.

The following table shows the historical revenues and expenditures for the System for Fiscal Years ended June 30, 2021-2025:

Revenues and Expenditures

	<u>2025</u>	<u>2024</u> ⁽¹⁾	<u>2023</u>	<u>2022</u> ⁽²⁾	<u>2021</u>
Operating Revenues					
Charges for services	\$278,568,560	\$256,538,522	\$230,979,477	\$224,194,834	\$225,663,414
Operating Expenses					
General and administrative	79,102,023	75,088,364	75,088,364	61,872,732	61,977,062
Source of supply, pumping, treating, distribution	63,731,710	63,881,373	63,089,220	54,988,517	50,881,255
Non-capitalized major repair	27,244,990	15,209,393	18,679,578	17,184,915	21,576,088
Amortization	1,485,479	1,891,737	1,654,887	453,147	493,756
Depreciation	87,471,756	82,914,349	85,222,816	86,136,347	86,167,169
Total Expenses	259,035,958	238,985,216	237,716,533	220,635,658	221,095,330
Operating Income/Loss	19,532,602	17,553,306	(6,737,056)	3,559,176	4,568,084
Noncapital Subsidies					
Intergovernmental revenue	7,734,516	884,133	-	-	-
Non-operating revenues (expenses)					
Interest on investments	8,948,084	9,259,659	5,355,541	647,128	622,445
Interest expense	(16,501,189)	(18,260,649)	(16,453,023)	(17,351,811)	(17,193,522)
Gain (loss) on disposal of assets	(1,359,371)	389,940	-	-	-
Utility expansion charges	-	-	6,399,829	8,421,390	9,060,038
Water Resource Charges	-	-	859,781	1,873,759	1,612,875
Debt issuance costs	(222,616)	(348,842)	(51,456)	(667,711)	(340,821)
Lease of stored water	-	-	523,200	200,177	809,838
Other revenues	-	-	4,245,893	1,152,842	2,225,007
Capital contributions ⁽³⁾	65,449,409	27,966,161	-	-	-
Total non-operating income	56,314,317	19,006,269	879,765	(5,724,226)	(3,204,140)
Income (loss) before contributions	-	-	(5,857,292)	(2,165,050)	1,363,944
Capital contributions ⁽³⁾	-	-	35,699,102	21,269,622	6,337,542
Change in Net Position	83,581,435	37,443,707	29,841,810	19,104,572	7,701,486
Net Position July 1	727,547,280	690,882,705	661,040,895	641,936,323	633,457,581
Restatement	-	(779,133)	-	(777,256)	-
Net Position June 30	\$811,128,715	\$727,547,280	\$690,882,705	\$661,040,895	\$641,159,067

- (1) Fiscal Year 2024 results were restated to reflect the implementation of GASB Statement No. 101 related to compensated absences, which decreased the net position as of June 30, 2023 by approximately \$779,133. Such restatement had the effect of increasing Net Revenues of the System and debt service coverage for System obligations for Fiscal Year 2024.
- (2) Fiscal Year 2022 results were restated to reflect the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements in Fiscal Year 2023, which decreased the net position as of June 30, 2022 by approximately \$777,256. Such restatement had no effect on Net Revenues of the System or debt service coverage for System obligations for Fiscal Year 2022.
- (3) The Water Authority implemented GASB Statement No. 103, Financial Reporting Model Improvements prior to the required implementation date. The statement of revenues, expenses, and changes in fund net position in the Water Authority's Annual Comprehensive Financial Reports and in this table has been revised to separately present subsidiaries and clarify operating versus nonoperating activities for Fiscal Years 2025 and 2024.

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2021-2025.

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Historical Financial Information

The following table compares revenues, expenses and net revenues available for debt service for Senior Obligations and Subordinate Obligations for the Fiscal Years ended June 30, 2021-2025.

System Debt Service Coverage Calculation Fiscal Years 2021-2025

	<u>2025</u>	<u>2024</u> ⁽¹⁾	<u>2023</u>	<u>2022</u> ⁽²⁾	<u>2021</u>
Total operating revenues	\$278,568,560	\$256,538,522	\$230,979,477	\$224,194,834	\$225,663,414
Non-operating revenues (expenses):					
Interest	8,948,084	9,259,659	5,355,541	647,128	622,445
Expansion charges	-	-	7,259,610	10,295,149	10,672,913
Other Expenses	-	-	-	-	-
Other Revenues	7,734,516	884,133	4,769,093	1,353,019	3,034,845
Total adjusted revenues	\$295,251,160	\$266,682,314	\$248,363,721	\$236,490,130	\$239,993,617
Total operating expenses	259,035,958	238,985,216	237,716,533	220,635,658	221,095,330
Less:					
Franchise fees	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Non-capitalized system obligations	(27,244,990)	(15,209,393)	(18,679,578)	(17,184,915)	(21,576,088)
OPEB Life Insurance Benefits	-	-	-	-	-
Depreciation	(87,471,756)	(82,914,349)	(85,222,816)	(86,136,347)	(86,167,169)
Amortization	(1,485,479)	(1,891,737)	(1,654,887)	(453,147)	(493,756)
Total adjusted operating expenses	\$142,833,733	\$138,969,737	\$132,159,252	\$116,861,249	\$112,858,317
Release from Rate Stabilization Fund	-	-	-	-	-
Net revenues available for debt service	\$152,417,427	\$127,712,577	\$116,204,469	\$119,628,881	\$127,135,300
Total senior debt service	\$78,358,367	\$81,460,654	\$79,271,756	\$61,704,698	\$62,276,955
Senior debt service coverage	1.95x	1.57x	1.46x	2.18x	2.06x
Subordinate debt service	9,882,132	10,209,039	10,482,799	9,804,228	10,004,234
Combined total senior and subordinate debt service	88,240,498	91,669,693	89,754,555	71,508,926	72,281,189
Combined senior and subordinate debt service coverage	1.73x	1.40x	1.29x	1.88x	1.78x

(1) Fiscal Year 2024 results were restated to reflect the implementation of GASB Statement No. 101 related to compensated absences, which decreased the net position as of June 30, 2023 by approximately \$779,133. Such restatement had the effect of increasing Net Revenues of the System and debt service coverage for System obligations for Fiscal Year 2024.

(2) Fiscal Year 2022 results were restated to reflect the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements in Fiscal Year 2023, which decreased the net position as of June 30, 2022 by approximately \$777,256. Such restatement had no effect on Net Revenues of the System or debt service coverage for System obligations for Fiscal Year 2022.

Source: Water Authority and data extracted from the Annual Comprehensive Financial Reports for Fiscal Years 2021-2025.

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Operating Revenue

The following table outlines the Water Authority’s revenue from water and wastewater charges and other operating revenue as measured in the Statement of Revenues, Expenses and Change in Net Position for Fiscal Years ended June 30, 2021-2025.

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUE

Fiscal Year	Revenue Water Charges⁽¹⁾	Revenue Wastewater Charges	Other Operating Revenue⁽²⁾	Total Operating Revenue
2020	\$147,244,774	\$76,231,345	\$2,133,000	\$225,609,119
2021	147,199,054	76,441,792	2,022,568	225,663,414
2022	145,215,374	76,845,065	2,134,395	224,194,834
2023	148,092,311	80,746,197	2,140,969	230,979,477
2024	156,874,211	82,203,200	17,461,111	256,538,522
2025	168,975,232	95,629,641	13,963,687	278,568,560

(1) Revenue from Water Charges excludes franchise fees as revenue for the Water Authority. Franchise fees are a pass-through, and therefore should not be included as revenue for the Water Authority. The Water Authority adopted GASB Statements No. 101 and 103 in 2025. As a result, the changes in Net Position for fiscal years 2024 and 2025 incorporate the corresponding updates to the Statement of Revenues, Expenses, and Changes in Net Position.

(2) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.

Source: Water Authority’s Annual Comprehensive Financial Reports for Fiscal Years 2021-2025.

Utility Expansion Charges

In order to fund expanded capacity needs of the System, all new customers are charged one-time utility expansion charges (“UECs”) for water and wastewater services. The charges are calculated by analyzing the average forecast of new customers over a five-year period, average expansion-related construction expenditures and the revenues generated by such customers. The Development Fees Act, NMSA 1978 Sections 5-8-1 through 5-8-42, as amended from time to time, authorizes the imposition of utility expansion charges and provides for a method of calculation of such charges which is consistent with historical calculations by the Water Authority and the City. Under the Development Fees Act, the Water Authority is required to prepare a capital implementation plan and to calculate a maximum impact fee under the allowed method, applicable to any impact fee imposed on or after July 1, 1995.

The current UECs have been reviewed and updated as contemplated under the Development Fees Act. The determination of water and wastewater UECs is based on the calculated unit-cost of capacity for major infrastructure elements which have been constructed, or are planned to be constructed, as part of an approved 10-year plan. When UECs are charged to new customers, the charge is apportioned to reflect the capacity that the customer is requesting, depending on the size of service. Larger sized service installations have greater use capacity needs, and thus a greater proportion of the UEC cost basis is allocated to that service size.

The Water Authority may adjust the UECs annually by the Engineering News Records (“ENR”) indexes. These cost indices are the building cost or construction cost indices (“BCI” and “CCI”) per the ENR. The ENR tracks changes in building and construction costs (the difference between the levels of labor costs; the CCI being more heavily weighted on labor costs) for a 20-city average. These indices are commonly used to estimate the replacement costs of utility infrastructure. The Water Authority’s rate consultant recommends the comparison of the CCI and BCI as the best approach to apply to UECs and the water supply charge discussed herein.

The following table sets forth the current water and wastewater utility expansion charges.

**UTILITY EXPANSION CHARGES
YEAR TWO PHASE-IN
(Effective 7/01/2025)**

<u>Meter Size</u>	<u>Water Charge</u>	<u>Wastewater Charge</u>
¾"	\$4,638	\$3,247
1"	7,730	5,411
1 ½"	15,459	10,822
2"	24,734	17,315
3"	54,107	37,877
4"	92,754	64,932
6"	208,697	146,098
8" & over	247,345	173,153

Source: Water Authority.

During Fiscal Years 2021 through 2025, the Water Authority received the following revenue from the collection of UECs.

REVENUE FROM UTILITY EXPANSION CHARGES

<u>Fiscal Year</u>	<u>Total UEC Revenues⁽¹⁾</u>
2021	\$10,672,913
2022	10,295,149
2023	7,259,610 ⁽²⁾
2024	12,155,729
2025	7,355,053

(1) Includes water resource charge.

(2) The decline in UEC Revenues is due to higher construction costs and higher interest rates which led to a decline in new construction.

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2021-2025.

Water Authority policy requires that expansion or improvement of the System for development purposes be at no net expense to the Water Authority. Revenues generated from the expansion of the System must be sufficient to support the costs of water and wastewater facilities and the related infrastructure. The facilities constructed must meet the level of service standards agreed upon between the developer and the Water Authority in the applicable development agreement. Increased revenues should correlate to the additional operational and maintenance expenses for the System expansion. The developer bears the risk and expense for any revenue shortfall related to the System expansion.

Water Resource Charge

The Water Resource Charge ("WRC") is assessed by the Water Authority at the time of meter sale or application for service to any new water customer requesting connection to the System in an area not located within the Water Authority's service area requiring a development agreement. The proceeds from the WRC are dedicated and restricted to the development of new water resources, rights or supplies to serve the beneficiary new customers outside of the service area consistent with the Water Authority's Regional Water Plan and WRMS and other guiding principles adopted by the Water Authority. The amount of the WRC is adjusted annually by BCI or CCI as published by ENR. The WRC does not apply to non-potable water service. The Water Authority's rate consultant has reviewed the methodology used in the calculation in developing the WRC and has agreed to its development and it is one that is widely applied in the industry. The WRC has an eight-year phase-in, which began in Fiscal Year 2020. However, on May 19, 2021, the Board suspended any increase in the UEC and WRC through Fiscal Year 2022 to mitigate the economic impact of the COVID-19 pandemic. On May 18, 2022, the Board reinstated the eight-year phase-in and

updated the effective dates of each year of the WRC phase-in and increased the UEC by 5% for Fiscal Year 2023.

The following table sets forth the current Water Resource Charges.

**CURRENT WATER RESOURCE CHARGES – YEAR SIX PHASE-IN
(Effective 7/01/2025)**

<u>Meter Size</u>	<u>Water Resource Charge</u>
¾"	\$4,163
1"	6,939
1 ½"	13,877
2"	22,203
3"	48,570
4"	83,263
6"	187,341
8" & over	222,034

Source: Water Authority.

Rate Stabilization Fund

The Rate Stabilization Fund reserves water and wastewater revenues in a dedicated fund for the purpose of offsetting declines in rate revenue and to mitigate future rate increases. The funding cap for the Rate Stabilization Fund is \$9 million; which is the current balance for Fiscal Year 2025. Any expenditure from the Rate Stabilization Fund requires appropriation approved by the Board.

Additional Charges

The following variable charges are in effect for all accounts to which the specific criteria for each charge apply –

Water Commodity Charge: Water usage metered or estimated is at a rate of \$2.310 per unit (1 unit = 100 cubic feet or 748 gallons).

Water Conservation Charge: Annually, the average water usage for the months of December through March is calculated and used in determining the surcharge during the months of April through October. The surcharge amount added for each unit exceeding 200% of the customer’s individual winter average water usage is equal to 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit. A second-tier surcharge for each unit exceeding 300% of the customer’s individual winter average water usage is equal to an additional 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable WRC per unit. A third tier surcharge for each unit exceeding 400% of the customer’s individual winter average water usage is equal to an additional 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit.

Wastewater Commodity Charge: All wastewater discharged is charged at a rate of \$1.698 per unit for residential, commercial, industrial and institutional customers and \$0.885 per unit for wholesale customers and Kirtland Air Force Base based on either 95% of the average metered or estimated volume of water for the previous winter months of December through March, or based on 95% of the actual water used if that amount is less.

Rate Comparisons

The Water Authority continues to keep water and wastewater rates at a competitive level. Based on results for the 2025 Water and Wastewater Rate Survey, extracted from the water/wastewater survey by the

American Water Works Association (“AWWA”), the Water Authority was ranked at below the median quartile for water and wastewater rates, based upon a usage of 7,480 gallons for water and 7,480 gallons for wastewater.

Water/Wastewater Billing and Collections

The Water Authority imposes all rates and charges through a water and wastewater rate ordinance (the “Rate Ordinance”). Charges are billed to the property and are the responsibility of the property owner (except in cases of leased property for which the Water Authority is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

The Water Authority performs all meter reading services in connection with the System. Meters are read and billed once each month. Customers are billed within the same approximate time frame each month depending upon the location of the customer. Customers are billed the same day their meters are read. The payment is delinquent if not made within 15 days following the due date on a utility statement. A penalty of 1.5% per month may be imposed on any delinquent account. The Water Authority may cause the water supply to be turned off and discontinue service to the property if any charge remains unpaid for a period of 30 days from the original due date on the customer’s utility statement.

The Water Authority has previously made efforts to reduce delinquencies through aggressive collection attempts with changes in the method of assigning turn-off crews work assignments and the use of a check collection vendor. The delinquency rate has historically averaged 1.93% and as of December 31, 2025 was 1.80%.

Rates and Charges of the System

The Water Authority has mandated that the operation and maintenance of the System be self-sustaining. Consistent with this mandate, the System is budgeted as a self-sustaining enterprise fund for the purpose of determining costs associated with providing water and wastewater services. The ordinances and resolutions authorizing issuance of System obligations prohibit Net Revenues of the System from being transferred to other funds and require Net Revenues to be used for lawful System purposes including redemption of System obligations or paying costs and expenses relating to administration of System obligations.

The capital and operating budgets for the System are submitted by the Executive Director to the Board by April of each year for the Fiscal Year which begins July 1. The Board considers the budgets, together with the rates necessary to finance operations and capital improvements, and adopts the budget and rates necessary for the next Fiscal Year no later than May of each year.

The Federal Water Pollution Control Act Amendments of 1974 (the “Amendments”) have a stated goal of restoring and maintaining the chemical, physical and biological integrity of the nation’s waters. As a result, each federally funded and publicly owned wastewater treatment facility is required to charge each user a proportionate share of the costs of operation and maintenance. Since the Water Authority receives federal grant funds through the EPA, the requirements under the Amendments must be met. Accordingly, the Water Authority has incorporated the following items into the wastewater rate structure:

(i) Costs benefiting both water and wastewater operations have been identified, and each cost has been evaluated to determine an appropriate basis for its allocation between water and wastewater service.

(ii) Budgeted wastewater categories for collection, treatment, disposal and an equitable portion of the administration expenses have been isolated for wastewater rate-making purposes.

(iii) A “high-strength sewage treatment surcharge” is imposed in order that each user pay his proportionate share of the operational, maintenance and replacement costs to treat liquid waste discharged with significant levels of pollutants above the domestic level.

Current Levels of Base Rates and Charges

Customers pay fixed rates for water and wastewater services as well as additional charges which vary depending on the volume of water used or discharged. These fixed rates are designed to cover, at a minimum, customer service costs and all debt service costs. The rate structure is designed to ensure that debt service costs are covered, regardless of changes in conditions such as drought or the continued success of the Water Authority’s water conservation efforts. Residential customers pay fixed water rates (depending on service size) between \$11.21 and \$2,133.01, while commercial customers pay between \$11.74 and \$2,212.50. For wastewater service, residential customers pay a fixed wastewater rate (depending on service size) between \$3.64 and \$406.09, while commercial customers pay between \$4.51 and \$515.89.

Increases to Rates and Charges

The Water Authority has increased System rates and charges by the following percentage increases during Fiscal Years 2016-2025 as described below due to a decrease in consumption levels. On May 18, 2022, the Board increased System rates and charges by 5% effective July 1, 2022, and a 12% rate increase was approved for Fiscal Year 2025 and became effective July 1, 2024. The Water Authority will prepare a cost-of-service study in Fall 2026 to look at the future needs of the system. The current Finance Plan forecasts rate increases in Fiscal Years 2029 (8.75%), 2031 (8.00%), 2033 (4.00%), and 2035 (4.00%).

**Implemented and Approved
Increases in Rates and Charges**

% Increase

<u>Fiscal Year</u>	<u>General Operations</u>	<u>WRMS</u>
2016	5	0
2017	0	0
2018	5	0
2019	0	0
2020	0	0
2021	0	0
2022	0	0
2023	5	0
2024	0	0
2025	12	0
2026	0	0

Source: Water Authority.

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Customer Information

The following tables set forth historical information regarding the average number of customers of the Water System by meter size and class during Fiscal Years 2021 through 2025.

<u>Meter Size</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
¾"	186,802	187,847	188,364	188,933	189,531
1" and 1 ¼"	17,815	17,831	17,835	17,828	17,830
1 ½"	2,549	2,567	2,580	2,626	2,687
2"	2,811	2,796	2,898	2,947	2,995
3"	606	603	611	623	620
4"	286	288	288	302	307
6"	69	68	67	69	71
8" and over	44	44	43	44	11
Non-metered	4,560	4,593	4,609	4,639	4,651
Total	215,542	216,637	217,295	218,011	218,703

Source: Water Authority.

HISTORY OF WATER USERS BY CLASS

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Residential	185,889	186,730	187,187	187,719	188,121
Multi-Family	7,925	7,943	7,973	7,992	8,018
Commercial	12,242	12,314	12,352	12,378	12,459
Institutional	3,807	3,829	3,854	3,875	3,959
Industrial	123	128	129	130	129
Other Meter	996	1,099	1,191	1,278	1,400
Solid Waste Only	1,410	1,418	1,423	1,437	1,454
Non-meter	3,150	3,176	3,186	3,202	3,163
Total	215,542	216,637	217,295	218,011	218,703

Source: Water Authority.

According to the Water Authority's records for Fiscal Year 2025, the top ten (10) retail customers of the System, in the aggregate, accounted for no more than 15.47% of the total billed consumption for the Water System, 10.49% of the total revenue of the Water System, 12.02% of the total billed consumption for the Wastewater System and 10.39% of the total revenue of the Wastewater System. During Fiscal Year 2025, 49.92% of billed water consumption was residential, while 15.31% was classified as commercial. The balance consisted of multi-family users consuming 16.98%, institutional users consuming 5.47% industrial users consuming 1.74% and special contracts and hydrants users consuming 10.58%.

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**Selected Water/Wastewater System Statistics
(Calendar Year)**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Estimated Population (Service Area)	665,392 ⁽¹⁾	654,067 ⁽¹⁾	656,237	657,511	682,762
Number of Meters Billed	211,444	212,258	212,945	213,710	214,450
Estimated Persons Per Meter	3.25	3.08	3.08	3.08	3.18
Annual Pumpage (1,000 Gallons)	30,466,000	29,351,780	29,950,000	28,772,000	28,800,000
Annual Water Billed (1,000 Gallons)	27,967,068	26,768,692	27,897,712	27,392,067	27,470,844
Average Daily Pumpage (Gallons)	83,468,493	79,219,834	82,054,000	78,600,000	78,700,000
Peak Day Pumpage (Gallons)	142,984,000	142,460,000	153,300,000	122,000,000	130,800,000
Average Daily Production Per Meter (Gallons)	395	373	385	368	367
Well Pumping Capacity (per 24 Hour Period)	176,000,000	176,000,000	178,000,000	177,000,000	176,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	247,000,000	247,000,000	247,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Fire Hydrants	16,194	16,337	16,486	16,550	16,672
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Number of Miles of Lines ⁽¹⁾					
-Water	2,802	2,821	2,836	2,842	2,857
-Wastewater	1,936	1,946	1,952	1,956	1,962
-Surface Water	38	38	38	38	38

⁽¹⁾ Estimated.
Source: Water Authority.

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Financial Management

Financial Policies

The Water Authority has implemented various financial policies to facilitate its performance-based budgeting process which requires balanced budgets. The Water Authority spent approximately \$145.7 million in Fiscal Year 2025 for the capital program and will continue an increase in funds transfer from the General Fund of \$3 million annually, for System rehabilitation. Basic system capital needs are expected to be funded with 50% cash and grants and 50% bond or loan proceeds. The Water Authority's policy with respect to debt issuance is to target coverage of 150% of debt service on all lien levels for current and future years with the debt service coverage being monitored at the end of each quarter. Additionally, the Water Authority's policy when issuing bonds to finance basic capital needs is to not exceed a final maturity of 12 years. Pursuant to the Water Authority's "no net expense" System expansion policy, infrastructure for new development within or outside the System's service area will not be funded from the System's existing customer base. The Water Authority's budget process and Capital Implementation Program ("CIP") are described in greater detail below.

Budget Process

The Water Authority operates on a Fiscal Year basis, from July 1 through June 30. The Board adopted a Budget Ordinance on December 8, 2004, that provides for the formulation and approval of the Water Authority's annual operating and capital budgets. The Budget Ordinance requires the establishment of five-year goals and one-year objectives to guide the budget process. The goals and objectives provide the framework for the delivery of services, implementation of planned capital improvements, promoting active citizenship participation, and measuring performance. The operating budget is prepared on an accrual basis of accounting. The Executive Director formulates the operating budget to be consistent with the goals and objectives established and approved by the Board. Operating and capital budgets are submitted by the Executive Director to the Board at the April meeting each year and, following at least two (2) public hearings, must be approved or amended and approved before or at the May meeting each year.

The annual operating and capital budgets determine the Water Authority's appropriations by fund. Expenditures may not legally exceed appropriations. The Water Authority's Chief Financial Officer and staff are responsible for monitoring and controlling operation and project expenditures to ensure that budgeted appropriations are not exceeded. Financial status reports are presented to the Board quarterly. Budget amendments during or after the end of the Fiscal Year require approval by the Board, except that the Executive Director has authority to transfer or change line-item expenditures within the operating budget up to 5% or \$100,000, cumulatively, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in the Water Authority's budget.

The Executive Director develops the CIP which consists of a ten-year plan of capital expenditures, including a detailed yearly CIP budget which is submitted to the Board in accordance with the Budget Ordinance. Development of the CIP plan is based on information collected and analyzed on the Water Authority's capital assets. Maintenance, rehabilitation, and replacement of assets are linked to the Water Authority's short- and long-term financial needs and reflected in the CIP plan and operating budget. The budget amounts of the capital project funds are individual project budgets authorized by the Board for the entire length of the project which are not necessarily the same as the Water Authority's Fiscal Year. The Executive Director may transfer funding up to 10% of an existing capital project as approved by the Board, provided the change does not significantly alter the project's scope. The Budget Ordinance also sets forth requirements for Board review and approval of applications or proposals for State and federal grants.

Capital Implementation Program

The blueprint for the Water Authority's capital program is the Decade Plan, a ten-year capital plan required to be updated biennially in even numbered Fiscal Years with two, four, six, eight and ten-year planning elements. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. The Decade Plan requires approval by the Board with at least one (1) public hearing and due deliberation. In those Fiscal Years where the Decade Plan must be updated, the new Decade Plan must be approved by the Board before that year's Capital program budget can be approved. This policy ensures there is always an approved two-year planning element in place for every approved annual capital program budget.

The Water Authority's capital program is comprised of categories of projects, each with its own funding rules. The Basic Capital Program is funded by recurring revenues generated from the water/wastewater rate structure. Special Projects are done outside of the Basic Capital Program but are funded from the same revenue stream that funds the Basic Capital Program. Since the Basic Capital Program is the first in line to get this revenue, the size and scope of these special projects depend upon the availability of resources. "Dedicated Revenue" projects have a revenue element in the rate structure dedicated for that specific purpose and accordingly, their size and scope are dependent upon the revenue stream generated. The Water Authority has increased in recent years its utilization of State and federal grants to fund some capital projects in whole or in part.

Basic Capital Program needs are incorporated into the water/wastewater rate structure. The Rate Ordinance requires that Basic Capital Program needs are funded, on average, by 50% from cash, with the balance of capital funding obtained through debt 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 Capital Program. System growth projects are funded through UEC revenues, either by reimbursing capital investments made under the terms of a developer agreement, or by direct appropriation to Water Authority capital projects. UEC revenue is considered cash for purposes of meeting the 50% test.

Decade Plan

The current Decade Plan, Fiscal Year 2026 – Fiscal Year 2035, is designed to focus on meeting the basic utility needs for water and wastewater assets, balancing growth and rehabilitation, and meeting federal and state regulatory requirements. The program focuses on maintaining safe drinking water, meeting pollution control standards, providing adequate fire protection and System reliability, and implementing an asset management approach for rehabilitating deteriorated water and wastewater infrastructure at targeted levels of rehabilitation investment as outlined in the "Capital Needs" table set forth below.

The development of this Decade Plan continued the use of risk analysis techniques combined with an asset management strategy to determine where the Water Authority's capital resources should be expended in order to maximize the benefit to rate payers. The Water Authority's asset management plan is intended to provide a business model for managing infrastructure assets to minimize the total costs of owning and operating them at an acceptable level of risk. Ratepayers' investment in the infrastructure is maximized as a result. The adopted Decade Plan represented the funding decisions made by a broad array of staff and managers throughout the Water Authority. Project prioritization resulted from discussions within the Water Authority and with outside consultants engaged to assist the Water Authority in charting a path for its Basic Capital Program.

The internal assessment of the condition of the Water Authority's infrastructure and future system needs as well as changes in the external environment in which the Water Authority operates will necessarily lead to changes in revenue allocation over time.

Asset Management Plan

The Asset Management program is an extensive business model that helps utility managers make better acquisition, operations and maintenance, renewal, and replacement decisions. The principles of asset management were developed to address the critical problem of aging public infrastructure and changing utility business environment. In Fiscal Year 2019, the Water Authority upgraded its Maximo® Enterprise Asset Management System/Computerized Maintenance Management System and integrated mobile work order technology to improve the accuracy of the asset data. In May 2023, the Water Authority updated its 2011 System-wide Asset Management Plan, which is now referred to as the Comprehensive Asset Management Plan (the “CAMP”), based on improved data from such Fiscal Year 2019 management systems upgrades. The CAMP highlights: (i) the methodology used to create detailed asset management plans for linear and vertical assets, (ii) the understanding of the strategic components of the asset management program, (iii) the system-wide risk profile assessment, (iv) the review of projected capital improvement program renewal needs, and (v) the insight gained into the existing levels of service and associated performance criteria.

The Water Authority anticipates the following capital needs through Fiscal Year 2035.

CAPITAL NEEDS* (in 000's)

Fiscal Year	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>Total</u>	<u>%</u>
Total Capital Needs	\$156,557	\$73,500	\$87,250	\$87,250	\$103,000	\$104,000	\$109,500	\$109,500	\$114,000	\$114,000	\$1,058,557	100%
Bond Funded	\$30,000	\$30,000	\$36,500	\$36,500	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$361,000	34%
Cash Funded	\$126,557	\$43,500	\$50,750	\$50,750	\$65,000	\$66,000	\$71,500	\$71,500	\$76,000	\$76,000	\$697,557	66%

* Projections, subject to change. Amounts indicated are rounded.

Source: Water Authority’s Fiscal Year 2027 Finance Plan.

The basic growth program has shifted in focus from placing new pipe in the ground to achieving performance improvement goals and meeting mandated standards. The discretionary spending in the growth program budget continued initiatives in information technology support for the operating divisions. The remainder of the growth program is primarily non-discretionary and includes funding for the low-income connection program managed by the County and repayment to developers as connections are made to the System.

In addition to seeking improvements in efficiency and effectiveness through its AMP, the Water Authority utilizes the American Water Works Association’s (“AWWA”) Benchmarking Performance Indicators Survey (“Survey”) in developing its performance plan. The Survey provides utilities an opportunity to collect and track data from already identified and tested performance measures, based on the same collection process and definitions. The most recent Survey data was compiled in 2025 by AWWA from 184 different utilities. The performance plan uses the survey data as a basis for its performance measures to track the Water Authority’s performance with that of other utilities and to provide guidance in the one-year objectives and the financial plan. This information and recommendations have also been the basis for operational improvements already implemented by the Water Authority.

Looking forward, the Water Authority must spend between \$70 million and \$90 million per year in CIP funding to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in the Water Authority’s asset management program.

In 2024, the Water Authority implemented GASB Statement No. 100, Accounting Changes and Error Corrections. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

During Fiscal Year 2024, the Water Authority implemented a new software program to account for capital assets and depreciation; prior to this implementation, the Water Authority maintained manual spreadsheets. When uploading historical data, the calculations for depreciation were updated which resulted in a reduction in depreciation expense in Fiscal Year 2024 of \$4.0 million. The new capital asset and depreciation method is more accurate and greatly decreases manual entry errors.

In Fiscal Year 2025, the Water Authority elected to early implement several important GASB statements to enhance financial transparency and reporting quality. First, the Water Authority adopted GASB Statement No. 104, Disclosure of Certain Capital Assets, which aims to enhance transparency and consistency in financial reporting by requiring separate disclosures for certain types of capital assets in the notes to financial statements.

Additionally, the Water Authority elected to early implement GASB Statement No. 103, Financial Reporting Model Improvements. This early adoption, including the restatement of Fiscal Year 2024 beginning net position, was made in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections, as it is considered a change in accounting principle. GASB 103 introduces targeted improvements to the financial reporting model to enhance the usefulness of financial statements for decision-making and accountability. Key changes include a restructured Management's Discussion and Analysis (MD&A) that focuses more on explanations of year-over-year changes, reduces boilerplate language, and includes five required sections: Overview of the Financial Statements, Financial Summary, Detailed Analyses of Changes, Significant Capital Asset and Long-Term Financing Activity, and Currently Known Facts, Decisions, or Conditions. The statement also revises how Unusual or Infrequent Items are presented as the final flow of resources before the net change in resources, with accompanying disclosures explaining the nature and impact of the event. Proprietary Fund Statements have been revised to separately present subsidies and clarify operating versus nonoperating activities, and Enhanced Budgetary Comparisons with improved presentation and disclosure requirements have been adopted to enhance clarity and comparability. The Water Authority applied the provisions of GASB 103 retroactively where practicable, and while the early implementation did not result in a restatement of prior year balances, it did improve the transparency and relevance of current year financial reporting.

The Water Authority also implemented GASB Statement No. 102, Certain Risk Disclosures, in Fiscal Year 2025, which aims to improve transparency in financial reporting by requiring disclosures about vulnerabilities to substantial financial impacts arising from concentrations—a lack of diversity in significant inflows or outflows of resources such as reliance on a single employer, industry, or funding source—and constraints, which are limitations imposed by external parties or formal actions of a government's highest decision-making authority, such as legal caps on revenue or debt.

Additionally, Fiscal Year 2025 saw the implementation of GASB Statement No. 101, Compensated Absences, which establishes a unified recognition and measurement model for all types of compensated absences.

Approved Fiscal Year 2026 Budget

The approved Fiscal Year 2026 Budget is the Water Authority's financial plan for Fiscal Year 2026. The development of this financial plan has been guided by the Water Authority's Ten-Year Financial Plan, Business Goals, One-Year Objectives, Performance Plan and the Guiding Principles. In the development of the approved budget, the Water Authority has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources, and is balanced, fiscally conservative and sound.

Revenue for Fiscal Year 2026 is estimated to be \$259.8 million. The appropriation for Fiscal Year 2026 for CIP is \$96.5 million. \$70.0 million is appropriated for the basic rehabilitation capital programs, \$4.0 million for growth-related projects, \$20.0 million for special projects, and \$2.5 million for Water 2120 projects. The \$20.0 million for special projects provides funding for building projects, steel waterline and automated meter infrastructure (AMI), and renewable energy projects.

The Fiscal Year 2026 Budget represents a financial plan to provide the necessary funding to perform all the varied operational and administrative functions, to provide customers with quality water and wastewater service and address the Water Authority's priorities for Fiscal Year 2026 to improve services and gain operating efficiencies.

The Fiscal Year 2026 Budget includes nonrecurring funding for an employee incentive program. This program will reward employees for cost savings as a result of a decrease in work-related losses. Funding for this program is contingent on the Water Authority generating the same or a greater amount in savings. This incentive program has been an effective tool in the reduction of the Water Authority's Workers Compensation expense.

In the preparation of the Fiscal Year 2026 Budget, the Water Authority developed a maintenance of effort budget within the projected estimated revenues. Personnel expenses include a 4.0% cost of living increase in wages, a 4.0% increase in health benefit costs and a 0.5% increase in PERA pension costs. The most significant expense continues to be debt service payments, which comprise 30.0% of the total general fund operating expense in Fiscal Year 2026.

The Fiscal Year 2026 Budget reflects the Water Authority's commitment to spend \$250 million over ten years to upgrade its Southside Water Reclamation Plant, along with amounts ranging between \$70 million and \$90 million per year to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in an asset management study commissioned by the Water Authority.

Successes and Benchmarks

The Water Authority's success can be measured in a number of different ways. One of these is recognition by industry peers and professional organizations. In recent years, the following recognition and awards have been received by the Water Authority:

- Fiscal Year 2026 Government Finance Officers Association ("GFOA") Distinguished Budget Presentation Award with Special Recognition for Long-Range Operating Financial Plans;
- Fiscal Year 2025 GFOA Distinguished Budget Presentation Award with Special Recognition for Performance Measures;
- Fiscal Year 2024 GFOA Certificate of Achievement for Excellence in Financial Reporting;
- Fiscal Year 2024 GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting;
- AMWA 2024 Sustainable Water Utility Management Award;
- 2024 Rocky Mountain Section American Water Works Association Outstanding Water Laboratory award for the Water Quality Lab;
- AQUARIUS Award for Public Health (2024) U.S. Environmental Protection Agency;
- Outstanding Water Treatment Plant Award (2024) American Water Works Association;

- Six-Year Directors Award for Optimization (2024) American Water Works Association;
- Three-Year President’s Award for Superior Finished Water Quality (2024) American Water Works Association;
- Five-Year Directors Award for wastewater utility operational excellence (2024) American Water Works Association;
- 2023 Rocky Mountain Section American Water Works Association Outstanding Water Laboratory award for the Water Quality Lab;
- 2023 National Association of Clean Water Agencies Peak Performance Gold Award for the Southside Water Reclamation Plant;
- Fiscal Year 2023 GFOA Certificate of Achievement for Excellence in Financial Reporting (both Comprehensive and Popular);
- AWWA Partnership for Safe Water Distribution – Five Year Directors Award and 2nd Year Presidents Award;
- AQUARIUS award from the EPA for the Water Authority’s efforts to bring water service to the Village of Carnuel;
- 2021 American Council of Engineering Companies (“ACEC”) Engineering Excellence Award, Power Loop A & B, Phase 1 (Carollo Engineers, designer); and
- 2021-22 AWWA Partnership for Safe Water Treatment-Presidents Award.

Other achievements in the preceding Fiscal Year include completion of critical improvements at the Southside Water Treatment Plant (SWTP), including removal of over 38,000 dry tons of accumulated sediment and replacement of filter media with granular activated carbon in three of twelve filters to restore performance. The SWTP earned a six-year Directors Award and three-year Presidents Award from the AWWA Partnership for Safe Water and commissioned an automated rake screening system at the Rio Grande raw water intake to improve safety and efficiency.

Major water supply projects advanced significantly, including construction of the Volcano Cliffs Arsenic Treatment Plant (providing up to 17 million gallons daily) and a seven-mile transmission line to To'Hajiilee community (approximately 50 percent complete). The Water Authority also completed an alternate water supply scheme for the North I-25 Non-Potable system, renovated Corrales Pump Station 7, and received approval to design Love Well 1R as the first replacement well for long-term groundwater reliability.

The Southside Water Reclamation Plant (SWRP) achieved 46 percent renewable energy usage from an on-site solar array and digester gas cogeneration, earning a Five-Year Directors Award from the AWWA Partnership for Clean Water. The facility completed an in-house rebuild of its ultraviolet disinfection system to maintain NPDES permit compliance.

Other Projects

The operational cornerstone of the Water 2120 is the San Juan-Chama Drinking Water Project, which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After thirteen years of operation, the San Juan-Chama Drinking Water Project – 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.

The San Juan-Chama Drinking Water Project provided approximately 28% of all water distributed to Water Authority customers in calendar year 2025. The Water Authority's goal is to have the San Juan-Chama Drinking Water Project supply 70-75% of all customer demand in the future. Flow conditions in the Rio Grande, due to continuing drought conditions, may limit the ability to fully realize this goal on a consistent basis. The Fiscal Year 2026 Budget reflects a commitment to update the Water Resources Management Strategy: Water 2120 by the end of the second quarter of Fiscal Year 2027, along with continued funding for emergency capital improvements to address unanticipated equipment or other asset failures at the facilities.

The Water Authority is continuing to conduct visual inspections of service line materials as required by the EPA's Lead and Copper Rule Revisions (LCRR). Utilizing the Drinking Water State Revolving Loan funds, the Water Authority contracted with CDM Smith to review its service line inventory and develop a service line replacement plan. As part of the replacement plan, a statistical analysis was completed with random service line inspections throughout the water system. No lead services have been identified during visual inspections. The Water Authority submitted the initial service line inventory and summary of the replacement plan to the New Mexico Environment Department on October 16, 2024. The Water Authority will continue to submit annual inventory updates and replacements plan to NMED by October 16, 2025, and complete a multi-year gap analysis aimed at identifying requirements and developing procedures for compliance with the Lead and Copper Rule Improvements (LCRI) by 2027. The Water Authority's 2025 annual inventory update had not positively identified any lead service lines.

Field Divisions – Distribution and Meter Operations work together to implement the Clevest mobile workforce management system, which provides a bridge for Maximo (work order and asset management) and Customer Care & Billing in order to create operating procedures for a paperless, real-time work order system, where field activities are dispatched, updated and closed out on a mobile platform. In addition, Clevest is used to manage line spots and schedule and record the preventative maintenance activities on the meter change outs, box and valve replacement initiatives.

The sanitary sewer interceptor system is the backbone of the Water Authority's current wastewater collection system. It is designed to carry large flows from the collection line system for delivery to the plant for treatment. 46% (approximately 111 miles) of the current interceptors within the system are made of concrete and have suffered substantial hydrogen sulfide corrosion damage along the upper portions of the pipe. Such corrosion damage could result in complete pipe failure and cause a sinkhole to form at any time within the public right-of-way. The Fiscal Year 2026 Budget reflects a budget of \$7 million that will be used to continue to evaluate, plan, design, and construct for sanitary sewer interceptor rehabilitation or complete removal and replacement of severely deteriorated sewer interceptor lines that are beyond feasible rehabilitation.

The Vulcan Material's lease of the Water Authority's 50-acre parcel at the southwest corner of Chappell and Singer NE has ended. The Water Authority has developed a plan for the site with near-term and long-term improvements. Prior to constructing improvements, the site will need to be graded to establish developable property. Near-term improvements consist of a relocated dirt processing facility, compost sales, landscape material storage for restoration of customer property, scale/weigh house, and several storage buildings for salt, chemicals, infrastructure repair materials and weather sensitive vehicles. The Fiscal Year 2026 Budget reflects a budget of \$700,000 which will be used to continue planning, designing and constructing the site and facilities in multiple phases. The operational impact of developing the site will include an advanced treatment component that aligns with Water 2120 goals.

The Information Technology/GIS funding allocations will be utilized to purchase new/upgrade all hardware and software applications and the databases that support those applications. Applications include Maximo, Finance Enterprise, Kronos, Laboratory Information Management System, and GIS, among others. Funding will be used to address the mobile, security and telecommunications environments and to provide continual efficiencies to reduce costs and maintain backups of mission critical systems. The Fiscal

Year 2026 CIP budget also includes funding to refresh aging desktop and laptop PCs across the Water Authority.

On March 11, 2021, President Biden signed the American Rescue Plan Act (the “Rescue Act”) which included, among other measures, \$1.9 trillion of funding for individuals, businesses and state and local governments to mitigate the impacts of the COVID-19 pandemic. Although the Water Authority is not a direct recipient of Rescue Act funding, in Fiscal Year 2022, the Water Authority entered into a subrecipient agreement for the purpose of carrying out a portion of County's Rescue Act spending. The following projects will continue in Fiscal Year 2026, assisting the County in utilizing such funds:

- Carnuel Sewage Collection System (\$4,872,938) – Funding will be used for construction of a force main system that will provide sewer service to Carnuel residents and has a direct positive community impact and reduction in groundwater pollution (eliminates septic systems). Rescue Act funding will be used for the construction phase.
- Metropolitan Detention Center ("MDC") Water & Sewer Improvements (\$16,811,788) – Funding will be used to install a lift station and force main at the MDC facility for improved sewer service. This will eliminate potential compliance violations and costly operations and maintenance for the existing on-site lagoon treatment system.
- Mesa del Sol Non-Potable Reuse Booster Pump & Reservoir (\$5,504,974) – Funding will be used to design and construct a reuse reservoir, booster pump and transmission lines to provide adequate pressures for reuse system throughout Mesa del Sol.
- South Valley Drinking Water Project Phases 8 & 9 (\$8,000,000) – Funding will be used to design and construct waterlines for residents and businesses in the South Valley that currently rely on private wells.
- Kirtland Air Force Base Tijeras Interceptor Rehabilitation (\$9,861,297) – Funding will be used to design and rehabilitate the existing interceptor line through KAFB.
- Volcano Cliffs & Corrales Trunk Reservoir & Transmission Line (\$15,000,000) – Funding will be used to design and construct a reservoir and transmission line for increased water capacity and transfer within Volcano Cliffs trunk and Corrales trunk.
- Bosque Non-Potable Water Reclamation Plant and Reuse System (\$2,875,037) – Consistent with Water 2120, this project extends the Water Authority's water resources through conservation and direct and indirect potable reuse. This project would provide non-potable water for industrial purposes and irrigation needs to parks, schools, and golf courses. Rescue Act funding will complete the 1st phase, which is underway, that includes finalizing the layouts for the facility (conceptual design) and submission of an NPDES permit to discharge to the Rio Grande south of Montano Road. This funding will also complete the 2nd phase that consists of preliminary and final design.
- Carnuel Water System Expansion (\$550,000) – Funding will be used for additional waterline extension design and construction for the Village of Carnuel Water System Expansion project.
- To'Hajiilee Water Line Extension (\$1,000,000) – CIP anticipates completion of the construction of a 7-mile transmission line from the 7W Reservoir to the Well 5 site in FY26.

In January 2026, the United States Congress approved the Fiscal Year (FY) 2026 Interior, Environment, and Related Agencies Appropriations Act appropriations bills securing over \$1,000,000 for the Water Authority to conduct wastewater system improvements.

OTHER POST-EMPLOYMENT BENEFITS

Public Employees Retirement Association

The Water Authority participates in a pension plan organized on a statewide basis and operated by the State. The Public Employees' Retirement Association of New Mexico ("PERA"), established by Section 10-11-1 et seq. NMSA 1978, as amended, requires contributions to its plan (the "Plan"), computed as a percentage of salary, from both employee and employer for all full-time employees. The majority of State and municipal employees in the State participate in the Plan. The Water Authority's liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The Water Authority has no unfunded liabilities with respect to the availability of funds to cover the obligations of the retirement plan. However, on June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved Statement No. 68, as subsequently amended by GASB Statement No. 71, which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the Water Authority, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. As of June 30, 2025, the Water Authority reported a net pension liability of \$78,207,747 for its proportionate share of the net pension liability. See "Notes to the Financial Statements – Defined Benefit Pension Plan – Public Employees Retirement Association" in APPENDIX A hereto.

As required by State law, eligible employees are required to contribute between 13.15% and 16.15% of their gross salary, depending on the specific plan type and earnings level. The Water Authority is required to contribute 11.30% of the gross covered salary. The Water Authority has elected to pay a percentage of the employees' contributions. The contribution requirements of plan members and the Water Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the State Legislature. The Water Authority's employer contribution to PERA for the Fiscal Years ended June 30, 2024 and 2025 were \$4,410,595 and \$4,594,438, respectively, which equal the amount of the required contributions for each Fiscal Year. The Water Authority's total paid contributions for Fiscal Year ended June 30, 2025 were approximately \$8.9 million.

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

Actuarial information is shown below:

State of New Mexico Public Employees Retirement Fund Summary Information as of June 30, 2025

Membership ⁽¹⁾	139,020
Actuarial Information	
Accrued Liability ⁽²⁾	\$28.0 Billion
Actuarial Value of Assets ⁽³⁾	\$18.2 Billion
Unfunded Actuarial Accrued Liability ("UAAL")	\$9.7 Billion

(1) Includes both state and municipal divisions.

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

(3) The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.25% annual return.

As of June 30, 2025, PERA has an amortization or funding period of infinite years, based on the employer and member contribution rates in effect as of July 1, 2025. Member and employer rates are established pursuant to Section 10-11-1 through 10-11-142 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 67.54% as of June 30, 2025. The State's portion

of the UAAL of the PERA Fund is approximately 54.10%, or \$5.3 billion. On a market value basis, PERA's funded ratio is approximately 65.20% as of June 30, 2025.

On February 18, 2019, New Mexico Governor Michelle Lujan Grisham established a nineteen-member solvency task force to provide recommendations to address PERA's unfunded liability. On August 29, 2019, the solvency task force provided multiple recommendations to the Governor that, if implemented, may eliminate PERA's unfunded liability within 25 years. The recommendations were presented during the 2020 Legislative Session and resulted in the Legislature's passage of Senate Bill 72 which, among other things, incrementally increases both Water Authority and Water Authority employee contribution rates beginning July 1, 2022. The legislation also increased the current 2.0% cost-of-living adjustment to 2.5% for retirees over the age of 75, disability retirees and retirees with pensions less than \$25,000 after 25 years of service. For all other retirees who are COLA-eligible, they receive a 2% non-compounding additional payment for 2020, 2021 and 2022. In 2023 and thereafter, future COLAs for more retirees are based on the Fund's investment returns and funded ratio. PERA will continue to monitor the progress of Senate Bill 72 and its impact on our funding status.

Defined Contribution Retirement Plan

The Water Authority approved a Declaration of Trust for a 401(a) qualified defined contribution retirement plan through ICMA Retirement Corporation for Water Authority employees in 2004. 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 of 1986, as amended. Employees have a 30-day election period from the date of initial eligibility to elect to participate in the plan. Participation is not mandatory and only a small number of Water Authority employees participate in the plan. 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 a specified percentage of the employee's salary. Total Water Authority contributions to the plan were \$530,427 in Fiscal Year 2025.

New Mexico Retiree Health Care Authority Plan

Water Authority employees are provided, through the New Mexico Retiree Health Care Fund (the Fund), a cost-sharing multiple-employer defined benefit 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, Sections 10-7C-1 through 10-7C-19 NMSA 1978, to administer the Fund. 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. The Fund 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. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on 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, 2024 and June 30, 2025 were \$818,349 and \$814,508, respectively, equal to its required contributions for the year.

The NMRHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Healthcare Authority at 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107 or at: <https://www.nmrhca.org/administration/financial-documents/>.

Retiree Life Insurance Plan

The Water Authority, as of the Fiscal Year ended June 30, 2025, participated in the City's Life Insurance Benefit Plan (the "City Plan"). The City Plan is a single employer defined benefit plan administered by the City which includes coverage for the employees of the Water Authority. Upon retirement, an eligible Water Authority employee will continue to be covered by the City Plan at no cost to the employee. 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. New employees hired after July 1, 2013 are not eligible for employer paid life insurance in any amount. The number of Water Authority retired employees covered under the City Plan at June 30, 2025 was 303. The number of active employees at June 30, 2025 was 224.

In Fiscal Year 2014, the City and the Water Authority created the City of Albuquerque Pooled Post-Employment Benefit Trust Fund. Prior to July 1, 2013, the City and the Water Authority had been contributing only the amount required to pay retiree life insurance premiums each year. The City 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 in accordance with GASB 75. The ADC consists of two (2) 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 is 5.0%, the long term expected return on trust assets. In addition, the discount rate used to measure the OPEB Plan liability is on a pay-as-you-go basis. GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20 years. The Water Authority's contributions to the trust for the Fiscal Year ended June 30, 2025, were \$5,407.

INVESTMENT POLICIES AND PROCEDURES

The Water Authority's funds are invested by the Water Authority's Chief Financial Officer pursuant to the Water Authority's Investment Policy (the "Investment Policy"). According to the Investment Policy, all the investments should be made in accordance with the "Prudent Person" rule (all investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived) and on the basis of competitive bids and/or offers. The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Finally, diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

The Investment Policy seeks to balance four (4) primary objectives:

- Maximize investment returns while minimizing risk;
- Maintain a level of liquidity to ensure that unanticipated cash needs are met;
- Allow for diversification of the Water Authority's portfolio; and
- Recognize the impact of the Water Authority's investment program on the local economy.

The Investment Policy permits the Water Authority to invest in (a) U.S. Treasury obligations; (b) U.S. Government agency and instrumentality obligations; (c) bonds or negotiable securities of the State or of any county, municipality, or school district within the State which has a taxable valuation of real property for the last preceding year of at least \$1,000,000 and which has neither defaulted in the payment of any interest or sinking fund obligation, nor failed to meet any bonds at maturity at any time within five (5) years last preceding; (d) time deposits in banks and savings and loan associations; (e) interest bearing checking accounts in banks and savings and loan associations; (f) passbook savings accounts; (g) banker's acceptances; (h) SEC Rule 2a-7 money market funds whose portfolios consist of the foregoing securities;

and (i) the Local Government Investment Pool pursuant to Section 6-10-10.1, NMSA 1978.

FORWARD-LOOKING STATEMENTS

This Annual Information Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Annual Information Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “budget,” “plan” and similar expressions identify forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE WATER AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LITIGATION

Except as stated in this Annual Information Statement, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the Water Authority’s knowledge threatened, involving the Water Authority which may result, either individually or in the aggregate, in final judgments against the Water Authority which would have a material adverse effect on the Water Authority’s existence or its financial condition.

APPROVAL OF ANNUAL INFORMATION STATEMENT

This Annual Information Statement and its distribution and use for the purposes herein have been authorized and approved by the Water Authority.

Approved by:

/s/ Mark Sanchez

Executive Director

APPENDIX A

**Albuquerque Bernalillo County Water Utility Authority
Annual Comprehensive Financial Report
For the Fiscal Years ended June 30, 2025 and 2024**



**Albuquerque Bernalillo County
Water Utility Authority**

**Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2025 and 2024**

Albuquerque, New Mexico





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Our Vision & Mission

“The Water Authority’s vision is to go beyond our customer’s expectations. We value high-quality and reliable service to our customers at a reasonable cost, supporting the regional community, the environment and our employees.”

The Water Authority’s Mission is to:

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

Contact Information

One Civic Plaza Ste 5012 / PO Box 568 / Albuquerque, NM 87103

www.abcwua.org



San Juan-Chama Diversion Dam

Introductory Section

The **Introductory section** sets the stage for the rest of the document. It includes:

- **A Letter of Transmittal** of the Water Authority's mission, services, and accomplishments.
- **Awards and acknowledgments**, such as recognition from the Government Finance Officers Association (GFOA).
- **An organizational chart** showing the structure of the Water Authority.
- **A list of governing board members**, appointed.



Southside Water Reclamation Plant Outfall Structure



December 1, 2025

To the:

- 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, 2025 and 2024. 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, 2025 and 2024. 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.

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.

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. This section also contains a schedule of the budget compared to actual results for the Water Authority.

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 operation and maintenance agreement to continue the day-to-day management of the water utility under the City. The 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 657,511 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 annual 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.

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, Tarrant, and Valencia Counties. The MSA has an estimated population of 926,303 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 the 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 4.5% as of June 2025. That is on par with the state's unemployment rate of 4.2%, and the national rate of 4.3%. Moving forward in 2025, the total employment in the Albuquerque MSA is forecast to increase by 1.0%, with gains in nearly every sector; the public sector is predicted to have zero growth.

Private sector gains will mostly be had by 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 3.0%.

Professional and technical services will expand in 2025 by 1.9%. The construction industry is predicted to strengthen its position by 2.7%.

Also moving ahead for the year will be retail trade increasing 1.1%, transportation and warehousing increasing 2.6%, finance and insurance increasing 2.0%, manufacturing increasing 1.3%, other services increasing 1.4%, arts, entertainment & recreation increasing 2.4%, and accomodation & food services increasing 0.3%.

Expecting only small increases over the course of the year are utilities by 1.6% and real estate, rental & leasing increasing 0.1%.

There are 7 private sector industries expected to lose jobs over the course of the year: administrative & waste services (-2.3%), information (including media and film) decreasing -3.6%, education services (-1.9%), management of companies & enterprises (-3.4%), wholesale trade (-0.6%), agriculture (-1.6%), and mining (-1.7%).

Governments will not add jobs in the aggregate in 2025.

In the longer term, through 2030, the Albuquerque MSA economy is forecasted to add 8,420 jobs for 0.4% average annual growth (AAG) as it regains jobs lost in 2020. By the end of the forecast window, the economy should have 2.1% more jobs. Both the private sector and public sector will see positive growth over the period, with the private sector increasing 0.5% AAG and the government sector increasing 0.8% AAG.

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, price increases, and tariffs 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 and a 12% rate revenue adjustment was approved for fiscal year 2025. No rate revenue adjustment is proposed for fiscal year 2026. The Water Authority will be preparing a cost-of-service study in 2025 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. A Water Resource Charge (WRC) 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. An annual adjustment to the Utility Expansion Charge (UEC) and the Water Resource Charge 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.

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 bonds, loan financing, and grants. 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's 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 groundwater resources in the Middle Rio Grande. After a decade of operation, the DWP – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey. A video documenting this success is available for viewing at:

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

Selected priorities for FY25 include:

- Continue community outreach programs and communication.
- Develop a long-term strategy for utilizing existing wells that are currently out of service.
- 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.
- Continue to focus on physical and cybersecurity to safeguard all Water Authority assets.

Relevant Financial Policies

Written long-term financial policies are contained in state statutes 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 in evaluating 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 a proprietary 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 Acknowledgments

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, 2024. This was the eleventh 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 2026 with Special Recognition for Long-Range Operating Financial Plans. 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 eight 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. Credit is also given to the Water Authority Board members for their unfailing support for maintaining the highest standards of professionalism in the management of the Water Authority's finances.

Respectfully submitted,

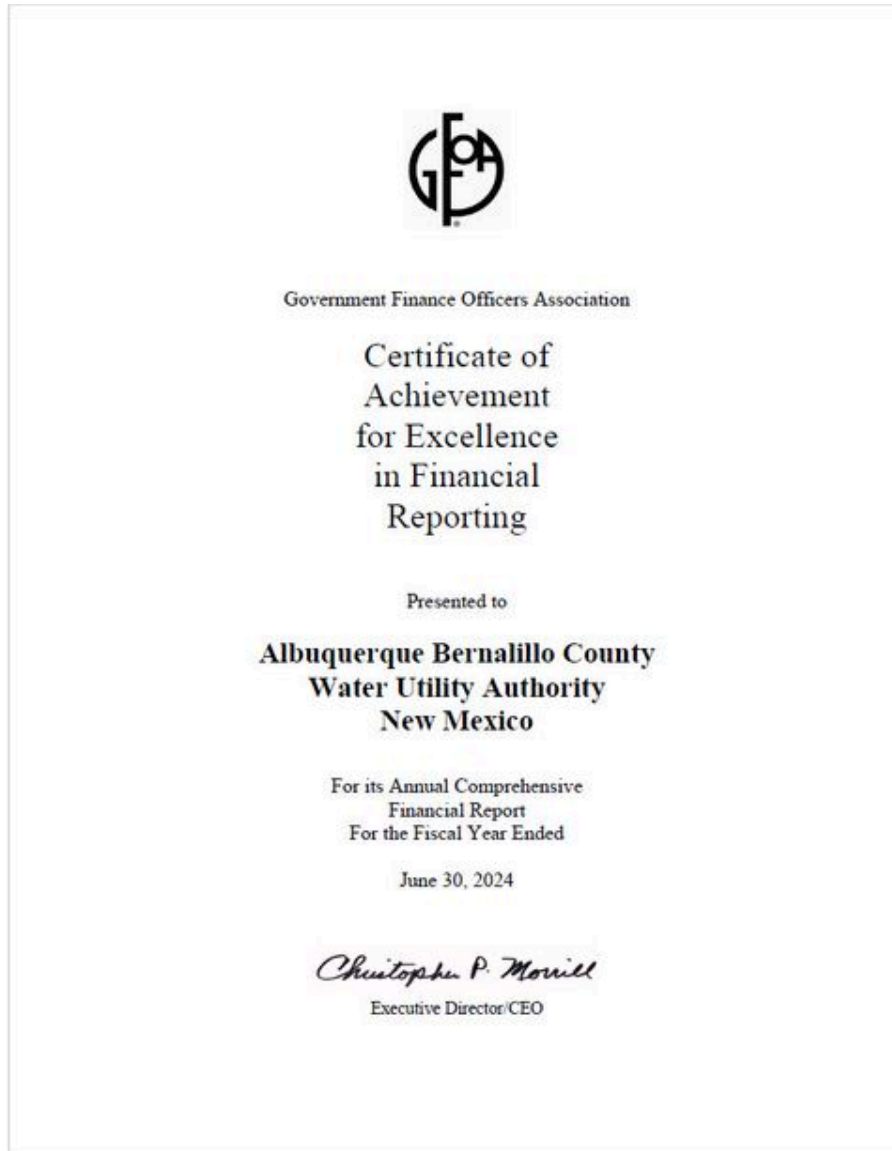
Mark S. Sanchez

Executive Director

Marta J. Ortiz

Chief Financial Officer

GFOA Certificate of Achievement Award

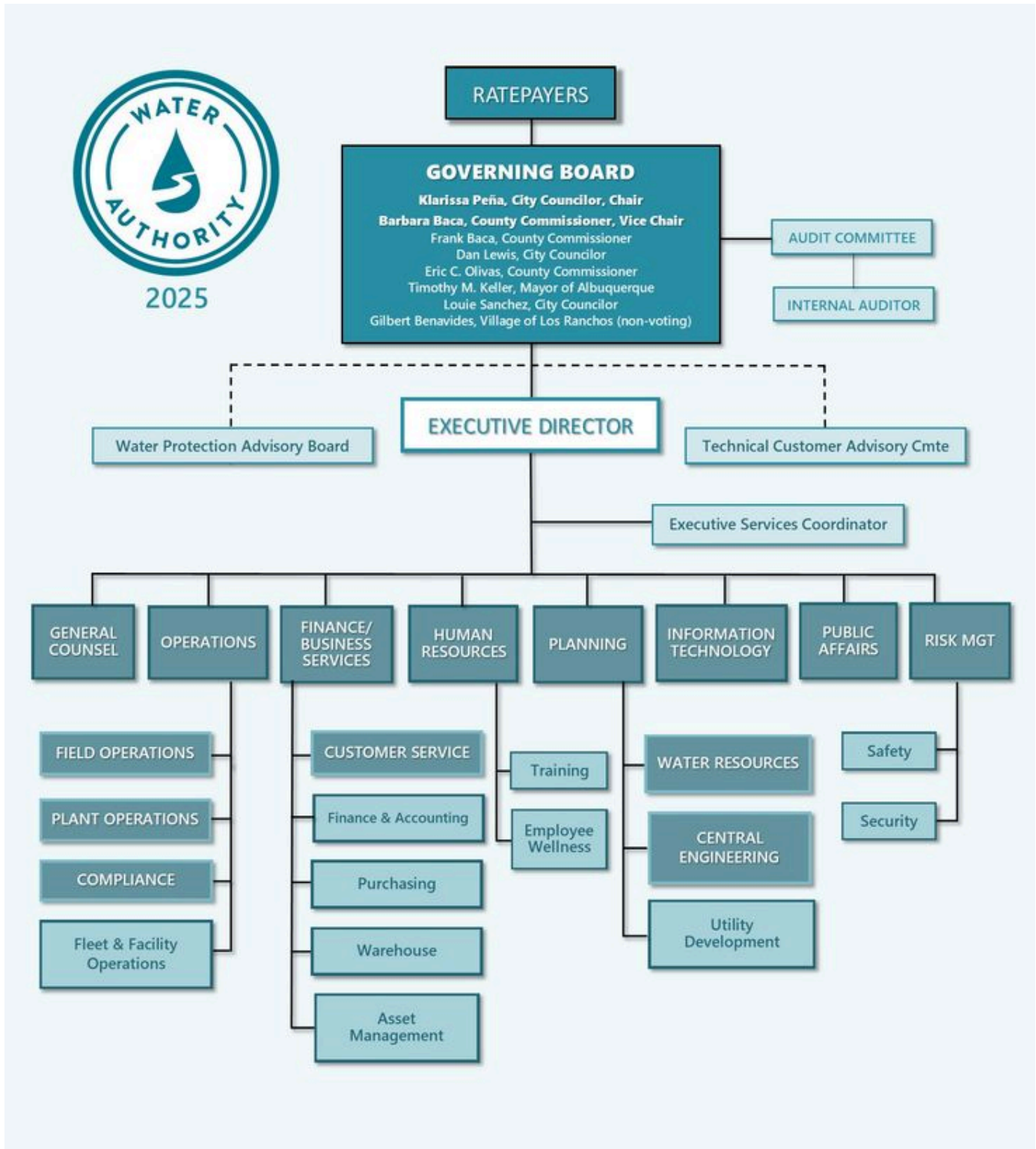


As of 2024, the Albuquerque Bernalillo County Water Utility Authority has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) for the Fiscal Year 2024 Annual Comprehensive Financial Report.

This prestigious honor is the highest form of recognition in governmental accounting and financial reporting, and it reflects the commitment of the finance team to transparency, accountability, and excellence.

Receiving this award demonstrates the ongoing dedication to producing high-quality financial reports that meet rigorous national standards.

The Albuquerque Bernalillo County Water Utility Authority organizational chart lists the accountability of its ratepayers below.



Board Members

The eight-member Board is accountable to its ratepayers and responsible for establishing policy and strategic decisions.

The Albuquerque Bernalillo County Water Utility Authority list of governing board members as of June 30, 2025, is as follows.



Klarissa Peña, Chair
City Councilor



Barbara Baca, Vice Chair
County Commissioner



Eric Olivas
County Commissioner



Louie Sanchez
City Councilor



Dan Lewis
City Councilor



Tim Keller
Mayor of Albuquerque



Frank A. Baca
County Commissioner



Gilbert Benavides "Ex-Officio"
Village of Los Ranchos

Financial Section

The **Financial section** presents the Water Authority's official financial position and performance. It includes:

Independent Auditor's Report – A statement from an external auditor affirming whether the financial statements are presented fairly in accordance with accounting standards.

Management's Discussion and Analysis (MD&A) – Information that helps readers interpret the financial data, highlighting trends, events, and conditions.

Basic Financial Statements – These include:

- *Fund financial statements* (for proprietary funds)
- *Notes to the financial statements* that explain accounting policies and provide additional detail.

Required Supplementary Information (RSI) – Additional data required by the GASB, such as budgetary comparisons and pension-related disclosures.



Southside Water Reclamation Plant Primary Clarifier



Independent Auditor's Report

The Board of Directors of the
Albuquerque Bernalillo County Water Utility Authority
and
Mr. Joseph M. Maestas, PE, CFE
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, 2025 and 2024, 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 required supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2025, 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, 2025 and 2024, 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 required supplementary information, presents fairly, in all material respects, the budgetary comparison of the Water Authority for the year ended June 30, 2025, 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.

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 a 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 19-26 and 77-86 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Authority's basic financial statements. The other schedules required by 2.2.2 NMAC on pages 131-132 and the schedule of expenditures of federal awards on page 138, 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 December 1, 2025, on our consideration of the Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico
December 1, 2025

Management's Discussion & Analysis

For Years Ended June 30, 2025 and 2024

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, 2025. The purpose of management's discussion and analysis (MD&A) is to help readers understand what the financial statements and notes in this financial report say about the Water Authority's financial health and any changes that occurred since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the staff's knowledge of the Water Authority's finances.

Requests for Information

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.

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.

The statement of net position presents information on the Water Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. This statement provides a snapshot of the Water Authority's financial position at a specific point in time, showing what it owns (assets), what it owes (liabilities), and the resulting net position. The key components:

- Assets — Cash, investments, receivables, capital assets
- Deferred Outflows of Resources — Future benefits from past transactions
- Liabilities — Debts, obligations, and other amounts owed
- Deferred Inflows of Resources — Future obligations from past transactions
- Net Position — Assets + Deferred Outflows — Liabilities — Deferred Inflows

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 by showing how much money came in (revenues), how much was spent (expenses), and how the net position changed during the year. The key components:

- Operating Revenues — Income from core services
- Operating Expenses — Costs to provide those services
- Nonoperating items — Include investment income, interest expense, debt issuance costs, and capital contributions
- Change in Net Position — How the Water Authority's financial position improved or declined

The statement of cash flows reports cash receipts, cash payments and net changes in cash. The key components:

- Operating Activities — Cash from providing services such as customer payments, supplier payments
- Noncapital Financing Activities—Proceeds from issuing bonds, grants and subsidies received, and payments on noncapital debt
- Capital and Related Financing Activities — Cash for buying or financing capital assets, grants, and borrowing for operations
- Investing Activities — Cash from investments and interest income

The notes to the financial statements provide detailed explanations and additional information to acquire a full understanding of the data provided in the financial statements, helping readers understand the accounting policies, assumptions, and significant details behind the data in the financial statements. The key components:

- Accounting methods used
- Details of assets, liabilities, and commitments
- Explanations of unusual transactions or changes

The Water Authority, for financial statement reporting purposes, is a special purpose government engaged only in a business-type activity. Business-type activities are services primarily financed in whole or in part with charges to customers.

The Water Authority uses:

- The *flow of economic resources* measurement focus, meaning the financial statements report all assets and liabilities—both current and long-term.
- *Accrual* basis of accounting which records revenues when they are earned and expenses when they are incurred.

More detail about the measurement focus and basis of accounting can be found in the notes to the financial statements, the summary of significant accounting policies.

Financial Summary & Detailed Analysis

Table 1 presents the Water Authority's condensed Statement of Net Position at June 30, 2025, 2024 and 2023.

	FY2025	FY2024 As Restated	FY2023	FY2025 vs FY2024	FY2024 vs FY2023
Assets:					
Current and other assets	\$ 269,577	\$ 275,630	\$ 200,831	\$ (6,053)	\$ 74,799
Capital assets	1,235,183	1,189,314	1,185,282	45,870	4,032
Total Assets	1,504,760	1,464,944	1,386,113	39,816	78,831
Total Deferred Outflow of Resources	24,474	26,397	23,684	(1,923)	2,713
Liabilities:					
Current and other liabilities	134,998	109,604	115,093	25,394	(5,489)
Long-term liabilities	565,615	635,805	584,118	(70,190)	51,687
Total Liabilities	700,613	745,409	699,211	(44,796)	46,198
Total Deferred Inflow of Resources	17,492	17,605	19,704	(113)	(2,099)
Net Position:					
Net investment in capital assets	728,199	662,356	629,850	65,843	32,506
Unrestricted	82,930	65,970	61,033	16,960	4,937
Net Position, end of year	\$ 811,129	\$ 728,326	\$ 690,883	\$ 82,803	\$ 37,443

Net position reflects financial performance as it shows whether overall financial activities have strengthened or weakened over time. It captures long-term sustainability, not just short-term cash flow, as it accounts for capital assets and long-term obligations.

As would be expected for a utility, the largest portion of the Water Authority’s net position is the net investment in capital assets (89.8 percent). This category reflects the Water Authority’s total investment in capital assets (e.g., infrastructure, buildings, machinery, equipment, and right to use leases); less any related outstanding debt used to acquire those assets. Capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the Water Authority’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- Total assets in FY2025 increased \$39.8 million from FY2024 and increased \$118.6 million from FY2023. Restricted cash decreased \$8.9 million from FY2024 and the cash received from the debt issued in FY2024 was spent on capital improvement projects; this also correlates to the decrease in investments of \$32.7 million from FY2024. Due from other governments increased \$18.1 million from FY2024 as grant-funded projects moved to the construction phase. Capital assets increased \$45.9 million reflecting the increase in capital activity during FY2025.
- Total liabilities in FY2025 decreased \$45.6 million from FY2024 and increased \$41.4 million from FY2023. Accounts payable increased \$16.1 million from FY2024. This increase was primarily for capital program payments to vendors. Debt obligations decreased \$73.3 million from FY2024 as more of the Water Authority’s revenue bonds are nearing maturity.
- Total net position increased \$82.8 million from FY2024 and \$120.2 million from FY2023. The portion of net position that can be used to meet the Water Authority’s ongoing obligations to customers and creditors, unrestricted net position, is \$82.9 million. The increase in net position reflects the Water Authority’s efforts to strengthen its investment in its capital assets while at the same time managing its payables and long-term obligations.

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 provides information on the sources of the change in net position during the year.

Net Position by Fiscal Year

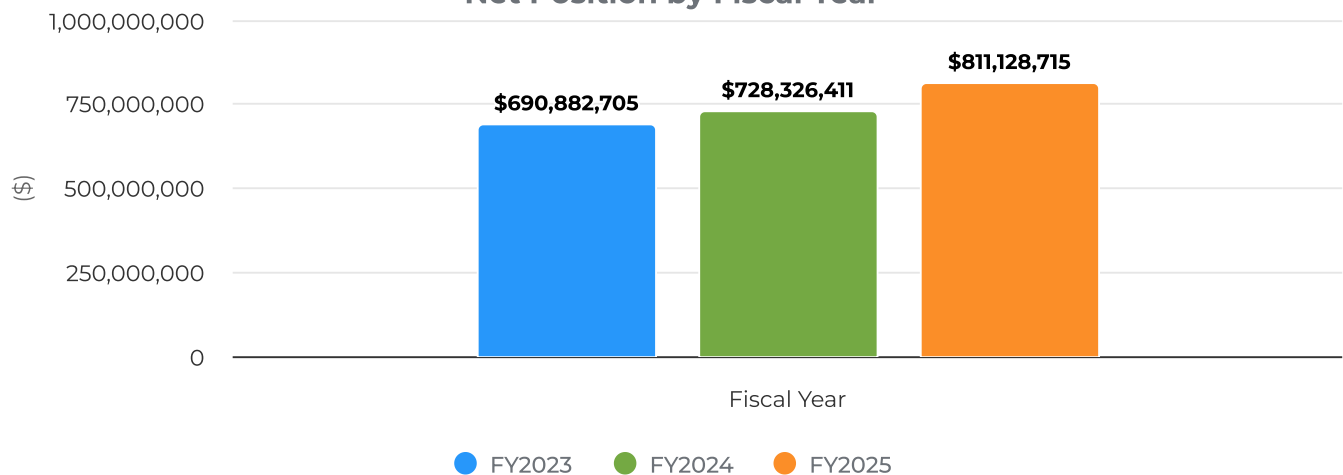
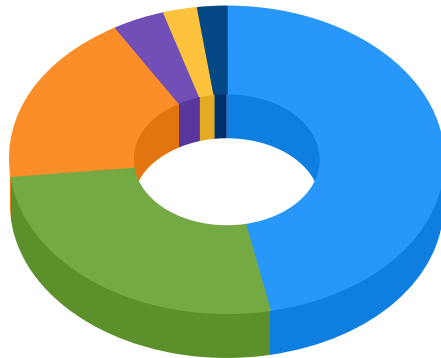


Table 2 presents the Water Authority's condensed Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2025, 2024 and 2023.

Table 2 Condensed Statement of Revenues, Expenses and Changes in Net Position (In thousands of dollars)					
	FY2025	FY2024 As Restated	FY2023	FY2025 vs FY2024	FY2024 vs FY2023
Revenues:					
Water system revenue	\$ 168,975	\$ 156,874	\$ 148,092	\$ 12,101	\$ 8,782
Wastewater system revenue	95,630	82,203	80,746	13,427	1,457
Miscellaneous revenue	13,964	17,461	14,170	(3,497)	3,291
Noncapital subsidies	7,735	884	-	6,851	884
Capital contributions	65,449	27,966	35,699	37,483	(7,733)
Other nonoperating revenue	9,133	11,921	5,356	(2,788)	6,565
Total Revenues	360,886	297,309	284,063	63,577	13,246
Expenses:					
Operating	170,079	154,179	150,839	15,900	3,340
Depreciation/Amortization	88,957	84,806	86,878	4,151	(2,072)
Interest (nonoperating)	16,501	18,261	16,453	(1,760)	1,808
Other nonoperating expense	1,767	2,620	51	(853)	2,569
Total Expenses	277,304	259,866	254,221	17,438	5,645
Change in Net Position	83,582	37,443	29,842	46,139	7,601
Net Position, beginning of year	727,547	690,883	661,041	36,664	29,842
Restatement GASB 101	-	(779)	-	779	(779)
Net Position, end of year	\$ 811,129	\$ 727,547	\$ 690,883	\$ 83,582	\$ 36,664

- Total revenues increased \$63.6 million from FY2024 and increased \$76.8 million from FY2023. The increases in water system and wastewater system revenue are the result of the rate revenue adjustments approved by the Board in FY2023 (average 5%) and FY2025 (average 12%).
- Miscellaneous revenue decreased \$3.5 million from FY2024, primarily due to the decrease in Utility Expansion Charges. The Water Authority's service area had limited growth during FY25 of 0.35%.
- Noncapital subsidies, consisting of grant revenue received from both state and federal sources, increased \$6.9 million from FY2024. The Water Authority has been actively pursuing grant opportunities at the state and federal levels.
- Capital contributions increased \$37.5 million from FY2024 and \$29.8 million from FY2023. In FY2025, the Water Authority received \$15.4 million from infrastructure contributions from developers; \$14.0 million from various state grants; and \$30.5 million was received from federal ARPA grants through Bernalillo County.

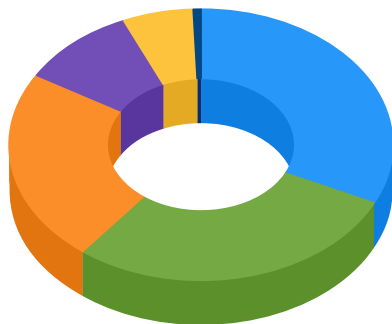
Source of Revenues



- Water System **\$168,975,232** (46.82%)
- Wastewater System **\$95,629,641** (26.50%)
- Capital Contributions **\$65,449,409** (18.14%)
- Miscellaneous **\$13,963,687** (3.87%)
- Other nonoperating **\$9,132,625** (2.53%)
- Noncapital Subsidies **\$7,734,516** (2.14%)

- Operating expenses (exclusive of depreciation and amortization) increased by \$15.9 million from FY2024 and increased \$19.2 million from FY2023. The primary factor is related to non-capitalized major repairs; \$7.7 million was related to non-capital subsidies for the Southside Water Reclamation Plant Outfall Restoration project and the Automated Meter Infrastructure meter replacement program, \$4.0 million was attributed to IT-related projects, including upgrades to software programs, and over \$3.1 million in Utility Expansion Charge reimbursements were distributed.
- Nonoperating interest expense decreased by \$1.8 million from FY2024. This decrease is attributed to some of the Water Authority's older revenue bonds nearing maturity.

Functional Expenses



- Depreciation & Amortization **\$88,957,235** (32.08%)
- General & Administrative **\$79,102,023** (28.53%)
- Source of supply, pumping, treatment & distribution **\$63,731,710** (22.98%)
- Noncapitalized major repair **\$27,244,990** (9.82%)
- Interest expense **\$16,501,189** (5.95%)
- Other nonoperating expense **\$1,766,528** (0.64%)

Capital Assets

The Water Authority's Capital program is composed 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 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 the 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.

During fiscal year 2025, the Water Authority undertook several major capital initiatives aimed at improving infrastructure meant to supply customers with water and wastewater services. Overall, the net carrying value of capital assets—historical cost minus accumulated depreciation—increased by just over \$45 million or 3.8 percent year-over-year from 2024. This increase was primarily driven by the following projects:

- Completion of the Westside Interceptor Project (\$16.2 million), to address emergency repairs and improve aging infrastructure
- Completion of interceptor rehabilitation providing service to Kirtland Air Force Base (\$10.4 million), funded in part by a federal grant
- Replacement of steel water lines in the Huning Castle neighborhood (\$4.6 million)

Depreciation expense for the year totaled \$87.2 million, consistent with prior years, but a marginal increase from 2024 because of a correction based on implementation of a new depreciation accounting software program.

The Water Authority had \$91.3 million in its beginning balance of construction in progress with another \$105.5 million in capital projects started or continuing during 2025. Of those amounts, the Water Authority put almost \$44.8 million into operation during the year and, therefore, reclassified that amount to other capital asset classifications of infrastructure and buildings and improvements. This resulted in an ending balance of construction in progress of \$152 million. Many of the completed and ongoing capital projects are a part of the Water Authority's Water 2120, one hundred year sustainability plan and ongoing rehabilitation efforts.

Additionally, the Water Authority received contributed capital assets in the amount of \$15.4 million from infrastructure contributions from developers.

As previously noted, significant capital investments also are expected to be made as part of the Water Authority's investment in construction of the Westside Bosque Water Reclamation Facility, a new wastewater treatment plant on the west side of the Rio Grande in Albuquerque.

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

Table 3 presents the Water Authority's capital assets at June 30, 2025, 2024 and 2023.

Table 3 Condensed Capital Assets (In thousands of dollars)					
	FY2025	FY2024	FY2023	FY2025 vs FY2024	FY2024 vs FY2023
Capital assets not being depreciated:					
Land	\$ 24,998	\$ 24,998	\$ 25,490	\$ -	\$ (492)
Construction work in progress	152,049	91,325	107,233	60,724	(15,908)
Purchased water rights	49,251	49,251	49,251	-	-
Total capital assets not being depreciated	226,298	165,574	181,974	60,724	(16,400)
Capital assets being depreciated/amortized (net):					
Leases right to use	802	1,033	1,508	(231)	(475)
SBITAs right to use	2,533	1,581	1,815	952	(234)
Buildings and other improvements	994,380	1,010,735	988,494	(16,355)	22,241
Machinery and equipment	11,170	10,391	11,491	779	(1,100)
Total capital assets being depreciated/amortized (net)	1,008,885	1,023,740	1,003,308	(14,855)	20,432
Total Capital Assets	\$ 1,235,183	\$ 1,189,314	\$ 1,185,282	\$ 45,869	\$ 4,032

Long-term Debt

Long-term debt liabilities consist of bonds payable and notes from direct borrowings payable. The amount of debt due within one year totaled \$65.7 million.

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's infrastructure and project needs.

At June 30, 2025, the Water Authority had \$510.6 million in significant long-term debt liabilities outstanding, a net decrease of \$66.0 million, or 11.45 percent from FY2024. This decrease correlates to the revenue bond debt payment schedules as some of the Water Authority's older bond issues are nearing maturity. In April 2025, the Water Authority paid off a New Mexico Finance Authority Water Project Fund loan in the amount of \$2.1 million.

The increase in notes from direct borrowings in FY2024 is related to the loan agreement entered into with the New Mexico Finance Authority in the amount of \$113.4 million.

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

Table 4 presents a summary of the Water Authority's outstanding long-term liabilities at June 30, 2025, 2024, and 2023.

Table 4						
Condensed Long-term Liabilities						
(In thousands of dollars)						
	FY2025	FY2024	FY2023	FY2025 vs FY2024	FY2024 vs FY2023	
Notes from direct borrowings	\$ 123,478	\$ 122,408	\$ 10,291	\$ 1,070	\$ 112,117	
Revenue bonds	387,145	454,255	520,305	(67,110)	(66,050)	
Total	\$ 510,623	\$ 576,663	\$ 530,596	\$ (66,040)	\$ 46,067	

Currently Known Facts, Decisions, or Conditions

The Water Authority is aware of three developments that will have an impact on the Authority's finances in the future and were therefore incorporated into next year's budget:

1. Employee unions' new contracts
2. Electricity rate increases
3. Public Employees' Retirement Association (pension plan) rate changes

Employee unions' new contracts

The collective bargaining agreements for the three unions, Clerical and Technical, Blue Collar, and M Series, expired at the end of fiscal year 2025. The members of the unions ratified a new three-year contract, beginning in FY2026. The key feature of the contract is an annual increase in base pay of: 4% for FY2026, 3% for FY2027, and 3% for FY2028. The same base pay increases will extend to all non-union employees of the Water Authority. The Water Authority budgeted the 4% increase for the FY2026 approved budget.

Electricity rate increases

The Water Authority was notified by the Public Service Company of New Mexico (PNM), the electric utility provider, that a rate increase of 11% would go into effect July 2025 with an additional rate increase of 10% that will go into effect April 2026. The Water Authority is monitoring usage and usage patterns to maximize its usage at non-peak hours to help offset the rate increases. The budget will be revised, if necessary, in the mid-year budget resolution process.

Pension plan rate changes

In 2020, the New Mexico legislature passed Senate Bill 72 (SB72), which increased employee and employer contributions by a total of 2% over a 4-year period. The state delayed the start date of the increases to July 1, 2022 (FY2023). FY2026 is the 4th year of rate increases for SB72 and this increase was included in the FY2026 budget.

Basic Financial Statements

Under the Governmental Accounting Standards Board (GASB), **proprietary fund financial statements** are used to report activities that operate similarly to private-sector businesses—where the intent is to recover costs primarily through user charges. These include **enterprise funds** (e.g., utilities, airports).

The **basic financial statements** for proprietary funds include:

1. **Statement of Net Position**
2. **Statement of Revenues, Expenses, and Changes in Fund Net Position**
3. **Statement of Cash Flows**
4. **Notes to the Financial Statements**



San Juan-Chama Water Treatment Plant Dewatering Facility

Proprietary Fund Financial Statements

Interpreting proprietary fund financial statements involves analyzing how a government's business-type activities perform financially and operationally, using full accrual accounting similar to private-sector enterprises.

- The Statement of Net Position provides a snapshot of the Water Authority's financial condition, showing assets, liabilities, and net position. The Water Authority assesses liquidity by comparing current assets to current liabilities and evaluates long-term solvency by examining total net position, particularly the portion invested in capital assets versus unrestricted resources.
- The Statement of Revenues, Expenses, and Changes in Fund Net Position reveals whether the Water Authority is self-sustaining—operating revenues should ideally cover operating expenses. A consistent operating income indicates effective cost recovery through user fees. Non-operating items, such as capital contributions or interest income, should be reviewed to understand their impact on overall performance.
- The Statement of Cash Flows, presented using the direct method, is crucial for evaluating the Water Authority's ability to generate cash from operations. Positive cash flows from operating activities suggest financial viability, while significant reliance on financing or investing activities may signal structural challenges.

Together, these statements help assess whether the Water Authority is efficiently managing its resources, maintaining financial stability, and delivering services in a fiscally responsible manner.

The Water Authority implemented **GASB Statement No. 103 – Financial Reporting Model Improvements** in fiscal year 2025, marking a significant shift in the presentation of its proprietary fund financial statements. This new standard enhances clarity and decision-usefulness by revising the format of the **Statement of Revenues, Expenses, and Changes in Fund Net Position**, emphasizing a clearer distinction between operating and non-operating activities. The updated structure allows users to better assess whether the Water Authority's business-type activities are self-sustaining or reliant on external support.



Mission Avenue Site Fleet Maintenance Facility

Statements of Net Position

June 30, 2025

(With Comparative Amounts for June 30, 2024)

	2025	2024 (As Restated)
ASSETS		
CURRENT ASSETS:		
Cash	\$ 73,911,169	\$ 19,870,636
Investments	107,641,499	140,275,056
Receivables, net	25,080,668	19,305,099
Notes receivable, current portion	1,717,623	1,929,737
Due from other governments	23,785,474	5,749,883
Prepaid expenses	2,047,395	1,667,614
Total current assets	<u>234,183,828</u>	<u>188,798,025</u>
NONCURRENT ASSETS:		
Long-term notes receivable	7,410,341	7,424,580
Restricted cash	27,982,520	79,407,639
Capital assets:		
Nondepreciable capital assets	226,298,347	165,574,003
Depreciable capital assets, net	<u>1,008,884,973</u>	<u>1,023,739,696</u>
Total noncurrent assets	<u>1,270,576,181</u>	<u>1,276,145,918</u>
TOTAL ASSETS	<u>1,504,760,009</u>	<u>1,464,943,943</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension - related items	17,786,241	17,578,105
OPEB - related items	3,700,438	4,474,661
Debt refunding	<u>2,986,886</u>	<u>4,343,738</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>24,473,565</u>	<u>26,396,504</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	50,131,593	34,300,579
Claims and judgments, current portion	1,112,019	1,251,931
Compensated absences, current portion	5,286,810	4,185,913
Debt obligations, current portion:		
Notes from direct borrowings	721,545	777,657
Revenue bonds	64,990,000	67,110,000
Deposits	1,332,315	1,205,545
Leases, current portion	343,709	391,360
Subscriptions, current portion	749,082	380,976
Unearned grant revenue	<u>10,330,485</u>	<u>—</u>



(continued from above)↑

	2025	2024 (As Restated)
Total current liabilities	134,997,558	109,603,961
NONCURRENT LIABILITIES:		
Claims and judgments, net of current portion	2,686,897	2,934,244
Compensated absences, net of current portion	2,597,328	2,198,603
Debt obligations, net of current portion:		
Notes from direct borrowings	122,756,272	121,630,376
Revenue bonds	347,097,536	419,392,720
Leases, net of current portion	508,516	691,768
Net pension liability	78,207,747	77,093,018
Net OPEB liability	10,973,399	12,308,989
Subscriptions, net of current portion	787,425	334,225
Total noncurrent liabilities	565,615,120	636,583,943
TOTAL LIABILITIES	700,612,678	746,187,904
DEFERRED INFLOWS OF RESOURCES		
Pension - related items	5,136,012	1,518,488
OPEB - related items	11,950,065	15,589,328
Lease - related items	406,103	497,446
TOTAL DEFERRED INFLOWS OF RESOURCES	17,492,180	17,605,262
NET POSITION		
Net investment in capital assets	728,198,640	662,355,993
Unrestricted	82,930,075	65,191,287
TOTAL NET POSITION	\$ 811,128,715	\$ 727,547,280

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, 2025

(With Comparative Amounts for the Year Ended June 30, 2024)

	2025	2024 (As Restated)
OPERATING REVENUES:		
Charges for services:		
Water system	\$ 168,975,232	\$ 156,874,211
Wastewater system	95,629,641	82,203,200
Miscellaneous	13,963,687	17,461,111
Total operating revenues	<u>278,568,560</u>	<u>256,538,522</u>
OPERATING EXPENSES:		
General and administrative	79,102,023	75,088,364
Source of supply, pumping, treatment and distribution	63,731,710	63,881,373
Non-capitalized major repair	27,244,990	15,209,393
Depreciation & Amortization	88,957,235	84,806,086
Total operating expenses	<u>259,035,958</u>	<u>238,985,216</u>
OPERATING INCOME	<u>19,532,602</u>	<u>17,553,306</u>
NONCAPITAL SUBSIDIES:		
Intergovernmental revenue	7,734,516	884,133
Total noncapital subsidies	<u>7,734,516</u>	<u>884,133</u>
Operating income and noncapital subsidies	<u>27,267,118</u>	<u>18,437,439</u>
NONOPERATING REVENUES (EXPENSES):		
Investment earnings	8,948,084	9,259,659
Interest expense	(16,501,189)	(18,260,649)
Gain (loss) on disposal of assets	(1,359,371)	389,940
Debt issuance costs	(222,616)	(348,842)
Capital contributions	65,449,409	27,966,161
Total nonoperating revenues (expenses), net	<u>56,314,317</u>	<u>19,006,269</u>
Increase in net position	83,581,435	37,443,708
NET POSITION:		
Net position, beginning of year	727,547,280	690,882,705
Restatement GASB 101	—	(779,133)
Net position, end of year	<u>\$ 811,128,715</u>	<u>\$ 727,547,280</u>

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



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Statements of Cash Flows

For the Year Ended June 30, 2025

(With Comparative Amounts for the Year Ended June 30, 2024)

	2025	2024 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 273,019,344	\$ 262,823,239
Payments to employees	(69,372,156)	(68,819,156)
Payments to suppliers	(82,243,152)	(93,255,557)
Other operating receipts (payments)	5,813,101	(4,765,287)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>127,217,137</u>	<u>95,983,239</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contributions	42,357,880	7,391,058
Interest paid on debt	(24,251,400)	(22,755,419)
Principal paid on debt	(69,982,219)	(69,614,876)
Proceeds from disposition of assets	184,541	2,661,326
Proceeds from revenue bonds and loans	3,942,003	121,613,551
Purchase of capital assets	(118,434,170)	(72,405,169)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(166,183,365)</u>	<u>(33,109,529)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends	8,948,084	9,259,659
Proceeds from sales and maturities of investments	32,633,557	(90,392,114)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>41,581,641</u>	<u>(81,132,455)</u>
NET INCREASE (DECREASE) IN CASH	2,615,413	(18,258,745)
BALANCES, BEGINNING OF YEAR	<u>99,278,275</u>	<u>117,537,020</u>
BALANCES, END OF YEAR	<u>\$ 101,893,688</u>	<u>\$ 99,278,275</u>
FINANCIAL STATEMENT PRESENTATION:		
Cash	73,911,169	19,870,636
Restricted cash	27,982,520	79,407,639
TOTAL FINANCIAL STATEMENT PRESENTATION:	<u>101,893,689</u>	<u>99,278,275</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	19,532,603	17,553,306
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	88,957,235	84,806,086
Other nonoperating income (expense), net	5,813,101	(4,765,287)

(continued from above)↑

	2025	2024 (As Restated)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts payable and accrued expenses	17,883,640	2,562,890
Deferred inflows of resources	(113,082)	(2,098,755)
Deferred outflows of resources	566,087	(5,829,680)
Deposits	126,770	106,288
Receivables, net	(5,549,217)	3,648,391
Total Adjustments	<u>107,684,534</u>	<u>78,429,933</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 127,217,137</u></u>	<u><u>\$ 95,983,239</u></u>
DISCLOSURE ON NON-CASH TRANSACTIONS:		
Amortization of deferred amounts on refunding	\$ 1,356,852	\$ 3,117,383
Amortization of premium on revenue bonds	(7,305,184)	(8,624,682)
Assets acquired through leases & subscription assets (SBITAs)	2,734,634	1,204,140
Capital contributions received from private developers	15,367,860	17,563,158
Debt issuance costs deducted directly from issuance of refunding bonds	(222,616)	(348,842)
Net book value of disposed capital assets	(1,543,913)	(2,310,358)

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, 2025 and 2024

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Summary of Significant Accounting Policies

Reporting Entity

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 with 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.

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, 2025 and 2024, the Water Authority does not have any component units.

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 in City-owned buildings to the Water Authority.

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.

Measurement focus describes what type of information the financial statements present. The Water Authority uses the *economic resources* measurement focus — reporting all assets, liabilities, and net position as well as transactions, events, or interfund activity of the period that affect the net position. This measurement focus shows the Water Authority's overall economic position, not just short-term finances.

Basis of accounting describes when changes are recognized. The Water Authority uses the *accrual accounting* basis — recording revenues when they are earned and expenses when they are incurred, regardless of cash flow.

The Water Authority distinguishes operating revenues and expenses from nonoperating revenues and expenses. In accordance with GASB Statement No. 103, nonoperating revenues and expenses include:

- Subsidies received and provided — such as grants or transfers intended to support operations
- Contributions to permanent and term endowments
- Revenues and expenses related to financing activities — such as interest income and interest expense
- Proceeds and costs from the disposal of capital assets and inventory
- Investment income and investment-related expenses

Operating revenues and expenses are defined as all revenues and expenses that are not classified as nonoperating.

The accompanying financial statements present the financial position of the Water Authority at June 30, 2025 and 2024, and the results of its operations for the years ended June 30, 2025 and 2024 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.

New Accounting Pronouncements

In FY2025, the Water Authority elected to early implement GASB Statement No. 104, *Disclosure of Certain Capital Assets*, which aims to enhance transparency and consistency in financial reporting by requiring separate disclosures for certain types of capital assets in the notes to financial statements.

In FY2025, the Water Authority elected to early implement GASB Statement No. 103, *Financial Reporting Model Improvements*. This early adoption, including the restatement of FY2024 beginning net position, was made in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections* as it is considered a change in accounting principle. GASB 103 introduces targeted improvements to the financial reporting model to enhance the usefulness of financial statements for decision-making and accountability. Key changes include:

- **Management's Discussion and Analysis (MD&A):** The MD&A has been restructured to focus more on explanations of year-over-year changes, reduce boilerplate language, and include five required sections:
 1. Overview of the Financial Statements
 2. Financial Summary
 3. Detailed Analyses of Changes
 4. Significant Capital Asset and Long-Term Financing Activity
 5. Currently Known Facts, Decisions, or Conditions
- **Unusual or Infrequent Items:** These are now presented as the final flow of resources before the net change in resources, with accompanying disclosures explaining the nature and impact of the event.
- **Proprietary Fund Statements:** The statement of revenues, expenses, and changes in fund net position has been revised to separately present subsidies and clarify operating vs. nonoperating activities.
- **Budgetary Comparisons:** Enhanced presentation and disclosure requirements have been adopted to improve clarity and comparability.

The Water Authority applied the provisions of GASB 103 retroactively where practicable. The early implementation did not result in a restatement of prior year balances but did improve the transparency and relevance of current year financial reporting.

In FY2025, the Water Authority implemented GASB Statement No. 102, *Certain Risk Disclosures*, which aims to improve transparency in financial reporting by requiring disclosures about vulnerabilities to substantial financial impacts arising from:

- **Concentrations:** A lack of diversity in significant inflows or outflows of resources (e.g., reliance on a single employer, industry, funding source)
- **Constraints:** Limitations imposed by external parties or formal actions of a government's highest decision-making authority (e.g., legal caps on revenue or debt)

In FY2025, the Water Authority implemented GASB Statement No. 101, *Compensated Absences*, which establishes a unified recognition and measurement model for all types of compensated absences.

In FY2024, the Water Authority implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*, to improve the clarity, reliability, and comparability of financial reporting related to accounting changes and error corrections.

Assets, Liabilities, and Net Position

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 date for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures.

Prepaid items

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

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 uncollectible debt. This avoids excess accrual beyond four years of accounts receivable while also accurately reporting the financial position of the Water Authority and complying with state debt-collection law. Any accounts discharged through bankruptcy court are automatically written off.

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.

- The Water Authority uses its current borrowing rate as the discount rate for leases.
- 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. See Note “Leases” for additional accounting policies related to leases.

Capital assets

The 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 an 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.

Accounts and leases 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 the 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.

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.

- 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.
- 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 a 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 liabilities are reported with long-term debt on the statements of net position.

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 non-cancellable 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 uses to discount the expected SBITA payments to present value, (2) SBITA terms, and (3) SBITA payments.

- The Water Authority uses a rate of 5% for all SBITAs.
- 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.
- 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 re-measurement 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.

Accrued compensated absences

The employees of the Water Authority may accumulate limited amounts of vacation and sick leave and compensatory time that is payable to the employee upon termination or retirement. In accordance with GASB Statement No. 101, the Water Authority recognizes a liability for the compensated absences when:

- The leave is attributable to services already rendered.
- The leave accumulates.
- It is more likely than not that the leave will be used or otherwise paid/settled in cash or noncash form.

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 2025 consists of \$7,305,184 in amortization expense, which is reported as a portion of interest expense. Amortization expense during fiscal year 2024 was \$8,624,682. Bond issuance costs are expensed as incurred.

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 re-acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two deferred outflows 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.

Net position

The Water Authority's net position is presented in three categories:

- Net investment in capital assets
- Restricted
- Unrestricted

Net investment in capital assets — This category represents the value of capital assets—such as buildings and equipment—net of accumulated depreciation and reduced by any outstanding debt used to acquire, construct or improve 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.

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 asset's 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.

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.

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 required supplementary information represent the Water Authority's budget by program. For FY2025, 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 as an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

Cash and Investments

At June 30, 2025, the carrying amount of the Water Authority's deposits and investments was \$209,535,188 and the bank and investment balance was \$220,160,763. The difference represents outstanding checks, deposits, and other reconciling items.

Cash and investments for both restricted and unrestricted balances comprised the following at June 30, 2025 and 2024:

	2024		2025	
Restricted	\$	79,407,639	\$	27,982,520
Unrestricted				
Cash		19,870,636		73,911,169
Investments		140,275,056		107,641,499
Total cash and investments reported in statements of net position	\$	239,553,331	\$	209,535,188

Custodial credit risk

Deposits. Custodial credit risk is the risk that, in the event of a 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, 2025 and 2024, \$112,019,264 and \$99,901,640, 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, 2025 and 2024 consisted of the following:

	Wells Fargo Bank		Bank of Albuquerque		Rio Grande Credit Union	
	2024	2025	2024	2025	2024	2025
Total amount on deposit	\$ 99,814,081	\$ 108,775,119	\$ 587,559	\$ 3,744,145	\$ 235,292	\$ -
Less: FDIC coverage	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	-
Total uninsured public funds	99,564,081	108,525,119	337,559	3,494,145	-	-
50% collateral requirement	49,782,041	54,262,559	168,780	1,747,072	-	-
Pledged securities, fair value	71,825,464	78,447,303	5,554,432	3,415,530	-	-
Pledged in excess of requirement	\$ 22,043,423	\$ 24,184,744	\$ 5,385,652	\$ 1,668,458	\$ -	\$ -

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 that 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 the 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 following 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. The following are the Water Authority's investment balances at June 30, 2025 and 2024:

Investment Type	Fair Value		Weighted Average		Category	
	2024	2025	2024	2025	2024	2025
State Treasurer's Investment Pool (LGIP)	\$ 41,159,724	\$ 45,701,561	0.08	0.05	N/A	N/A
U.S. Treasury Bills (US Government obligations)	99,115,332	61,939,938	0.09	0.192	Level 1	Level 1
Total Investments	\$ 140,275,056	\$ 107,641,499				

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.

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 and the State Treasurer's LGIP are rated AAAM by Standard & Poor's.

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.

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, 2025, the Water Authority's portfolio has no investments that matured beyond 12 months; the LGIP WAM (R) was 18 days and the WAM (F) was 75 days. The U.S. Treasury bill WAM was 70 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 are related to capital improvement projects and the Water Authority also has various miscellaneous receivables.

The Water Authority has entered into agreements to lease property to third parties. The leases range in term from two to twenty-five years.

Accounts and leases receivable, notes receivable, and due from other governments of the Water Authority for the years ended June 30, 2025 and 2024, are as follows:

	2024	2025
Accounts	\$ 19,054,630	\$ 24,939,578
Notes	9,354,317	9,127,964
Due from other governments	5,749,883	23,785,474
Leases	585,099	502,328
Less: allowance for doubtful accounts	(334,630)	(361,238)
Total receivable, net	\$ 34,409,299	\$ 57,994,106

A table of lease revenue, lease receivable, and deferred inflow of resources for the years ended June 30, 2025 and 2024, is as follows:

	2024		2025	
Monthly lease payments	\$	82,772	\$	90,725
Lease receivable	\$	585,099	\$	502,328
Deferred inflow of resources	\$	497,446	\$	406,103

Capital Assets

The capital asset activity of the Water Authority for the year ended June 30, 2025, is as follows:

Capital Asset Activity	2024	Additions	Transfers / Deletions	2025
Capital assets, not being depreciated:				
Land	\$ 24,997,731	\$ -	\$ -	\$ 24,997,731
Purchased water rights	49,251,368	-	-	49,251,368
Construction in progress	91,324,904	105,520,891	(44,796,546)	152,049,248
Total capital assets, not being depreciated	165,574,003	105,520,891	(44,796,546)	226,298,347
Capital assets, being depreciated/amortized:				
Buildings and improvements	2,794,985,206	24,451,757	41,000,602	2,860,437,565
Equipment	50,201,582	3,829,382	(1,777,328)	52,253,636
Lease assets:				
Buildings	2,474,464	-	-	2,474,464
Equipment	660,040	296,811	(405,265)	551,586
Subscription assets	5,037,506	2,437,823	(311,960)	7,163,369
Total capital assets, being depreciated/amortized	2,853,358,799	31,015,773	38,506,049	2,922,880,620
Less: accumulated depreciation/amortization:				
Buildings and improvements	(1,784,249,794)	(84,066,827)	2,259,231	(1,866,057,390)
Equipment	(39,811,011)	(3,043,037)	1,770,128	(41,083,920)
Lease assets:				
Buildings	(1,647,450)	(261,162)	-	(1,908,612)
Equipment	(454,294)	(100,730)	239,371	(315,653)
Subscription assets	(3,456,554)	(1,485,479)	311,960	(4,630,073)
Total accumulated depreciation/amortization	(1,829,619,103)	(88,957,235)	4,580,690	(1,913,995,648)
Total capital assets, being depreciated/amortized, net	1,023,739,696	(57,941,462)	43,086,739	1,008,884,973
Total capital assets, net	\$ 1,189,313,698	\$ 47,579,429	\$ (1,709,807)	\$ 1,235,183,320

The capital asset activity of the Water Authority for the year ended June 30, 2024, is as follows:

Capital Asset Activity	2023	Additions	Transfers / Deletions	2024
Capital assets, not being depreciated:				
Land	\$ 25,490,033	\$ 260,000	\$ (752,302)	\$ 24,997,731
Purchased water rights	49,251,368	-	-	49,251,368
Construction in progress	107,233,215	50,024,866	(65,933,177)	91,324,904
Total capital assets, not being depreciated/amortized	181,974,616	50,284,866	(66,685,479)	165,574,003
Capital assets, being depreciated:				
Buildings and improvements	2,694,917,618	36,796,302	63,271,286	2,794,985,206
Equipment	48,079,471	2,887,158	(765,047)	50,201,582
Lease assets:				
Buildings	2,474,464	-	-	2,474,464
Equipment	663,228	14,009	(17,198)	660,040
Subscription assets	3,847,375	1,190,131	-	5,037,506
Total capital assets, being depreciated/amortized	2,749,982,157	40,887,601	62,489,041	2,853,358,799
Less: accumulated depreciation/amortization:				
Buildings and improvements	(1,706,424,250)	(78,926,722)	1,101,178	(1,784,249,794)
Equipment	(36,588,432)	(3,987,626)	765,047	(39,811,011)
Lease assets:				
Buildings	(1,386,287)	(261,162)	-	(1,647,450)
Equipment	(243,198)	(211,162)	66	(454,294)
Subscription assets	(2,032,430)	(1,419,413)	(4,711)	(3,456,554)
Total accumulated depreciation/amortization	(1,746,674,598)	(84,806,086)	1,861,581	(1,829,619,103)
Total capital assets, being depreciated/amortized, net	1,003,307,559	(43,918,485)	64,350,622	1,023,739,696
Total capital assets, net	\$ 1,185,282,175	\$ 6,366,381	\$ (2,334,857)	\$ 1,189,313,698

Capital Assets Held for Sale

As of June 30, 2025, the Water Authority has capital assets that are being held for sale. The Water Authority intends to sell these capital assets within the next fiscal year.

The following list contains capital assets identified by the Water Authority that meet the criteria for classification as held for sale under GASB Statement No. 104. There are no outstanding or pending sales for FY2024. As of the reporting date, no debt is outstanding for which these assets are pledged as collateral.

The following table summarizes the capital assets held for sale by major asset class:

Asset Class	Historical Cost	Accumulated Depreciation	Net Book Value
Land	\$ 1,502,082	\$ -	\$ 1,502,082
Total	\$ 1,502,082	\$ -	\$ 1,502,082

Long-term Obligations

At June 30, 2025, the Water Authority has outstanding revenue bonds and notes from direct borrowings with the New Mexico Finance Authority (NMFA) totaling \$387,145,000 and \$123,477,817, 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.

Changes in the long-term obligations for the years ended June 30, 2025 and 2024, are as follows:

Long-term obligations	Restated 2024	Additions	Deletions / Defeasance	2025
Revenue bonds	\$ 454,255,000	\$ -	\$ (67,110,000)	\$ 387,145,000
Notes from direct borrowings	122,408,033	3,942,003	(2,872,219)	123,477,817
Unamortized premiums	32,247,720	-	(7,305,184)	24,942,536
Leases	1,083,128	283,608	(514,510)	852,226
Subscription assets (SBITAs)	715,202	2,437,823	(1,616,518)	1,536,507
Accrued compensated absences	6,384,516	5,781,148	(4,281,525)	7,884,139
Total long-term liabilities	\$ 617,093,599	\$ 12,444,582	\$ (83,699,956)	\$ 545,838,225

2025 - Long-term obligations	Amounts Due in One-Year
Revenue bonds	\$ 64,990,000
Notes from direct borrowings	721,546
Unamortized premiums	-
Leases	343,709
Subscription assets (SBITAs)	749,082
Accrued compensated absences	5,286,810
Total liabilities	\$ 72,091,147

Long-term obligations:	Restated 2023	Additions	Deletions / Defeasance	Restated 2024
Revenue bonds	\$ 520,305,000	\$ -	\$ (66,050,000)	\$ 454,255,000
Notes from direct borrowings	10,290,900	113,718,275	(1,601,142)	122,408,033
Unamortized premiums	32,977,126	7,895,276	(8,624,682)	32,247,720
Leases	1,548,863	-	(465,734)	1,083,128
Subscription assets (SBITAs)	1,026,261	1,062,626	(1,373,685)	715,202
Accrued compensated absences	6,341,696	4,228,732	(4,185,913)	6,384,516
Total long-term liabilities	\$ 572,489,846	\$ 126,904,909	\$ (82,301,156)	\$ 617,093,599

2024 - Long-term obligations	Amounts due in One-Year
Revenue bonds	\$ 67,110,000
Notes from direct borrowings	777,657
Unamortized premiums	-
Leases	391,360
Subscription assets (SBITAs)	380,977
Accrued compensated absences	4,185,913
Total long-term liabilities	\$ 72,845,907

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.

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, 2025, the net revenues were 178% of the annual debt service on all outstanding senior lien obligations.

On October 31, 2023, the Water Authority entered into a loan agreement in the amount of \$121,320,276 (representing a par amount of \$113,425,000 plus a premium of \$7,895,276) with the New Mexico Finance Authority. The interest rate was 5.00 percent with a life of 24 years. Proceeds from the loan will be allocated as follows: (i) approximately \$56 million will be used for capital projects under the Water Authority's Decade Plan, and (ii) approximately \$65 million for special projects. Proceeds of the loan will also be used to pay the costs of issuance of the loan.

On May 24, 2024, the Water Authority entered into a reimbursable loan/grant senior lien agreement in the amount of \$1,100,000 with the NMFA/Drinking Water State Revolving Loan Fund which consists of an available loan amount of \$770,000 and grant funds totaling \$330,000. Payments due for the loan portion start no greater than twenty-seven (27) months after the closing date of the project beginning May 1, 2027. This loan/grant will be used to fund the costs of conducting a lead service line replacement project and associated activities.

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, 2025, the net revenues were 158% of the annual debt service on all outstanding subordinate lien obligations.

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.

On January 19, 2024, the Water Authority entered into a reimbursable loan/grant super subordinate lien agreement in the amount of \$3,700,000 with the NMFA/Water Project Fund which consists of an available loan amount of \$370,000 and grant funds totaling \$3,330,000. Payments due for the loan portion start no greater than two years after the closing date of the project. This loan/grant will be used to fund the construction of the Southside Water Reclamation Plant Outfall project.

On September 18, 2024, the Water Authority entered into a reimbursable loan/grant super subordinate lien agreement in the amount of \$5,000,000 with the NMED/Clean Water State Revolving Loan Fund which consists of an available loan amount of \$4,000,000 and grant funds totaling \$1,000,000. Payments due for the loan portion start no greater than two years after the closing date of the project. This loan/grant will be used to fund the construction of a wastewater pipeline, extending existing reuse water delivery to the Winrock site and to public parks in Albuquerque.

On December 27, 2024, the Water Authority entered into a reimbursable loan/grant super subordinate lien agreement in the amount of \$2,000,000 with the NMFA/Water Project Fund which consists of an available loan amount of \$200,000 and grant funds totaling \$1,800,000. Payments due for the loan portion start no greater than twenty-four (24) months after the closing date of the project beginning June 1, 2027. This loan/grant will be used to fund Phase 8 of the Advanced Metering Infrastructure project.

On December 27, 2024, the Water Authority entered into a reimbursable loan/grant super subordinate lien agreement in the amount of \$200,000 with the NMFA/Water Project Fund which consists of an available loan amount of \$20,000 and grant funds totaling \$180,000. Payments due for the loan portion start no greater than twenty-four (24) months after the closing date of the project beginning June 1, 2027. This loan/grant will be used to fund the design of the Thomas Wells Arsenic Treatment Plant.

On April 11, 2025, the Water Authority entered into a reimbursable loan/grant super subordinate lien agreement in the amount of \$902,500 with the NMFA/Water Project Fund which consists of an available loan amount of \$90,250 and grant funds totaling \$812,250. Payments due for the loan portion start no greater than twenty-four (24) months after the closing date of the project beginning June 1, 2028. This loan/grant will be used to fund the expansion of the Drinking Water Treatment Plant Large-Scale Aquifer Recharge project.

On April 23, 2025, the Water Authority entered into a reimbursable loan/grant super subordinate lien agreement in the amount of \$10,000,000 with the NMED/Clean Water State Revolving Loan Fund which consists of an available loan amount of \$9,000,000 and grant funds totaling \$1,000,000. Payments due for the loan portion start no greater than one year after the closing date of the project. This loan/grant will be used to fund the construction of infrastructure for the beneficial use of reuse water in the Mesa del Sol area of Albuquerque.

Revenue bonds	2024	2025
\$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	\$ 2,420,000	\$ -
\$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	32,550,000	21,640,000
\$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	17,205,000	8,635,000
\$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	122,120,000	104,845,000
\$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	61,760,000	56,600,000
\$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	52,305,000	45,880,000
\$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	57,440,000	51,055,000
\$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	35,200,000	28,585,000
\$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	69,905,000
Total revenue bonds outstanding	454,255,000	387,145,000
Plus: unamortized premiums	24,935,410	18,504,675
Net revenue bonds outstanding	\$ 479,190,410	\$ 405,649,675

Notes from direct borrowings	2024	2025
\$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	\$ 3,472,816	\$ 2,894,616
\$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	2,124,170	-
\$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	1,457,686	1,413,798
\$113,425,000 Senior Lien New Mexico Finance Authority Loan (2023), due in annual installments of \$3,830,595 to \$11,985,300 through 7/1/2048; interest at 5.00-5.250%; call provision of 100% at 7/1/2033	113,425,000	113,425,000
\$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	760,824	682,887
\$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	764,472	725,325
\$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	191,337	182,461
\$770,827 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2022), due in annual installments of \$39,668 through 6/1/2043; interest at 0.25%; no prepayment provision	169,396	770,827
\$710,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2023), due in annual installments of \$46,865 through 6/1/2044; interest at 0.25%; no prepayment provision	42,332	624,436
\$770,000 Senior Lien New Mexico Finance Authority (2024), due in annual installments of \$1,802 to \$78,062 through 5/1/2036; interest at 0.25%; no prepayment provision	-	139,847
\$370,000 Super Subordinate Lien New Mexico Finance Authority (2024), due in annual installments of \$19,053 to \$19,054 through 6/1/2045; interest at 0.25%; no prepayment provision	-	310,175
\$4,000,000 Super Subordinate Lien New Mexico Environment Department (2025), due in annual installments of \$200,210 date not yet determined; interest at 0.01%; no prepayment provision	-	2,078,720
\$200,000 Super Subordinate Lien New Mexico Finance Authority (2025), due in annual installments of \$10,300 through 6/1/2046; interest at 0.25%; no prepayment provision	-	189,875
\$20,000 Super Subordinate Lien New Mexico Finance Authority (2025), due in annual installments of \$1,026 to \$1,048 through 6/1/2046; interest at 0.25%; no prepayment provision	-	20,000
\$90,250 Super Subordinate Lien New Mexico Finance Authority (2025), due in annual installments of \$4,656 to \$4,657 through 6/1/2047; interest at 0.25%; no prepayment provision	-	19,850
Total notes from direct borrowings	122,408,033	123,477,817
Plus: unamortized premiums	7,312,310	6,437,861
Net notes from direct borrowings	\$ 129,720,343	\$ 129,915,678

Future maturities of notes from direct borrowings and revenue bonds as of June 30, 2025, are as follows:

Fiscal Year	Revenue bonds		Notes from direct borrowings		Total
	Principal	Interest	Principal	Interest	
2026	\$ 64,990,000	\$ 15,165,240	\$ 721,546	\$ 5,802,082	\$ 86,678,868
2027	53,975,000	12,409,294	1,383,859	5,795,077	73,563,230
2028	45,530,000	10,234,529	7,391,511	5,609,451	68,765,491
2029	38,870,000	8,494,519	7,651,065	5,272,985	60,288,569
2030	40,225,000	6,787,225	7,824,669	4,921,877	59,758,771
2031-2035	120,705,000	13,853,637	42,334,928	18,861,554	195,755,119
2036-2040	12,385,000	2,714,684	21,441,619	10,503,406	47,044,709
2041-2045	7,190,000	1,366,500	17,590,112	6,610,478	32,757,090
2046-2050	3,275,000	132,300	16,976,650	1,821,640	22,205,590
2051-2054	-	-	161,858	3,145	165,003
Total	\$ 387,145,000	\$ 71,157,928	\$ 123,477,817	\$ 65,201,695	\$ 646,982,440

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. The refunded debt for the Series 2013A Bonds was paid in full at June 30, 2025.

Leases

The Water Authority has entered into leases for acquisition and use of buildings and equipment. The Water Authority is required to make principal and interest payments for these leases using an interest rate of 5% for leases entered into prior to July 1, 2020, and 3.737% for its leases entered into on or after July 1, 2020. The buildings and equipment are amortized over the lease term.

The lease liability balances are reported on the Statements of Net Position and included in accrued expenses.

The Water Authority made principal and interest payments for these leases in the amount of \$514,510 and \$465,734 for the years ended June 30, 2025 and 2024, respectively. The future principal and interest lease payments as of June 30, 2025 are as follows:

Year Ended June 30:	Principal	Interest	Total
2026	343,709	15,964	359,673
2027	350,538	8,769	359,307
2028	109,008	3,075	112,083
2029	47,542	778	48,320
2030	1,429	10	1,439
Total 2026-2030	\$ 852,226	\$ 28,596	\$ 880,822

The lease liability, right to use assets, and accumulated amortization are as follows:

	2024	2025
Lease liability	\$ 1,083,128	\$ 852,226
Right-to-use assets	\$ 3,134,504	\$ 3,026,050
Accumulated amortization	(2,101,744)	(2,224,265)
Right-to-use assets, net	\$ 1,032,760	\$ 801,785

Subscription-Based Information Technology Arrangements (SBITA's)

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, 2025 and June 30, 2024, is as follows:

Subscription assets (SBITAs)	2024			2025	
	Balances	Additions	Transfers / Deletions	Balances	
Right to use assets	\$ 5,037,506	\$ 2,437,823	\$ (311,960)	\$ 7,163,369	
Accumulated amortization	(3,456,554)	(1,485,479)	311,960	(4,630,073)	
Total net asset balance	\$ 1,580,952	\$ 952,344	\$ -	\$ 2,533,296	

Subscription assets (SBITAs)	2023			2024	
	Balances	Additions	Transfers / Deletions	Balances	
Right to use assets	\$ 3,847,375	\$ 1,190,131	\$ -	\$ 5,037,506	
Accumulated amortization	(2,032,430)	(1,419,413)	(4,711)	(3,456,554)	
Total net asset balance	\$ 1,814,945	\$ (229,282)	\$ (4,711)	\$ 1,580,952	

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 3.7%. The IBR is an estimation made by the Water Authority based on current State of New Mexico borrowing rates at June 30, 2025.

The future principal and interest payments on the SBITAs as of June 30, 2025 is as follows:

Year ended June 30:	Principal	Interest	Total
2026	\$ 749,082	\$ 77,165	\$ 826,248
2027	781,918	39,626	821,543
2028	5,507	282	5,789
Total	\$ 1,536,507	\$ 117,073	\$ 1,653,580

Compensated Absences

Employees of the Water Authority earn vacation and sick leave and compensatory time benefits that may be carried forward to future periods. In accordance with GASB Statement No. 101, the Water Authority recognizes a liability for compensated absences when:

- The leave is attributable to services already rendered by employees.
- The leave accumulates and can be carried forward.
- It is **more likely than not** that the leave will be used or otherwise paid or settled.

The liability includes amounts for leave that has been used but not yet paid, as well as accumulated leave expected to be taken or paid in the future. The liability is measured using current pay rates and includes applicable employer-related costs (such as payroll taxes).

As a result of this implementation, the Water Authority evaluated its existing compensated absences policies and recalculated its liability using the updated criteria. The Water Authority applied GASB 101 retroactively, as required, and updated the comparative financial statements where practicable. The transition resulted in a restatement of the beginning net position for FY2024 as follows.

	2024	2025
Beginning Net Position, as previously reported	\$ 690,882,705	\$ 727,547,280
Adjustment for GASB 101 implementation	(779,133)	-
Restated Beginning Net Position	\$ 690,103,572	\$ 727,547,280

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

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 are 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>.

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.

The following is a general summary of contribution rates and pension factors in effect during FY25 and FY24:

Municipal General Plan 3	2024		2025	
	Tier 1	Tier 2	Tier 1	Tier 2
Required Contribution Rates for:				
Employer	10.80%	10.80%	11.30%	11.30%
Employee < \$20,000	13.15%	13.15%	13.15%	13.15%
Employee > \$20,000	15.65%	15.65%	16.15%	16.15%
Pension Factor per year of Service	3.00%	2.50%	3.00%	2.50%
Pension Maximum as Percent of Final Average Salary	100%	100%	100%	100%

Contributions and funding policy.

The contribution requirements for 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 2025 and 2024 were \$4,594,438 and \$4,410,595, respectively; and the employer paid member benefits that were “picked up” by the employer were \$4,321,497 for the year ended June 30, 2025, and \$4,340,336 for the year ended June 30, 2024.

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

At June 30, 2025, the Water Authority reported a liability of \$78,207,747 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2024, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2023. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2024. 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, 2024, the Water Authority’s proportion was 3.27738%, which was a decrease of 0.36341% from its proportion measured as of June 30, 2023.

At June 30, 2024, the Water Authority reported a liability of \$77,093,018 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2023 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, 2023. 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, 2023, the Water Authority’s proportion was 3.64079%, which was a decrease of 0.02247% from its proportion measured as of June 30, 2022.

The Water Authority recognized pension expense for the fiscal years ended June 30, 2025 and June 30, 2024 of \$8,962,602 and \$9,290,585, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,786,147	\$ 940,857	\$ 7,427,366	\$ 291,654
Changes of assumptions	-	-	2,514,626	-
Net difference between projected and actual earnings	7,248,562	-	3,249,811	-
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	132,801	577,631	-	4,844,358
Water Authority contributions subsequent to the measurement date	4,410,595	-	4,594,438	-
Total	\$ 17,578,105	\$ 1,518,488	\$ 17,786,241	\$ 5,136,012

In fiscal years 2024 and 2025, the \$4,410,595 and \$4,594,438, 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's net pension liability in the years ending June 30, 2025 and 2026, 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:

Year ended June 30:	2024	2025
2025	\$ 3,679,452	\$ -
2026	625,556	1,151,393
2027	6,683,996	6,622,573
2028	660,018	629,606
2029	-	(347,781)
2030	-	-

Actuarial assumptions.

For fiscal years 2025 and 2024, the total pension liability in June 30, 2024 and 2023, respectively, actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial assumptions	2024	2025
Actuarial valuation date:	June 30, 2022	June 20, 2023
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 rate:	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.	Pre-retirement mortality: PUB-2010 General Employees Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For non-public safety group, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates:	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)	The Board adopted new actuarial assumptions on May 30, 2024 based on the 2024 actuarial experience study prepared as of June 30, 2023. Experience study was conducted for July 1, 2018 to June 30, 2023.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2023 and June 30, 2022, respectively. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2024 and June 30, 2023, respectively. These assumptions were adopted by the Board for use in the June 30, 2023 and June 30, 2022 actuarial valuation, respectively.

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:

	2024		2025	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	38.00%	6.90%	46.00%	3.90%
Core Fixed Income	0.00%	0.00%	13.00%	2.20%
Credit	0.00%	0.00%	17.00%	2.30%
Absolute Return	0.00%	0.00%	6.00%	2.60%
Real Assets	0.00%	0.00%	18.00%	5.90%
Risk Reduction and Mitigation	17.00%	3.90%	0.00%	0.00%
Credit Oriented Fixed Income	19.00%	6.00%	0.00%	0.00%
Real Assets to include Real Estate Equity	18.00%	7.00%	0.00%	0.00%
Multi-risk Allocation	8.00%	0.61%	0.00%	0.00%
Total	100.00%		100.00%	

Discount rate.

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2024 and June 30, 2023. 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 periods 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.

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:

	Year	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Water Authority's proportionate share of the net position liability	2023	\$ 111,773,355	\$ 77,093,018	\$ 48,259,075
	2024	\$ 112,491,441	\$ 78,207,747	\$ 49,866,334

Defined Contribution Retirement Plan

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.

Benefits provided.

The 401(a) plan is a retirement savings plan that allows you to set aside money for retirement. The benefits provided enable employees to reduce current income taxes while boosting retirement investments. Employees also have the ability to rollover savings to another public-sector employer's 401(a) plan, a tax-sheltered 403(b) annuity plan, a 457 plan or an IRA if an employee changes employers. Pre-tax contributions are not subject to federal and (in most cases) state income taxes until withdrawn. Earnings accumulate tax-deferred. An employee is vested at 100% when enrolled. In-service distributions are permitted under the plan after the participant attains normal retirement age.

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 making 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 2025 and the three preceding years were as follows:

Year ended June 30	Employer Contributions	Total Payroll
2022	\$ 415,960	\$ 2,188,110
2023	439,383	2,311,324
2024	462,782	2,434,412
2025	530,427	2,790,251

Post-Employment Benefit Obligations

In addition to providing pension benefits through PERA and the defined contribution retirement plan, the Water Authority provides certain life insurance and healthcare benefits for retired employees. Post-employment benefit plan income for the years ended June 30, 2025 and 2024, are as follows:

OPEB Expense (Income)	2024	2025
Retiree Life Insurance Plan	\$ (14,182)	\$ (38,556)
New Mexico Retiree Health Care Authority Plan	\$ (4,002,751)	\$ (3,319,901)
Total OPEB Income	\$ (4,016,933)	\$ (3,358,457)

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

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 contributed 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/annual-comprehensive-financial-reports>.

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 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.

Employees covered by benefit terms.

At the January 1, 2024 valuation date, the OPEB membership for the Water Authority consisted of the following:

Plan Membership	2024	2025
Number of active plan members	224	224
Number of inactive plan members currently receiving benefits	303	303
Total plan membership	527	527

Contributions.

The Water Authority has set the contribution rate each year based on an actuarial valuation. The Water Authority has been and continues to pre-fund 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, 2025, were \$5,407 and were \$41,548 for the year ended June 30, 2024.

Total OPEB Plan liability.

The Water Authority's total OPEB liability (asset) as of June 30, 2025 and June 30, 2024 was (\$67,985) and \$102,826, respectively, and was determined by an actuarial valuation of January 1, 2024.

Actuarial Assumptions and Other Inputs.

The total liability in the January 1, 2024 actuarial valuation prepared by MacLeod Watts was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2024	2025
Actuarial valuation date:	January 1, 2024	January 1, 2024
Measurement date:	Last day of the current fiscal year (June 30, 2024)	Last day of the current fiscal year (June 30, 2025)
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, 2024 net of plan investment expenses	5.0% as of June 30, 2025 net of plan investment expenses
Discount rates:	5.0% as of June 30, 2024 net of plan investment expenses	5.0% as of June 30, 2025 net of plan investment expenses
Participants valued:	Only current active employees hired prior to July 1, 2013 and retired participants are valued. This plan is closed to new members.	Only current active employees hired prior to July 1, 2013 and retired participants are valued. This plan is closed to new members.
Salary increase:	3.25% per year	3.25% per year
General inflation:	2.5% per year	2.5% per year

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

Demographic actuarial assumptions	2024	2025
Mortality improvement:	MacLeod Watts Scale 2022 on a fully generational basis from 2014 forward.	MacLeod Watts Scale 2022 on a fully generational basis from 2014 forward.
Participation rates:	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.	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.
Dependent coverage:	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.
Employer cost-sharing:	Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.397 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.
Development of age-related premiums:	The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described in the January 2024 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 2024 valuation.
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 at 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.

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 pre-fund the OPEB liabilities, GASB Statement No. 75 allows use of a rate up to the expected rate of return of the trust. Therefore, pre-funding has the advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

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:	6/30/2023	6/30/2024	6/30/2025	FY2025 vs FY2024	FY2024 vs FY2023
Measurement date:	6/30/2023	6/30/2024	6/30/2025		
Total OPEB liability	\$ 1,852,465	\$ 1,933,027	\$ 1,955,486	\$ 22,459	\$ 80,562
Fiduciary net position	\$ 1,572,078	\$ 1,830,201	\$ 2,023,471	\$ 193,270	\$ 258,123
Net OPEB liability (asset)	\$ 280,387	\$ 102,826	\$ (67,985)	\$ (170,811)	\$ (177,561)
Deferred Resource (Outflows) Inflows Due to:					
Assumptions	\$ 2,226	\$ 701	\$ -	\$ (701)	\$ (1,525)
Plan experience	\$ (23)	\$ (36,113)	\$ (20,331)	\$ 15,782	\$ (36,090)
Investment experience	\$ 4,033	\$ 112,447	\$ 172,274	\$ 59,827	\$ 108,414
Net Deferred (Outflows) Inflows	\$ 6,236	\$ 77,035	\$ 151,943	\$ 74,908	\$ 70,799
Impact on Statement of Net Position	\$ 286,623	\$ 179,861	\$ 83,958	\$ (95,903)	\$ (106,762)

Change in Net Position during the Fiscal Year	2024	2025
Impact on Statement of Net Position	\$ 286,623	\$ 179,861
OPEB expense (income)	(14,182)	(38,556)
Employer contributions during the fiscal year	(92,580)	(57,347)
Impact on Statement of Net Position	179,861	83,958
OPEB Expense:		
Employer contributions during the fiscal year	92,580	57,347
Deterioration (Improvement) in Net Position	(106,762)	(95,903)
OPEB Expense (Income)	\$ (14,182)	\$ (38,556)

Sensitivity of liabilities to changes in the discount rate.

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

		1% Decrease (4.00%)		Current Rate (5.00%)		1% Increase (6.00%)
As of June 30:						
2024	\$	435,210	\$	102,826	\$	(162,102)
2025	\$	260,500	\$	(67,985)	\$	(331,091)

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

The Water Authority recognized OPEB expense/(income) for the years ended June 30, 2025 and June 30, 2024 of \$(38,556) and \$(14,182), respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,741	\$ 1,628	\$ 20,331	\$ -
Changes of assumptions	882	1,583	-	-
Net differences between projected and actual earnings on investments	107,051	219,498	53,526	225,800
Total	\$ 145,674	\$ 222,709	\$ 73,857	\$ 225,800

Future recognition of these deferred resources is as follows:

Year ended June 30:	Recognized Net Deferred Outflows (Inflows) of Resources	
	2024	2025
2025	\$ (23,286)	\$ -
2026	21,688	(2,861)
2027	(44,033)	(68,582)
2028	(31,404)	(55,953)
2029	-	(24,547)

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.

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/.

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.

Employees covered by benefit terms.

June 30, 2024, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	Measurement Date	
	2023	2024
Current retirees and surviving spouses	52,978	52,978
Inactive and eligible for deferred benefit	12,552	12,552
Current active members	93,595	93,595
Total	159,125	159,125

Active Membership	Measurement Date	
	2023	2024
State general	18,462	18,462
State police and corrections	1,260	1,260
Municipal general	17,283	17,283
Municipal police	3,169	3,169
Municipal fire	2,419	2,419
Educational retirement board	51,002	51,002
Total	93,595	93,595

Contributions.

Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Water Authority for the years ended June 30, 2025 and June 30, 2024 were \$814,508 and \$818,349, respectively, equal to its required contributions for the year.

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, 2025 and June 30, 2024 of \$11,041,384 and \$12,206,163, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024 and June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The Water Authority's proportion of the net OPEB liability, based on actual contributions provided to the Fund for the years ending June 30, 2024 and June 30, 2023 was 0.61863% and 0.71677%, respectively. The Water Authority recognized OPEB income for the years ended June 30, 2025 and June 30, 2024 of \$3,319,901 and \$4,002,751, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 206,346	\$ 2,209,931	\$ 118,331	\$ 1,153,321
Net differences between projected and actual earnings on investments	260,986	-	98,699	-
Changes of assumptions	2,349,034	11,514,501	2,066,119	7,001,749
Change in proportion	694,272	1,642,187	528,924	3,569,195
Water Authority contributions made after the measurements date	818,349	-	814,508	-
Total	\$ 4,328,987	\$ 15,366,619	\$ 3,626,581	\$ 11,724,265

Deferred outflows of resources totaling \$814,508 and \$818,349, respectively, represent the Water Authority contributions to the Fund made after the measurement date and will be recognized as a reduction of net OPEB liability in the years ending June 30, 2026 and 2025, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

	2024	2025
2025	\$ (3,691,412)	\$ -
2026	(2,619,296)	(2,690,344)
2027	(2,951,571)	(2,920,806)
2028	(2,038,778)	(2,138,129)
2029	(554,924)	(837,173)
2030	-	(325,740)
2031	-	-
Total	\$ (11,855,981)	\$ (8,912,192)

Actuarial assumptions.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions:

Actuarial assumptions	2024	2025
Actuarial valuation date:	June 30, 2023	June 30, 2023
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 normal, level percent of pay, calculated on individual employee basis.
Asset valuation method:	Market value of assets	Market value of assets
Actuarial assumptions		
Inflation:	2.50% for PERA members	2.50% for PERA members
Projected payroll increases:	3.00% to 13.00%, based on years of service, including inflation	3.00% 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	7.00%, 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 8.5% graded down to 4.5% over 16 years for Medicare medical plan costs.	8% graded down to 4.5% over 14 years for nonMedicare medical plan costs and 8.5% graded down to 4.5% over 16 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%.

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 rate 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, are 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 are summarized as follows:

Asset Class	2024		2025	
	Target Allocation	Long-term Rate of Return	Target Allocation	Long-term Rate of Return
Large Cap U.S. Equity	20.0%	7.1%	20.0%	6.9%
Mid/Small Cap U.S. Equity	3.0%	6.9%	3.0%	6.9%
Developed Non - U.S. Equity	12.0%	7.8%	12.0%	7.2%
Non - U.S. Emerging Market Equity	15.0%	10.2%	15.0%	8.7%
U.S. Core Fixed Income	20.0%	2.1%	20.0%	1.6%
Private Equity	10.0%	11.8%	10.0%	9.9%
Credit and Structured Finance	10.0%	5.3%	10.0%	3.7%
Absolute Return	5.0%	4.1%	5.0%	3.2%
Real Estate	5.0%	4.9%	5.0%	3.6%
Total	100.0%		100.0%	

Discount rate.

The discount rate used to measure the Fund's total OPEB liability is 7.00% as of June 30, 2024 and 6.22% as of June 30, 2023. 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. 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.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Fiscal Year	1% Decrease	Current Rate	1% Increase
2024	5.22%	6.22%	7.22%
	\$ 15,388,960	\$ 12,206,163	\$ 9,626,207
2025	6.00%	7.00%	8.00%
	\$ 13,923,912	\$ 11,041,384	\$ 8,678,454

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

	1% Decrease	Current Trend Rate	1% Increase
2024	\$ 10,105,463	\$ 12,206,163	\$ 14,618,758
2025	\$ 8,532,662	\$ 11,041,384	\$ 17,484,095

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, 2024 and June 30, 2023 at www.nmrhca.org/financial-audits/.

Payable changes in the net OPEB liability.

The Water Authority reported a payable for the years ended June 30, 2025 and June 30, 2024 of \$47,614 and \$45,634, 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, 2025, and 2024. The amounts and change in claims liability in fiscal years 2025 and 2024 were:

	2024		2025	
Claims liability at July 1	\$	4,229,649	\$	4,186,175
Current year claims / adjustments		1,729,544		1,463,384
Claims liquidated		(1,773,018)		(1,850,643)
Claims liability at June 30	\$	4,186,175	\$	3,798,916

The components of the claims liability at June 30 are:

	2024		2025	
Current portion	\$	1,251,931	\$	1,112,019
Non-current portion		2,934,244		2,686,897
Total claims liability	\$	4,186,175	\$	3,798,916

Certain Risk Disclosures

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*, management of the Water Authority has assessed the organization's exposure to risks arising from concentrations and constraints that could significantly affect its ability to acquire resources or manage expenditures.

As of June 30, 2025, management has not identified any concentrations or constraints that meet all three criteria for disclosure under GASB 102:

1. The condition is known prior to the issuance of the financial statements;
2. The condition makes the Water Authority vulnerable to the risk of a near-term and material impact;
3. The condition is associated with events that have occurred, are currently occurring, or are more likely than not to occur within 12 months of the issuance of the financial statements.

Accordingly, no disclosures related to concentrations or constraints are required for the fiscal year ended June 30, 2025.

Commitments and Contingencies

Construction commitments.

At June 30, 2025, the uncompleted construction and other commitments for construction improvements and replacements was \$132.9 million. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

Federal and state grant commitments.

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

Contingencies.

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

Subsequent Events

The following events occurred subsequent to the fiscal year-end and are disclosed in accordance with accounting standards:

- **Final Bond Payment – Series 2014B**

On July 1, 2025, the Water Authority made the final payment of \$8,635,000 to retire the Series 2014B bonds.

- **Environmental Compliance and Penalty Payment**

On September 3, 2025, the New Mexico Environment Department issued an Administrative Order to the Water Authority following a hazardous waste Compliance Evaluation Inspection conducted on December 6, 2024, at the San Juan-Chama Surface Water Plant and Customer Service Operations sites. All required corrective actions have been completed. A penalty of \$25,695 was assessed and paid by the Water Authority on September 15, 2025.

- **Loan Payoffs – New Mexico Finance Authority**

On October 1, 2025, the Water Authority fully repaid two outstanding loans from the New Mexico Finance Authority:

- Loan DW-5028 (2020) in the amount of \$1,400,107
- Loan WPF-5402 (2022) in the amount of \$772,127

- **Bond Issuance – Series 2025 PPRF-6799**

On October 15, 2025, the Water Authority issued the Series 2025 PPRF-6799 Senior Lien Joint Water and Sewer System Improvement and Refunding Revenue Bonds. The bonds were sold for a total purchase price of \$180,815,024, comprising a par amount of \$164,420,000 and a net original premium of \$16,395,024. Of the total proceeds, \$90.5 million was allocated to refund the Series 2015 Revenue Bonds, with the remaining balance designated for funding water and wastewater capital projects.

For the Fiscal Years ended June 30, 2025 and 2024

Required Supplementary Information (RSI) Schedules include:



Public Employees Retirement Pension Plan

- Schedule of the Water Authority's proportionate share of net pension liability
- Schedule of the Water Authority's pension contributions



Retiree Life Insurance Plan

- Schedule of changes in the Water Authority's net OPEB liability and related ratios
- Schedule of the Water Authority's contributions



New Mexico Retiree Health Care Authority Plan

- Schedule of changes in the Water Authority's net OPEB liability and related ratios
- Schedule of the Water Authority's contributions
 - Required Supplementary Information (RSI) notes for the Retiree Health Care Authority Plan:
 - Changes of Assumptions. In the total OPEB liability measured as of June 30, 2024, changes in assumptions include adjustments resulting from a decrease in the discount rate from 6.22% to 7.00%.



Schedule of Revenues, Expenses, and Changes in Net Position

- Budget and Actual Comparisons
- Reconciliation to Generally Accepted Accounting Principals (GAAP) basis

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

For the Fiscal Years ended June 30, 2025 and 2024

Municipal General Plan 3

Last 10 Fiscal Years

Fiscal Year	2025	2024	2023	2022	2021
Measurement Date	2024	2023	2022	2021	2020
Water Authority's proportion of the net pension liability (asset)	0.8737%	0.9543%	0.8991%	0.7965%	0.9956%
Water Authority's proportion of the net pension liability (asset)	\$ 78,207,747	\$ 77,093,018	\$ 64,975,550	\$ 41,794,768	\$ 74,155,075
Water Authority's covered payroll	40,909,278	39,665,061	35,498,419	34,972,804	34,618,321
Water Authority's proportion of the net pension liability as percentage of its covered payroll	191.17%	194.36%	183.04%	119.51%	214.21%
Plan fiduciary net position as a percentage of the total pension liability	66.00%	67.26%	69.35%	77.25%	66.36%
Fiscal Year	2020	2019	2018	2017	2016
Measurement Date	2019	2018	2017	2016	2015
Water Authority's proportion of the net pension liability (asset)	0.9923%	0.9638%	0.9732%	0.9580%	0.8958%
Water Authority's proportion of the net pension liability (asset)	\$ 64,315,537	\$ 59,487,543	\$ 51,278,088	\$ 59,008,103	\$ 38,165,167
Water Authority's covered payroll	33,897,914	33,413,035	32,774,164	31,630,023	30,540,919
Water Authority's proportion of the net pension liability as percentage of its covered payroll	189.73%	178.04%	156.46%	186.56%	124.96%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%	73.74%	69.18%	76.99%

The accompanying notes are an integral part of the Required Supplementary Information.

Schedule of the Water Authority's Pension Contributions

For the Fiscal Years ended June 30, 2025 and 2024

Municipal General Plan 3

Last 10 Fiscal Years

Fiscal Year	2025	2024	2023	2022	2021
Statutory requirement	\$ 4,594,438	\$ 4,410,595	\$ 4,078,313	\$ 3,478,865	\$ 3,492,946
Contribution in relations to the statutorily required contributions	(4,594,438)	(4,410,595)	(4,078,313)	(3,478,865)	(3,492,946)
Annual contributions excess (deficiency)	-	-	-	-	-
Water Authority's covered payroll	40,727,378	40,909,278	39,665,061	35,498,419	34,972,804
Water Authority's contributions as a percentage of its covered payroll	11.30%	10.80%	10.30%	9.80%	9.80%
Fiscal Year	2020	2019	2018	2017	2016
Statutory requirement	\$ 3,389,467	\$ 3,237,258	\$ 3,190,941	\$ 3,129,931	\$ 3,020,676
Contribution in relations to the statutorily required contributions	(3,389,467)	(3,237,258)	(3,190,941)	(3,129,931)	(3,020,676)
Annual contributions excess (deficiency)	-	-	-	-	-
Water Authority's covered payroll	34,618,321	33,897,914	33,413,035	32,774,164	31,630,023
Water Authority's contributions as a percentage of its covered payroll	9.80%	9.55%	9.55%	9.55%	9.55%

The accompanying notes are an integral part of the Required Supplementary Information.

Notes for 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, which 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, 2024 is available at the web address listed above. 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, which 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, 2024 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 Fiscal Years ended June 30, 2025 and 2024

Last 10 Fiscal Years (*)

	2025	2024	2023	2022	2021
Total OPEB liability:					
Service cost	\$ 4,943	\$ 6,779	\$ 6,582	\$ 8,979	\$ 8,696
Interest	94,962	91,205	89,791	89,617	87,837
Differences between expected and actual	-	52,859	-	(14,816)	-
Changes of assumption	-	-	-	(14,429)	-
Benefit payments	(77,446)	(70,281)	(66,309)	(60,609)	(61,817)
Total OPEB - beginning	1,933,027	1,852,465	1,822,401	1,813,659	1,778,943
Total OPEB - ending (a)	1,955,486	1,933,027	1,852,465	1,822,401	1,813,659
Plan fiduciary net position:					
Contributions - employer	\$ 57,347	\$ 92,580	\$ 95,947	\$ 93,928	\$ 93,888
Net investment income	213,741	236,180	153,666	(189,527)	281,343
Benefit payments	(77,446)	(70,281)	(66,309)	(60,609)	(61,817)
Administrative fees	-	-	-	-	-
Change in trust receivable	-	-	-	-	-
Accrued audit service fees	(372)	(356)	(339)	-	-
Accrued interest and trust income	-	-	-	-	-
Net change in plan fiduciary net position	193,270	258,123	182,965	(156,208)	313,414
Plan fiduciary net position - beginning	1,830,201	1,572,078	1,389,113	1,545,321	1,231,907
Plan fiduciary net position - ending (a) - (b)	2,023,471	1,830,201	1,572,078	1,389,113	1,545,321
Net OPEB liability - ending (a) - (b)	\$ (67,985)	\$ 102,826	\$ 280,387	\$ 433,288	\$ 268,338
Plan fiduciary net position as a percentage of the total OPEB liability	103.48%	94.68%	84.86%	76.22%	85.20%
Covered-employee payroll	\$ 15,886,728	\$ 16,965,832	\$ 21,676,266	\$ 19,194,531	\$ 21,622,661
Net OPEB liability as a percentage of covered-employee payroll	-0.43%	0.61%	1.29%	2.26%	1.24%

	2020	2019	2018	2017	2016
Total OPEB liability:					
Service cost	\$ 13,024	\$ 12,404	\$ 14,174	\$ -	\$ -
Interest	84,303	81,674	67,539	-	-
Differences between expected and actual	19,046	8,671	187,222	-	-
Changes of assumption	14,667	-	60,908	-	-
Benefit payments	(50,285)	(51,258)	(39,498)	-	-
Total OPEB liability - beginning	1,698,188	1,646,697	1,356,352	-	-
Total OPEB liability - ending (a)	\$ 1,778,943	\$ 1,698,188	\$ 1,646,697	\$ -	\$ -
Plan fiduciary net position:					
Contributions - employer	\$ 89,757	\$ 87,675	\$ 82,290	\$ -	\$ -
Net investment income	106,530	87,979	70,136	-	-
Benefit payments	(50,285)	(51,258)	(39,498)	-	-
Administrative fees	-	-	(516)	-	-
Change in trust receivable	-	377	-	-	-
Accrued audit service fees	-	(553)	-	-	-
Accrued interest and trust income	-	34	-	-	-
Net change in plan fiduciary net position	146,002	124,254	112,412	-	-
Plan fiduciary net position - beginning	1,085,906	961,133	848,721	-	-
Plan fiduciary net position - ending (a) - (b)	1,231,908	1,085,387	961,133	-	-
Net OPEB liability - ending (a) - (b)	547,035	612,801	685,564	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	69.25%	63.91%	58.37%	0.00%	0.00%
Covered-employee payroll	\$ 20,927,400	\$ 22,590,131	\$ 24,644,318	\$ -	\$ -
Net OPEB liability as a percentage of covered-employee payroll	2.61%	2.71%	2.78%	0.00%	0.00%

(*) 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.

The accompanying notes are an integral part of the Required Supplementary Information.

Notes to Schedule

Valuation Date:	1/1/2024	1/1/2022	1/1/2020	7/1/2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method:	Market Value	Market Value	Market Value	Market Value
Inflation:	2.50% per year	2.50% per year	2.50% per year	2.75% per year
Salary increases:	3.25% per year	3.25% per year	3.25% per year	4.25% per year
Investment rate of return:	5.00%	5.00%	5.00%	5.00%
Retirement age:	50 to 80	50 to 80	50 to 80	50 to 80
Mortality:	PERA of New Mexico; Projected with MW Scale 2022 generational	PERA of New Mexico; Projected with MW Scale 2022 generational	PERA of New Mexico; Projected with MW Scale 2020 generational	PERA of New Mexico; Projected with MW Scale 2017 generational

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

For the Fiscal Years ended June 30, 2025 and 2024

Last 10 Fiscal Years (*)

	2025	2024	2023	2022	2021
Actuarially determined contribution during the fiscal year	\$ 5,407	\$ 41,548	\$ 39,952	\$ 50,238	\$ 48,658
Contribution in relation to the actuarially determined contribution	57,347	92,580	95,947	93,928	93,888
Contribution deficiency (excess)	(51,940)	(51,032)	(55,995)	(43,690)	(45,230)
Covered-employee payroll	\$ 15,886,728	\$ 16,695,832	\$ 21,676,266	\$ 19,194,531	\$ 21,622,661
Contributions as a percentage of covered-employee payroll	0.36%	0.55%	0.44%	0.49%	0.43%
	2020	2019	2018	2017	2016
Actuarially determined contribution during the fiscal year	\$ 59,817	\$ 61,103	\$ 59,081	\$ -	\$ -
Contribution in relation to the actuarially determined contribution	89,757	87,675	82,290	-	-
Contribution deficiency (excess)	(29,940)	(26,572)	(23,209)	-	-
Covered-employee payroll	\$ 20,927,400	\$ 22,590,131	\$ 24,644,318	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.43%	0.39%	0.00%	0.00%	0.00%

(*) 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.

The accompanying notes are an integral part of the Required Supplementary Information.

Benefit changes. This report is based on a rollforward of the January 1, 2024, 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. As such, no new census or premium data was collected, no plan experience was recognized, and no assumptions were changed. Investment experience (the difference between actual and expected trust earnings) was determined and reflected.

Notes to Schedule: assumptions used to develop Actuarially Determined Contributions

Valuation Date: 1/1/2024		1/1/2022			
Actuarial cost method:	Entry Age Normal	Entry Age Normal			
Amortization method:	Level % of Pay	Level % of Pay			
Amortization period:	30 Yrs Closed	30 Yrs Closed	30 Yrs Closed		
	13 Yrs remain	14 Yrs remain	15 Yrs remain		
Asset valuation method:	Market Value	Market Value			
Inflation:	2.50% per year	2.50% per year			
Salary increases:	3.25% per year	3.25% per year			
Investment rate of return:	5.0%	5.0%			
Retirement age:	50 to 80	50 to 80			
Mortality:	PERA of New Mexico; Projected with MW Scale 2022 generational	PERA of New Mexico; Projected with MW Scale 2022			
Valuation Date: 1/1/2020		7/1/2017			
Actuarial cost method:	Entry Age Normal	Entry Age Normal			
Amortization method:	Level % of Pay	Level % of Pay			
Amortization period:	30 Yrs Closed	30 Yrs Closed	30 Yrs Closed	30 Yrs Closed	30 Yrs Closed
	16 Yrs remain	17 Yrs remain	18 Yrs remain	19 Yrs remain	20 Yrs remain
Asset valuation method:	Market Value	Market Value			
Inflation:	2.50% per year	2.75% per year			
Salary increases:	3.25% per year	4.25% per year			
Investment rate of return:	5.0%	5.0%			
Retirement age:	50 to 80	50 to 80			
Mortality:	PERA of New Mexico; Projected with MW Scale 2020	PERA of New Mexico; Projected with MW Scale 2017			

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, 2025 and 2024

Last 10 Fiscal Years (*)

	2025	2024	2023	2022	2021
Water Authority's proportion of the net OPEB liability	0.6186%	0.7168%	0.7003%	0.7247%	0.7175%
Water Authority's proportion of the net pension liability	\$ 11,041,384	\$ 12,206,163	\$ 16,188,583	\$ 23,845,494	\$ 30,125,485
Water Authority's covered payroll	40,913,011	39,668,676	35,497,453	34,974,312	34,615,302
Water Authority's proportion of the net OPEB liability as percentage of its covered payroll	26.99%	30.77%	45.60%	68.18%	87.03%
Plan fiduciary net position as a percentage of the total OPEB liability	46.99%	44.16%	33.33%	25.39%	16.50%
	2020	2019	2018	2017	2016
Water Authority's proportion of the net OPEB liability	0.7665%	0.7828%	0.7935%	0.0000%	0.0000%
Water Authority's proportion of the net pension liability	\$ 24,852,261	\$ 34,038,052	\$ 35,956,560	\$ -	\$ -
Water Authority's covered payroll	33,886,260	33,413,155	32,774,164	-	-
Water Authority's proportion of the net OPEB liability as percentage of its covered payroll	73.34%	101.87%	109.71%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	18.92%	13.14%	11.34%	0.00%	0.00%

(*) 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.

The accompanying notes are an integral part of the Required Supplementary Information.

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

For the Fiscal Years ended June 30, 2025 and 2024

Last 10 Fiscal Years (*)

	2025	2024	2023	2022	2021
Contractually required contribution	\$ 814,508	\$ 818,349	\$ 793,373	\$ 709,917	\$ 699,487
Contribution in relation to the contractually required contribution	(814,508)	(818,349)	(793,373)	(709,917)	(699,487)
Contribution deficiency (excess)	-	-	-	-	-
Water Authority's covered-employee payroll	40,725,377	40,913,011	39,668,676	35,497,453	34,974,312
Contributions as a percentage of covered-employee payroll	2.00%	2.00%	2.00%	2.00%#	2.00%
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 692,297	\$ 677,725	\$ 645,263	\$ -	\$ -
Contribution in relation to the contractually required contribution	(692,297)	(677,725)	(645,263)	-	-
Contribution deficiency (excess)	-	-	-	-	-
Water Authority's covered-employee payroll	34,615,302	33,886,260	33,413,155	-	-
Contributions as a percentage of covered-employee payroll	2.00%	2.00%	1.93%	0.00%	0.00%

(*) 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.

The accompanying notes are an integral part of the Required Supplementary Information.

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

For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Original Budget over (under) Final Budget</u>	<u>Actuals</u>	<u>Variance with Final Budget over (under) Actuals</u>
Budgetary Revenues					
Water services	\$ 155,192,000	\$ 155,192,000	\$ —	\$ 168,975,232	\$ 13,783,232
Wastewater services	93,125,000	93,125,000	—	95,629,641	2,504,641
Miscellaneous	22,639,000	34,890,523	12,251,523	23,227,438	(11,663,085)
Administrative fees (SJCPCA)	38,043	39,042	999	39,809	767
Total Budgetary Revenues	<u>270,994,043</u>	<u>283,246,565</u>	<u>12,252,522</u>	<u>287,872,120</u>	<u>4,625,555</u>
Budgetary Expenses					
Personnel	72,494,132	73,545,722	1,051,590	70,977,574	2,568,148
Operating	72,851,131	78,611,278	5,760,147	73,654,091	4,957,187
Capital outlay	128,752,000	208,447,591	79,695,591	82,972,017	125,475,574
Debt service	93,866,000	94,065,000	199,000	92,654,356	1,410,644
Contract services (SJCPCA)	64,043	62,089	(1,954)	39,338	22,751
Total Expenses	<u>368,027,306</u>	<u>454,731,680</u>	<u>86,704,374</u>	<u>320,297,376</u>	<u>134,434,304</u>
Income (loss) before other financing sources (uses)	<u>(97,033,263)</u>	<u>(171,485,115)</u>	<u>(74,451,852)</u>	<u>(32,425,256)</u>	<u>139,059,859</u>
Other Financing Sources (Uses)					
Sale of capital assets	—	—	—	184,541	184,541
Loan proceeds	—	15,719,350	15,719,350	3,942,003	(11,777,347)
Grant proceeds	—	100,461,537	100,461,537	53,121,805	(47,339,732)
Capital outlay (grants/loans)	—	(128,780,714)	(128,780,714)	(62,707,143)	66,073,571
Miscellaneous - other	—	12,616,070	12,616,070	4,053,951	(8,562,119)
Transfers in	101,784,000	111,784,000	10,000,000	101,784,000	(10,000,000)
Transfers out	(101,784,000)	(111,784,000)	(10,000,000)	(101,784,000)	(10,000,000)
Total Other Financing Sources (Uses)	<u>—</u>	<u>16,243</u>	<u>16,243</u>	<u>(1,404,843)</u>	<u>(1,421,086)</u>
Net income (loss)	<u>(97,033,263)</u>	<u>(171,468,872)</u>	<u>(74,435,609)</u>	<u>(33,830,099)</u>	<u>137,638,773</u>
Budgetary fund balance - beginning of year	<u>239,110,956</u>	<u>239,110,956</u>	<u>—</u>	<u>239,110,956</u>	<u>—</u>
Budgetary fund balance - end of year	<u>\$ 142,077,693</u>	<u>\$ 67,642,084</u>	<u>\$ (74,435,609)</u>	<u>\$ 205,280,857</u>	<u>\$ 137,638,773</u>

RECONCILIATION TO GAAP BASIS

	GAAP Basis
Revenues (expenses) not budgeted:	
Depreciation	(87,109,864)
Amortization on premiums and discounts	5,948,332
Net book value of disposed capital assets	(1,543,913)
Non-budgeted miscellaneous expenses	(10,101)
Miscellaneous revenues	8,243
Net expenses over revenues not budgeted	<u>(82,707,303)</u>
Changes to conform to general accepted accounting principals:	
Principal payments on bonds and loan agreements	69,982,219
Expenses recorded in capital general ledger funds	118,434,170
Loan proceeds	(3,942,003)
Unrealized gain in fair value of investments	276,592
Capital contributions	15,367,860
Net changes to conform to generally accepted accounting principals	<u>200,118,838</u>
Changes in net position	<u><u>\$ 83,581,435</u></u>

Notes and disclaimers

1. Basis of Accounting

- The budgetary figures are presented on a budgetary basis which may differ from the Generally Accepted Accounting Principles (GAAP) basis.
- A reconciliation to GAAP is provided at the end of the statement to account for non-budgeted items and adjustments required for financial reporting.

2. Budget Amendments

- The final budget reflects amendments approved during the fiscal year. These changes were made to accommodate updated revenue projections, capital needs, and grant allocations.
- Significant amendments include:
 - Increase in Water Facilities Rehab and Wastewater Facilities Rehab budgets.
 - Addition of unusual items such as state and federal grants, loan proceeds, and capital outlay adjustments.

3. Revenue Highlights

- Water Service revenue exceeded the final budget by \$13.8M due to higher-than-expected consumption and rate adjustments.
- Investment Earnings surpassed projections by \$1.67M, reflecting favorable market conditions.
- Utility Expansion Charges fell short by \$1.45M, due to slower development activity.

4. Expenditure Highlights

- Capital outlay was significantly under budget by \$125.5M, primarily due to project delays or rescheduling and supply shortages.
- General Government expenditures were under budget by \$8.28M, driven by lower-than-expected costs for power, chemicals, and overhead.
- Administration and Finance departments exceeded their final budgets due to increased operational costs for IT subscription services and merchant fees for credit card payments.

5. Unusual or Infrequent Items

- State and Federal Grants were budgeted at \$100.46M, but actual receipts were \$53.12M, resulting in a shortfall of \$47.34M.

6. Transfers and Financing

- Transfers in and out were consistent with budgeted amounts, with a net positive impact of \$184K from the sale of capital assets.

7. Fund Balance

- The ending budgetary fund balance was \$205.28M, significantly higher than the final budget projection of \$67.64M, largely due to underspending in capital outlay and higher-than-expected revenues.

8. GAAP Reconciliation

- Adjustments to conform to GAAP include:
 - Depreciation expense of \$87.11M

- Amortization of bond premiums/discounts
- Net book value of disposed assets
- Capital contributions and unrealized investment gains
- These adjustments resulted in a net increase in position of \$117.41M under GAAP.

Disclaimers

- *General government includes: power and chemicals, taxes, and overhead.
- SJCPCA - San Juan-Chama Project Contractors Association
- Budgetary figures are based on estimates and assumptions available at the time of adoption and amendment. Actual results may vary due to economic, environmental, and operational factors.
- The reconciliation to GAAP is provided for informational purposes and should not be used as a substitute for full financial statements prepared in accordance with accounting standards.
- Variances noted do not necessarily indicate inefficiencies or mismanagement but may reflect timing differences, strategic reallocations, or external factors beyond the Water Authority's control.

Statistical Section

The **Statistical Section** of an ACFR is designed to give readers a deeper, long-term perspective on the Water Authority's financial health. It includes **ten years of historical data** and is organized into five key categories:

- **Financial Trends**
- **Revenue Capacity**
- **Debt Capacity & Debt Service**
- **Demographic and Economic Information**
- **Operating Indicators**
- **Other Information**

This section complements the financial statements by adding context, trends, and comparability—making it easier to assess the Water Authority's economic condition over time.



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

Schedule 1 - Net Position by Component

Last Ten Fiscal Years (In thousands of dollars)

Fiscal Year	2025	2024 (4)	2023	2022 (3)	2021
Net investment in capital assets	\$ 728,199	\$ 662,356	\$ 629,850	\$ 579,356	\$ 589,168
Unrestricted	82,930	65,191	61,033	81,685	51,991
Total Net Position	\$ 811,129	\$ 727,547	\$ 690,883	\$ 661,041	\$ 641,159

Fiscal Year	2020	2019 (2)	2018 (1)	2017	2016
Net investment in capital assets	\$ 594,404	\$ 568,941	\$ 571,387	\$ 560,766	\$ 568,245
Unrestricted	65,275	65,275	51,319	30,408	53,425
Total Net Position	\$ 659,679	\$ 634,216	\$ 622,706	\$ 591,174	\$ 621,670

Notes and disclaimers

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

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

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

(4) The 2024 total net position has been updated to reflect the restatement of FY2024 beginning net position due to implementation of GASB 101.

Source: Water Authority Financial/Business Services Division

Schedule 2 - Changes in Net Position

Last Ten Fiscal Years (In thousands of dollars)

Fiscal Year	2025	2024 Restated
Operating revenues:		
Water system	\$ 168,975	\$ 156,874
Wastewater system	95,630	82,203
Miscellaneous	13,963	17,461
Total operating revenues	278,568	256,539
Noncapital subsidies:		
Intergovernmental revenue	7,735	884
Total noncapital subsidies	7,735	884
Non-operating revenues:		
Investment earnings	8,948	9,260
Proceeds from sale of capital assets	185	2,661
Capital contributions	65,449	27,966
Total non-operating revenues	74,582	39,887
Total revenues	360,885	297,310
Operating expenses:		
General and administrative	79,102	75,088
Source of supply, pumping, treatment and distribution	63,732	63,881
Noncapitalized major repair	27,245	15,209
Depreciation and amortization	88,957	84,806
Total operating expenses	259,036	238,984
Non-operating expenses:		
Interest expense	16,501	18,261
Other expenses	1,767	2,621
Total non-operating expenses	18,268	20,882
Total expenses	277,304	259,866
Increase (decrease) in net position	\$ 83,581	\$ 37,444

Notes and Disclaimers

The Water Authority adopted GASB Statements No. 101 and 103 in 2025. As a result, the changes in Net Position for fiscal years 2024 and 2025 incorporate the corresponding updates to the Statement of Revenues, Expenses, and Changes in Net Position.

Schedule 2 - Changes in Net Position, continued

Last Ten Fiscal Years (In thousands of dollars)

Fiscal Year	2023	2022 (3)	2021	2020	2019 (2)
Operating revenues:					
Water revenues	\$ 148,092	\$ 145,215	\$ 147,199	\$ 147,245	\$ 141,268
Wastewater revenues	80,746	76,845	76,442	76,231	76,848
Miscellaneous revenues	2,141	2,134	2,023	2,133	1,868
Total operating revenues	230,979	224,194	225,664	225,609	219,984
Non-operating revenues:					
Investment and interest income	5,356	647	622	2,164	3,118
Utility expansion charges	6,400	8,421	9,060	8,917	6,885
Water resource charge	860	1,874	1,613	839	438
Other revenues	4,769	1,354	3,035	1,512	4,823
Total non-operating revenues	17,385	12,296	14,330	13,432	15,264
Total revenues	248,364	236,490	239,994	239,041	235,248
Operating expenses:					
General and administrative	69,070	61,873	61,977	69,395	66,274
Source of supply, pumping, treatment and distribution	63,089	54,989	50,881	51,686	48,844
Noncapitalized major repair	18,680	17,185	21,576	19,139	13,012
Depreciation and amortization	86,878	86,589	86,661	85,513	85,056
Total operating expenses	237,717	220,636	221,095	225,733	213,186
Non-operating expenses:					
Interest expense	16,453	17,352	17,194	19,842	20,068
Other expenses	51	668	341	666	629
Total non-operating expenses	16,504	18,020	17,535	20,508	20,697
Total expenses	254,221	238,656	238,630	246,241	233,883
Income (loss) before capital contributions	(5,857)	(2,166)	1,364	(7,200)	1,365
Capital contributions	35,699	21,270	6,338	6,441	10,145
Change in net position	\$ 29,842	\$ 19,104	\$ 7,702	\$ (759)	\$ 11,510

Schedule 2 - Changes in Net Position, continued

Last Ten Fiscal Years (In thousands of dollars)

Fiscal Year	2018 (1)	2017	2016
Operating revenues:			
Water revenues	\$ 148,315	\$ 144,343	\$ 140,551
Wastewater revenues	76,253	69,101	68,167
Miscellaneous revenues	1,828	1,750	1,339
Total operating revenues	226,396	215,194	210,057
Non-operating revenues:			
Investment and interest income	832	86	155
Utility expansion charges	9,686	8,117	8,795
Water resource charge	364	429	462
Other revenues	2,662	2,917	5,828
Total non-operating revenues	13,544	11,549	15,240
Total revenues	239,940	226,743	225,297
Operating expenses:			
General and administrative	64,227	63,307	59,910
Source of supply, pumping, treatment and distribution	48,471	48,018	46,987
Noncapitalized major repair	7,785	5,796	4,285
Depreciation and amortization	82,630	81,648	80,357
Total operating expenses	203,113	198,769	191,539
Non-operating expenses:			
Interest expense	18,295	18,449	18,034
Other expenses	-	710	-
Total non-operating expenses	18,295	19,159	18,034
Total expenses	221,408	217,928	209,573
Income (loss) before capital contributions	18,532	8,815	15,724
Capital contributions	13,000	3,522	5,504
Change in net position	\$ 31,532	\$ 12,337	\$ 21,228

Notes and Disclaimers

1. 2018 Restatement

The Water Authority's 2018 balances have been restated to incorporate previously omitted capital asset and grant activity. Additionally, interest income has been reclassified—separated from utility expansion charges and combined with investment income.

2. 2019 Restatement

The 2019 balances have been restated to include capital asset and grant activity that was previously excluded. Furthermore, with the implementation of GASB Statement No. 87, amortization of lease right-to-use assets has been added.

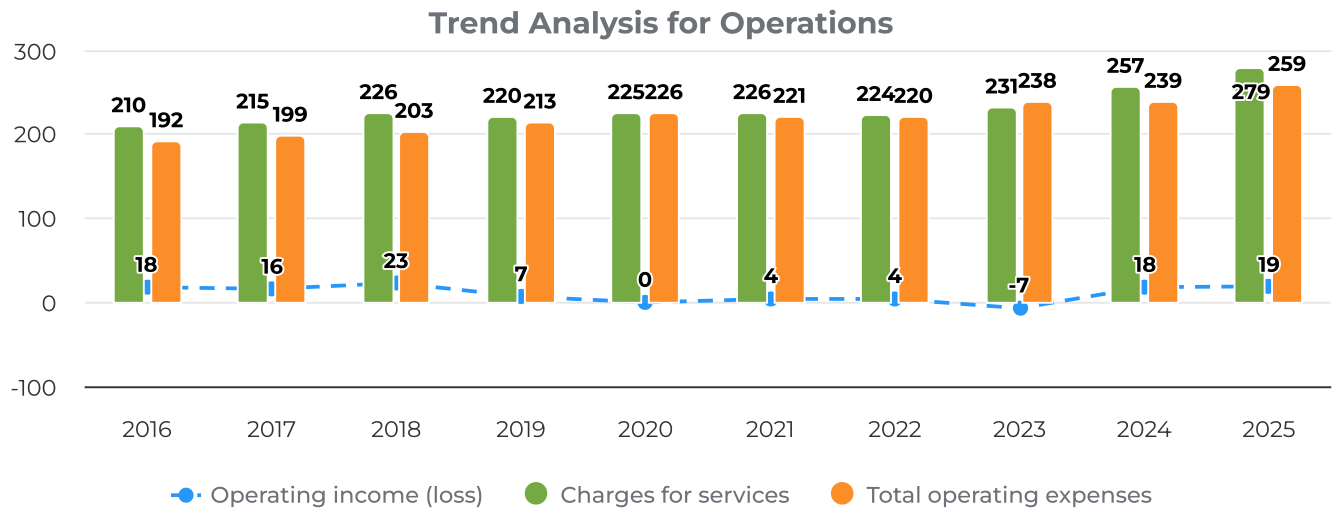
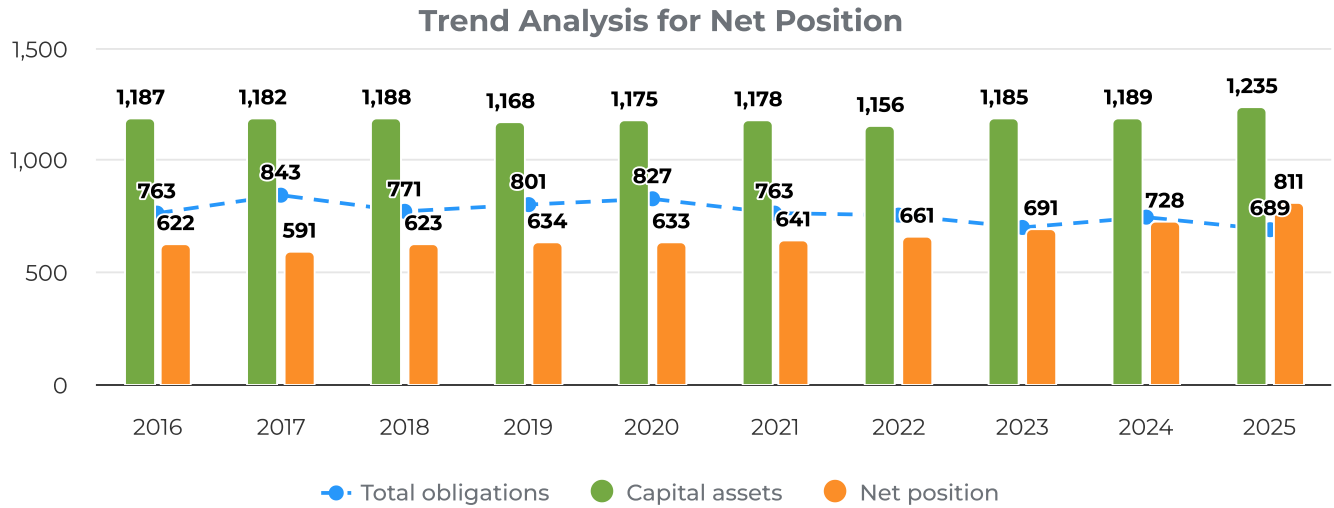
3. 2022 Restatement

The 2022 balances have been restated to reflect the amortization of subscription-based information technology arrangement (SBITA) right-to-use assets, in accordance with the implementation of GASB Statement No. 96.

Source: Water Authority Financial/Business Services Division

Schedule 3 - Trend Analysis for Net Position and Operations

Last Ten Fiscal Years (In thousands of dollars)



Notes and Disclaimers

The Water Authority adopted GASB Statements No. 101 and 103 in 2025. As a result, the changes in Net Position for fiscal years 2024 and 2025 incorporate the corresponding updates to the Statement of Revenues, Expenses, and Changes in Net Position.

Source: Water Authority Financial/Business Services Division

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

Schedule 4 - Revenue from Water and Wastewater Charges and Other Operating Revenues

Last Ten Fiscal Years

Fiscal Year	Water Charges	Wastewater Charges	Other Revenue	Total Operating Revenue
2025	\$ 168,975,232	\$ 95,629,641	\$ 13,963,687	\$ 278,568,560
2024	156,874,211	82,203,200	17,461,111	256,538,522
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

Notes and Disclaimers

The Water Authority's primary source of income comes from water and sewer service charges, which represent the largest share of its overall revenue. Customers are billed based on their actual usage of water delivery and wastewater treatment services. Thanks to its flexible rate structures and a broad customer base—predominantly residential households in Albuquerque—the Water Authority maintains a strong capacity to generate revenue.

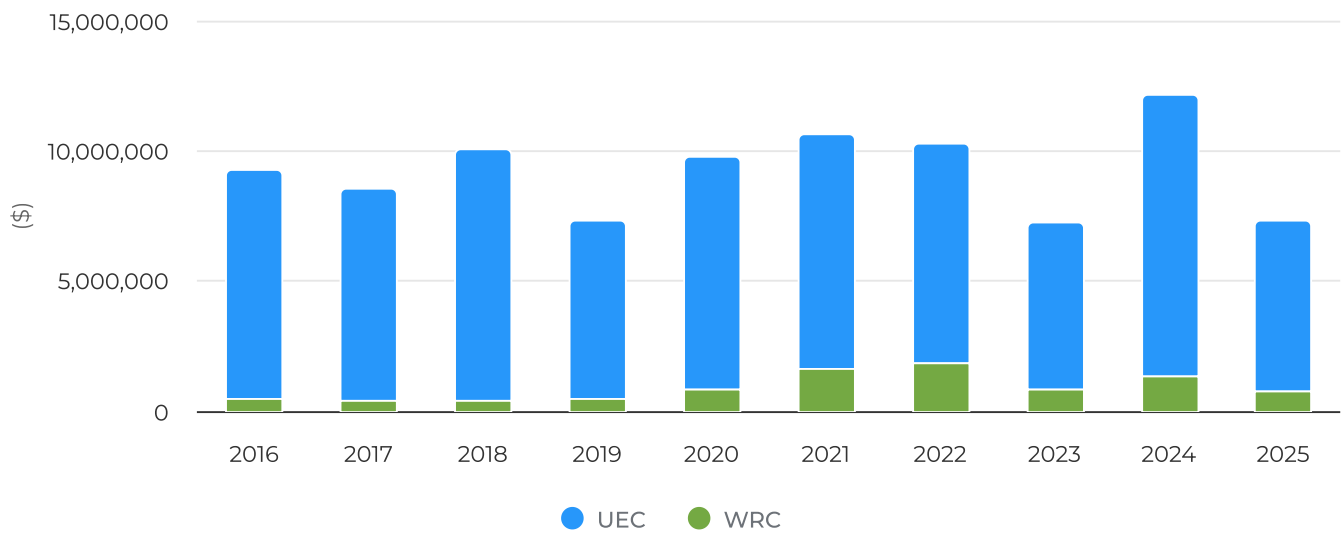
The Water Authority adopted GASB Statements No. 101 and 103 in 2025. As a result, the changes in Net Position for fiscal years 2024 and 2025 incorporate the corresponding updates to the Statement of Revenues, Expenses, and Changes in Net Position.

Source: Water Authority 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 Charges	Total Revenue
2025	\$ 6,575,610	\$ 779,443	\$ 7,355,053
2024	10,834,698	1,321,031	12,155,729
2023	6,399,829	859,781	7,259,610
2022	8,421,390	1,873,759	10,295,149
2021	9,060,038	1,612,875	10,672,913
2020	8,916,871	838,525	9,755,396
2019	6,884,954	437,646	7,322,600
2018	9,685,634	363,963	10,049,597
2017	8,116,695	429,283	8,545,978
2016	8,795,436	461,502	9,256,938



Notes and Disclaimers

The Albuquerque Bernalillo County Water Utility Authority (ABCWUA) secures funding for infrastructure and resource management through two key charges: **Utility Expansion Charges (UEC)** and **Water Resource Charges (WRC)**.

Utility Expansion Charges (UEC)

UECs are assessed on new developments to cover the cost of expanding water and wastewater infrastructure. These charges help fund:

- Construction of new water and sewer lines
- Upgrades to treatment facilities
- System capacity improvements to accommodate growth

Rates vary by meter size and service type. For example, a standard $\frac{3}{4}$ " water connection incurs a UEC of **\$4,638**, while larger meters (e.g., 6" or 8") can exceed **\$200,000** in total charges. These fees ensure that growth-related costs are borne by developers rather than existing ratepayers.

Water Resource Charges (WRC)

WRCs are designed to recover costs associated with securing and managing water resources. This includes:

- Acquisition and maintenance of water rights
- Implementation of conservation programs
- Investments in sustainable water supply strategies

The Water Authority's long-term Water Resources Management Strategy (WRMS) guides these efforts, emphasizing conservation, reuse, and diversification of supply sources—including surface water, reclaimed water, and groundwater.

Together, UECs and WRCs provide critical funding to maintain system reliability, support sustainable growth, and protect water resources for future generations.

Source: Water Authority Financial/Business Services Division

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

Last Ten Fiscal Years

Class	Fiscal Year				
	2025	2024	2023	2022	2021
Residential	188,121	187,719	187,187	186,730	185,889
Multi-family	8,018	7,992	7,973	7,943	7,925
Commercial	12,459	12,378	12,352	12,314	12,242
Institutional	3,959	3,875	3,854	3,829	3,807
Industrial	129	130	129	128	123
Other metered	1,400	1,278	1,191	1,099	996
Subtotal	214,086	213,372	212,686	212,043	210,982
Solid waste only	1,454	1,437	1,423	1,418	1,410
Other non-metered	3,163	3,202	3,186	3,176	3,150
Total	218,703	218,011	217,295	216,637	215,542

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

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

Last Ten Fiscal Years

Meter Size	Fiscal Year				
	2025	2024	2023	2022	2021
¾"	189,531	188,933	188,364	187,847	186,802
1" and 1 ¼ "	17,830	17,828	17,835	17,831	17,815
1 ½ "	2,687	2,626	2,580	2,567	2,549
2"	2,995	2,947	2,898	2,796	2,811
3"	620	623	611	603	606
4"	307	302	288	288	286
6"	71	69	67	68	69
8" and over	11	44	43	44	44
Subtotal	214,052	213,372	212,686	212,044	210,982
Other non-metered	4,651	4,639	4,609	4,593	4,560
Total	218,703	218,011	217,295	216,637	215,542

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

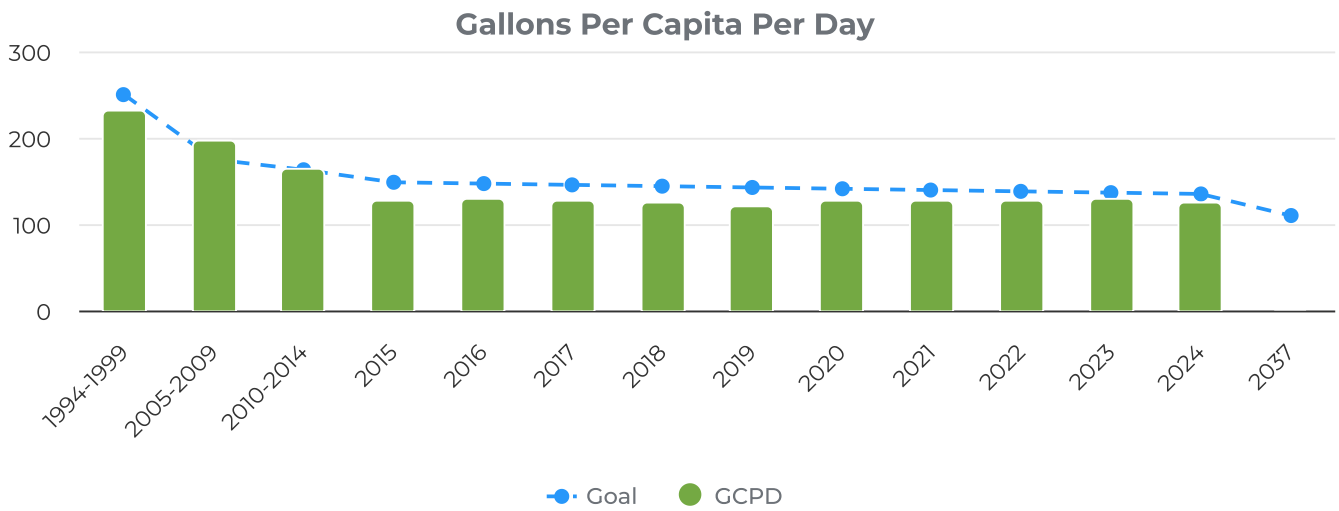
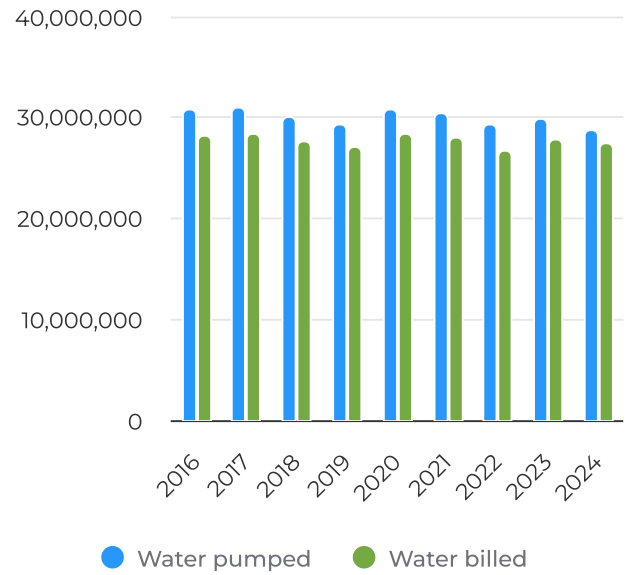
(1) In Fiscal Year 2017, the water users by meter size are illustrated between metered and non-metered accounts.

Source: Water Authority Financial/Business Services Division

Schedule 7 - Water Consumption

Last Ten Calendar Years

Calendar Year	Water Pumped	Water Billed	% Billed
2024	28,772,000	27,392,067	95.20%
2023	29,950,000	27,897,712	93.15%
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%



The Water Authority's Water 2120 Plan sets a strategic conservation goal to reduce per capita water usage to 110 gallons per day by the year 2037. This target builds on decades of successful conservation efforts and is designed to extend existing water supplies even under future climate and population growth scenarios.

Source: Water Authority Financial/Business Services and Water Resources Divisions

Schedule 8 - Principal Revenue Payers

Current Fiscal Year and Nine Years Ago

Water Customer Name	2025				2016			
	Water Revenue	Rank	% of Total Revenue	Consumption	Water Revenue	Rank	% of Total Revenue	Consumption*
City of Albuquerque	\$ 10,252,637	1	6.07%	2,713,631	\$ 9,960,711	1	6.70%	2,802,472
Albuquerque Public Schools	3,016,055	2	1.78%	549,365	3,044,848	2	2.05%	687,963
University of New Mexico	1,396,067	3	0.83%	254,203	1,273,790	3	0.86%	306,136
Bernalillo County	758,361	4	0.45%	171,083	751,872	4	0.51%	210,757
Kirtland Air Force Base	711,325	5	0.42%	113,303	640,281	5	0.43%	134,821
Sumitomo	356,657	6	0.21%	130,145	269,132	9	0.18%	111,845
Lovelace Healthcare	344,020	7	0.20%	97,756	273,852	8	0.18%	88,523
Central NM Community College	319,249	8	0.19%	64,346	276,635	7	0.19%	64,987
ABCWUA	290,190	9	0.17%	46,094	312,612	6	0.21%	84,308
Albuquerque Academy	282,537	10	0.17%	110,587	241,286	10	0.16%	99,320
Total	\$ 17,727,098		10.49%	4,250,513	\$ 17,045,019		11.47%	4,591,132
Total Water System Revenue	\$ 168,975,232				\$ 148,622,758			

Schedule 8 - Principal Revenue Payers, continued

Current Fiscal Year and Nine Years Ago

Wastewater Customer Name	2025				2016			
	Wastewater Revenue	Rank	% of Total Revenue	Consumption	Wastewater Revenue	Rank	% of Total Revenue	Consumption*
Intel Corporation	\$ 3,279,117	1	3.43%	-	\$ -	-	0.00%	-
Kirtland Air Force Base	1,706,476	2	1.78%	743,025	1,263,401	1	1.85%	744,617
University of New Mexico	1,358,469	3	1.42%	913,556	874,125	2	1.28%	485,108
City of Albuquerque	951,505	4	0.99%	167,461	671,861	4	0.99%	170,284
Albuquerque Public Schools	944,371	5	0.99%	107,766	808,579	3	1.19%	142,838
Creamland Dairies	694,366	6	0.73%	53,981	484,979	5	0.71%	50,247
Sumitomo	327,977	7	0.34%	-	-	-	0.00%	-
General Mills	259,867	8	0.27%	-	-	-	0.00%	-
Lovelace Health	252,012	9	0.26%	72,298	254,237	6	0.37%	68,503
Bernalillo County	159,406	10	0.17%	25,496	181,653	7	0.27%	55,140
Central NM Community College	-	-	0.00%	-	116,680	8	0.17%	31,466
Sandia Peak Services	-	-	0.00%	-	77,037	9	0.11%	72,929
Four Hills MHP	-	-	0.00%	-	75,329	10	0.11%	34,730
Total	\$ 9,933,566		10.39%	2,083,583	\$ 4,807,881		7.05%	1,855,862
Total Wastewater System Revenue	\$ 95,629,641				\$ 68,166,636			

Source: Water Authority Financial/Business Services Division

Debt Capacity and Debt Service

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
- Schedule 10 — Senior / Subordinate Lien Debt Coverage Ratio
- Schedule 11 — Credit Ratings and Market Conditions

Schedule 9 - Outstanding Debt

Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Revenue Bonds	Notes from direct borrowings	Water Rights contract	Unamortized Premium	Leases	SBITA's	Total	Per Capita	Per Customer
2025	\$ 387,145	\$ 123,478	\$ -	\$ 24,943	\$ 852	\$ 1,537	\$ 537,954	818	2,460
2024	454,255	122,408	-	32,248	1,083	715	610,709	908	2,801
2023	520,305	10,291	-	32,977	1,549	1,026	566,148	837	2,605
2022	583,800	10,512	1,360	42,582	240	1,217	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	3,197
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

Notes and Disclaimers

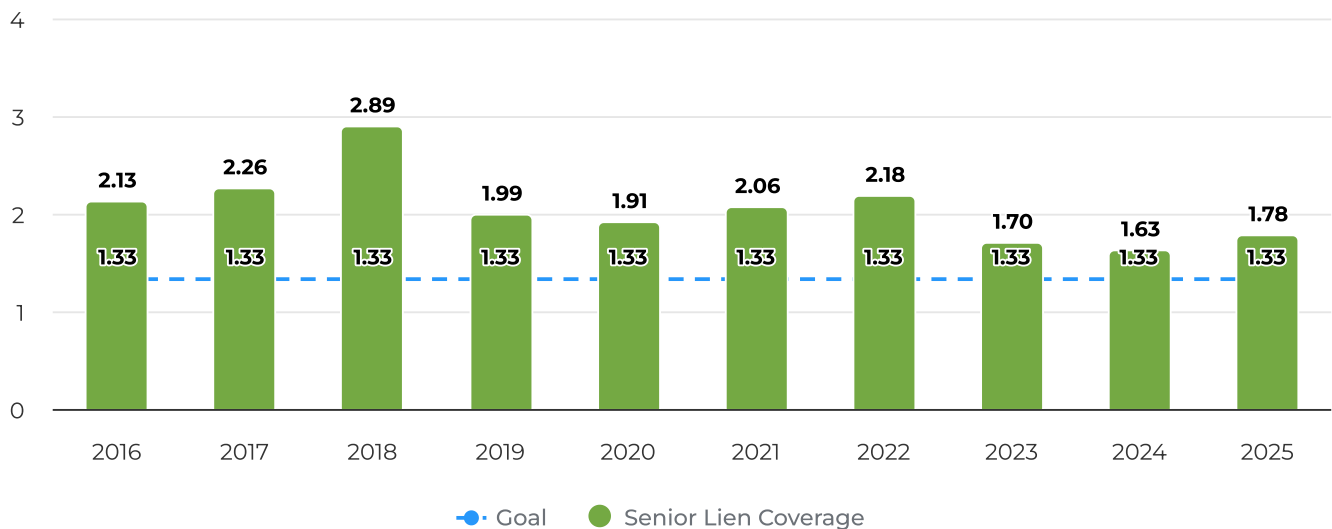
1. Per Capita measures the average debt burden per person in a population.
2. Per Customer measures the average debt burden per active Water Authority customer.

Source: Water Authority Financial/Business Services Division

Schedule 10 – Senior / Subordinate Lien Debt Coverage Ratio

Last Ten Fiscal Years (in thousands of dollars)

Senior Lien			Debt Obligations				Coverage	Required Coverage
Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium		
2025	\$ 295,251	\$ 161,101	\$ 134,150	\$ 60,708	\$ 21,946	\$ (7,139)	1.78	1.33
2024	271,805	154,081	117,724	58,321	22,812	(8,625)	1.63	1.33
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



Senior and Subordinate Lien				Debt Obligations					
Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage	
2025	\$ 295,251	\$ 161,101	\$ 134,150	\$ 69,982	\$ 22,450	\$ (7,305)	1.58	1.20	
2024	271,805	154,081	117,724	67,651	23,769	(8,625)	1.42	1.20	
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	

Notes and Disclaimers

1. Gross revenues include operating, non-operating, and miscellaneous revenues.
2. Operating expenses exclude depreciation and amortization, bad debt, and non-capitalized major repairs.

Source: Water Authority Financial/Business Services Division

Schedule 11 – Credit Ratings and Market Conditions

Credit Ratings Overview

Fitch Ratings:

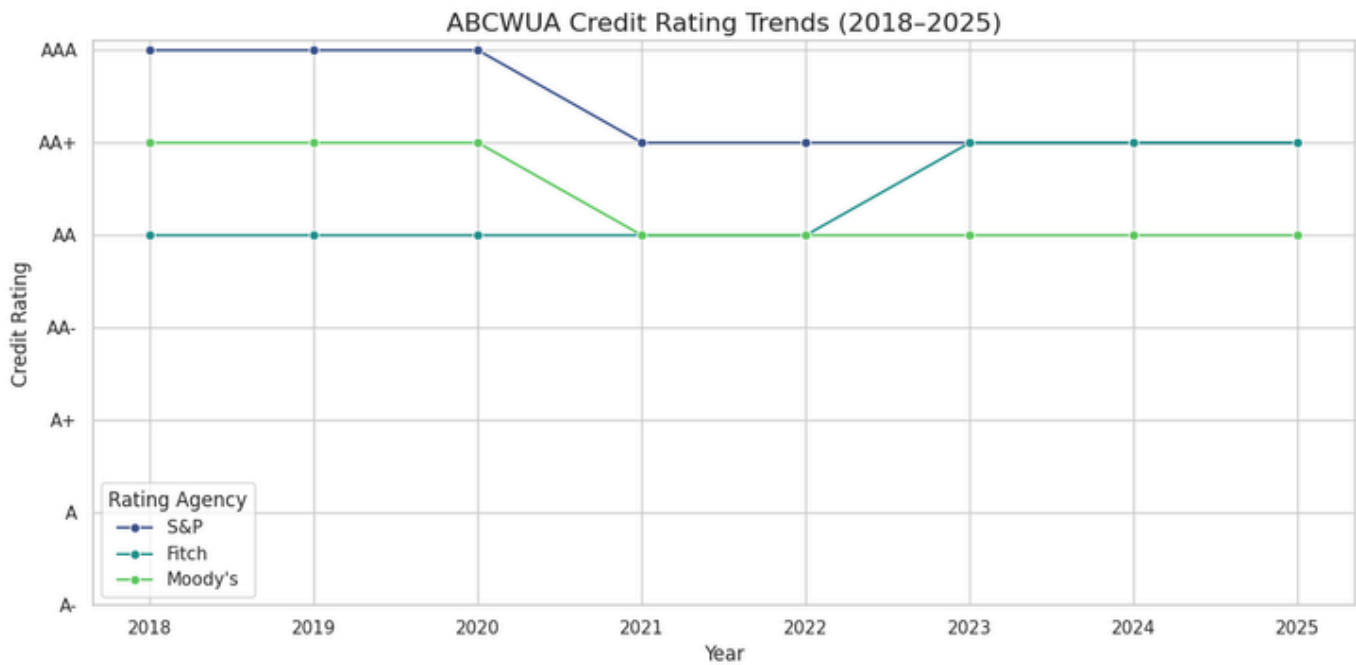
- Long-Term Issuer Default Rating: **AA+**
- Rating History:
 - Upgraded from AA to AA+ in January 2023
 - Maintained AA+ through 2024 with a stable outlook
- Key Rating Factors:
 - **Revenue Defensibility:** High (aa)
 - **Operating Risk:** Moderate (a)
 - **Financial Profile:** Strong (aa)
- **Outlook:** Stable

S&P Global Ratings:

- **Senior-Lien Revenue Bonds:** Upgraded to **AAA** from AA+ (2018), but revised to **AA+** with a negative outlook in 2025 due to below-average debt service coverage.
- **Subordinate-Lien Bonds:** **AA** rating
- **Key Strengths:**
 - Extremely strong enterprise and financial risk profiles
 - Resilient employment base and robust planning
 - Affordable combined water and sewer rates
 - Rapid debt roll-off and strong financial management
- **Outlook:** Stable

Moody's:

- **Senior Lien Revenue Bonds:** **Aa2 stable**
- **Key Strengths:**
 - **Strong Financial Management:** Conservative budgeting and robust reserves
 - **Rate Stability:** Affordable water/sewer rates with predictable revenue
 - **Capital Investment:** Ongoing infrastructure upgrades funded through debt and internal revenues
 - **Autonomy:** Independent governance structure enhances financial flexibility
- **Outlook:** Stable



Market Conditions & Financial Health

Financial Structure

- The Water Authority is a politically independent entity governed by an eight-member board.
- Operating autonomously from the City of Albuquerque since 2013.
- Financial systems are internally managed, with regular audits and transparent reporting.

Capital Planning & Debt Management

- Significant capital investments are funded through internally generated revenues.
- A front-loaded debt repayment schedule ensures long-term financial sustainability.
- Strong reserve levels are maintained to support future infrastructure needs.

Rate Affordability & Revenue Stability

- Water and sewer rates remain affordable despite recent adjustments.
- Revenue streams are stable, supported by a large customer base (serving ~95% of county residents).

Demographics 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 12 – Demographics and Economic Statistics (U.S. Census data latest update is 2023)
- Schedule 13 – Top Ten Major Employers

Schedule 12 - Demographics and Economic Statistics

Population



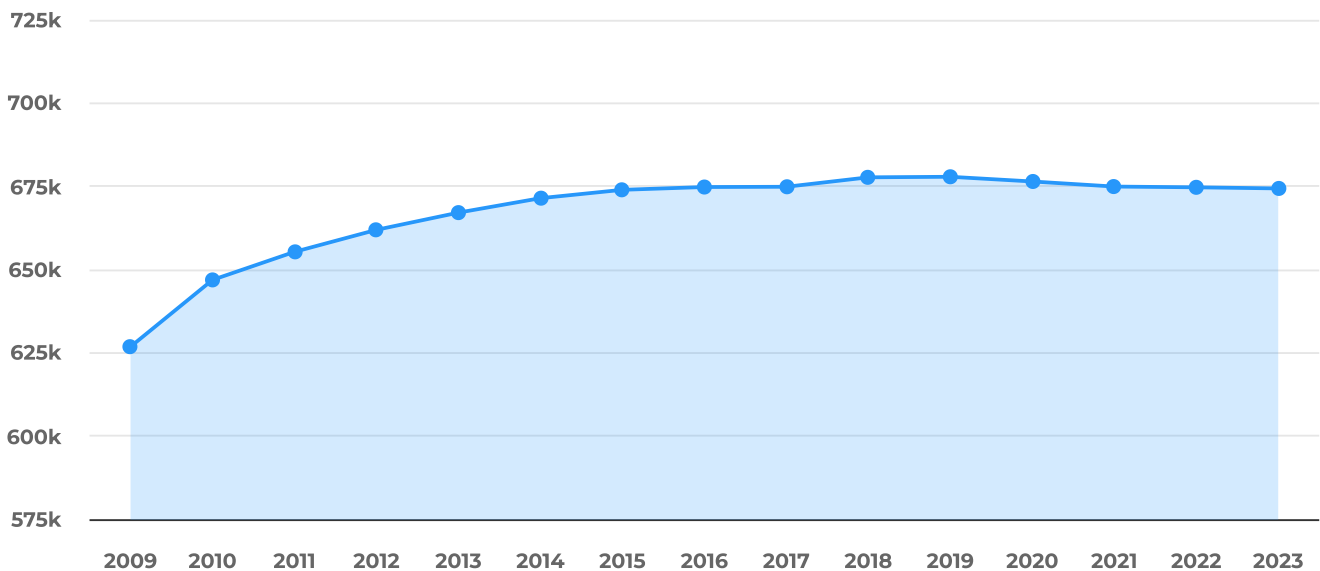
TOTAL POPULATION

674,357

-0.05%
vs. 2022

GROWTH RANK

16 out of **34** Counties in New Mexico



** Data Source: U.S. Census Bureau American Community Survey 5-year Data and the 2020, 2010, 2000, and 1990 Decennial Censuses*



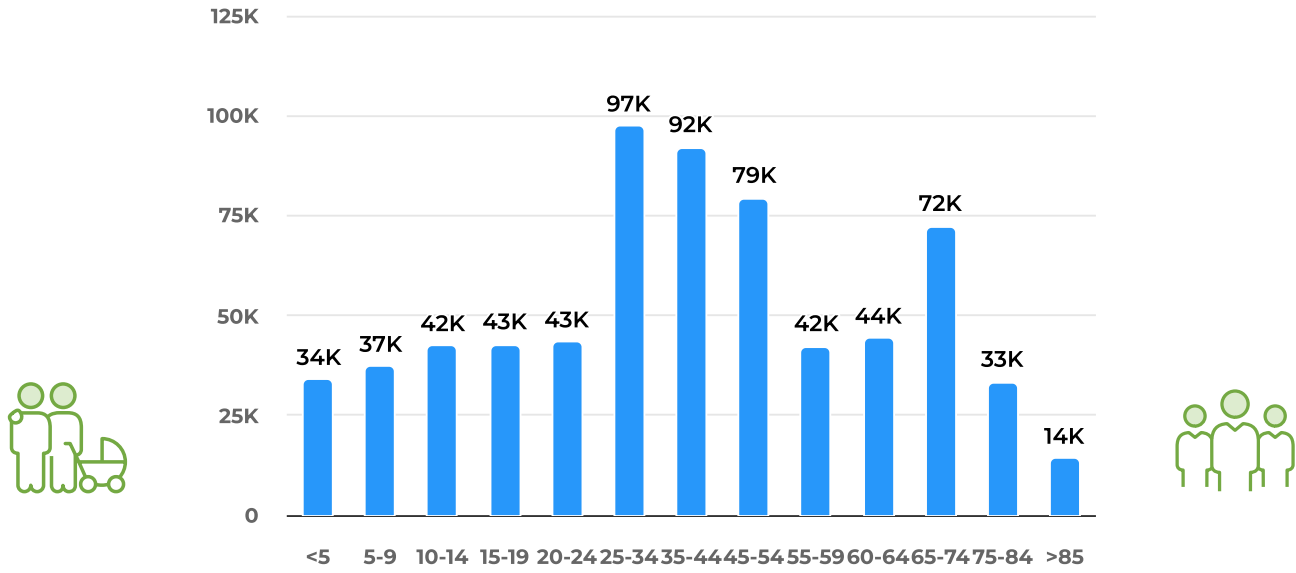
DAYTIME POPULATION

703,355

Daytime population represents the effect of persons coming into or leaving a community for work, entertainment, shopping, etc. during the typical workday. An increased daytime population puts greater demand on host community services which directly impacts operational costs.

** Data Source: American Community Survey 5-year estimates*

POPULATION BY AGE GROUP



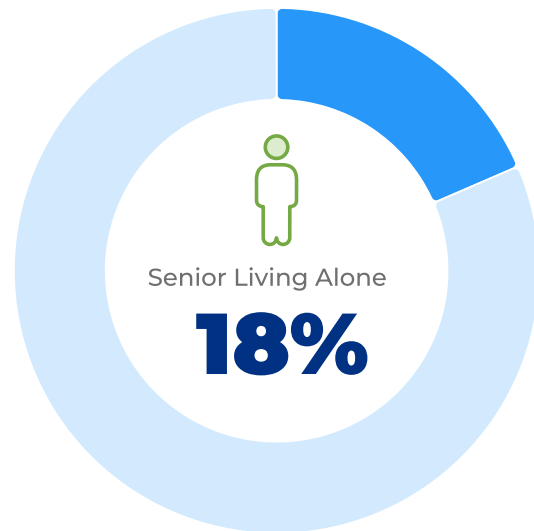
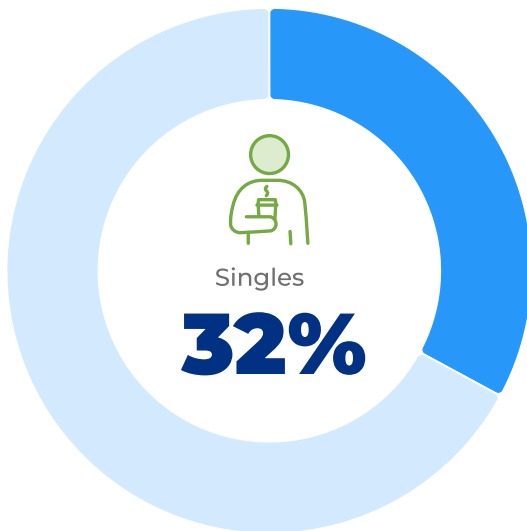
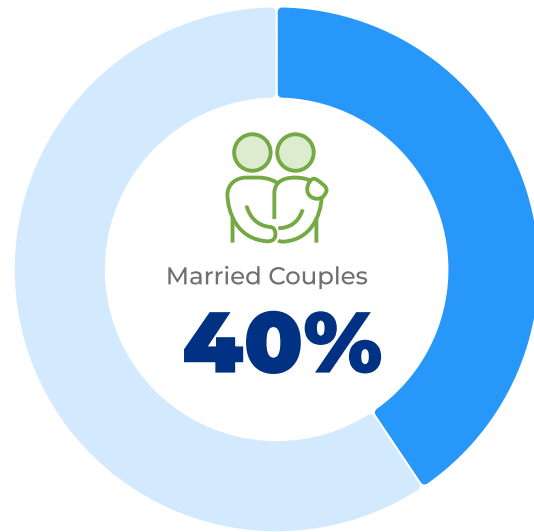
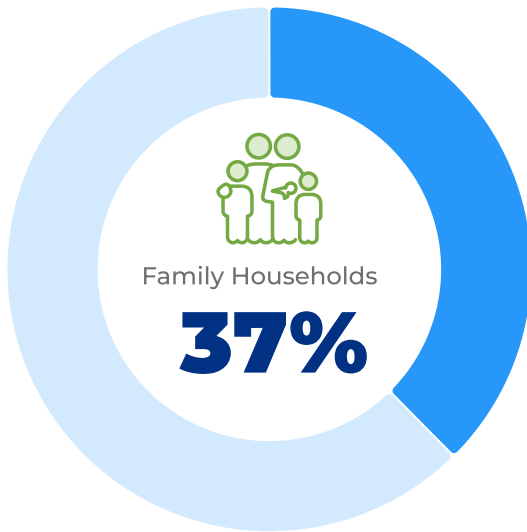
Aging affects the needs and lifestyle choices of residents. Municipalities must adjust and plan services accordingly.

** Data Source: American Community Survey 5-year estimates*

Household

TOTAL HOUSEHOLDS
283,609

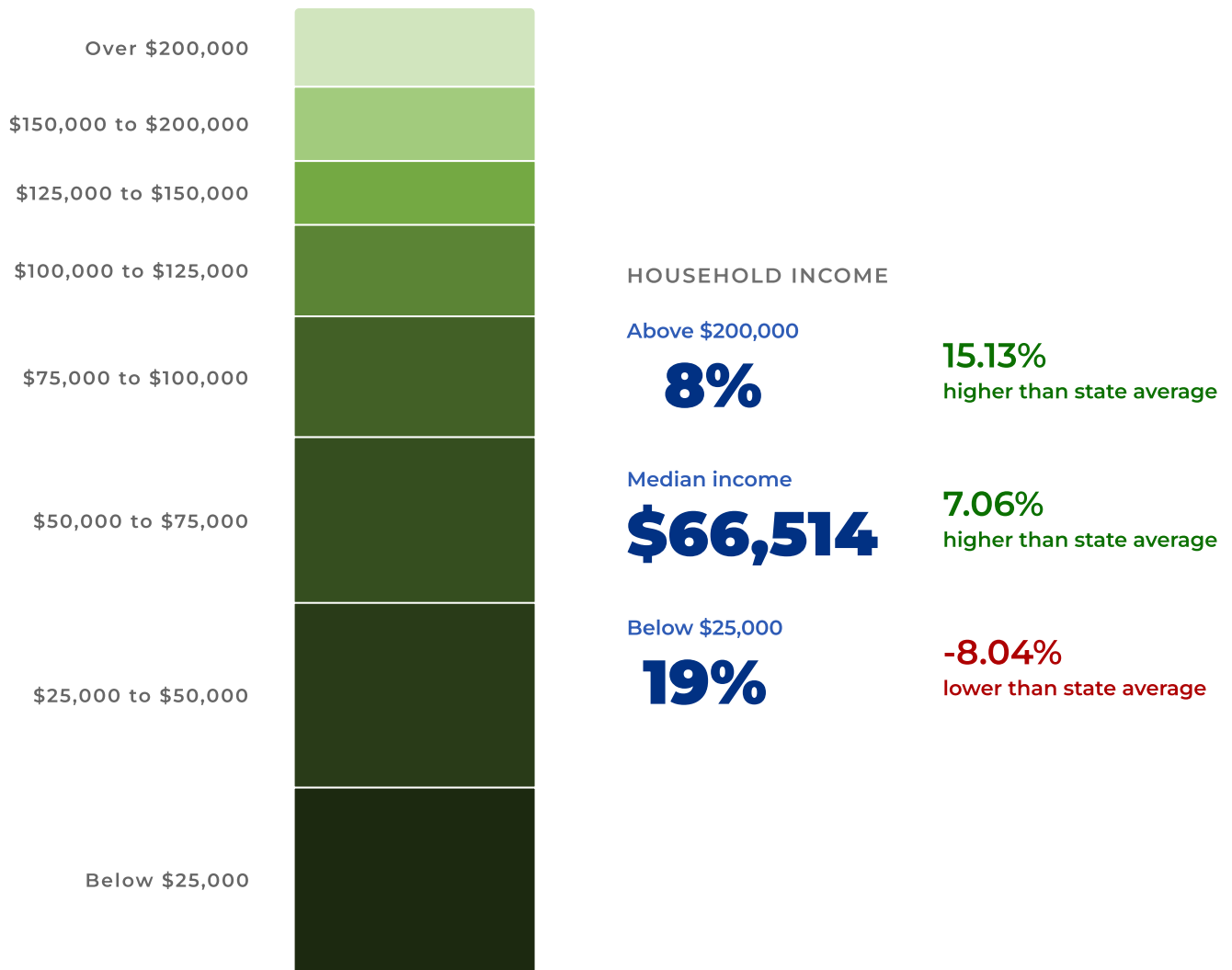
Municipalities must consider the dynamics of household types to plan for and provide services effectively. Household type also has a general correlation to income levels which affect the municipal tax base.



* Data Source: American Community Survey 5-year estimates

Economic

Household income is a key data point in evaluating a community's wealth and spending power. Pay levels and earnings typically vary by geographic regions and should be looked at in context of the overall cost of living.



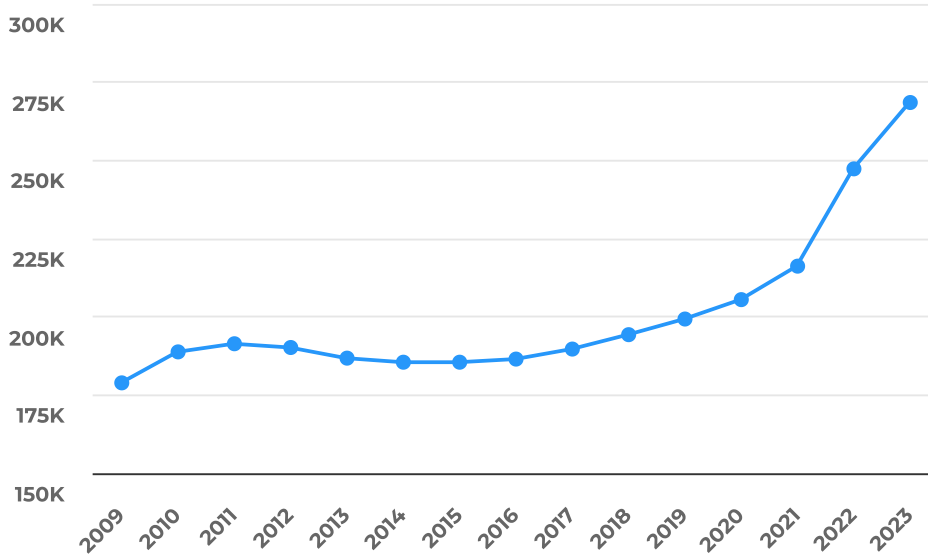
* Data Source: American Community Survey 5-year estimates

Housing



2023 MEDIAN HOME VALUE

\$268,500

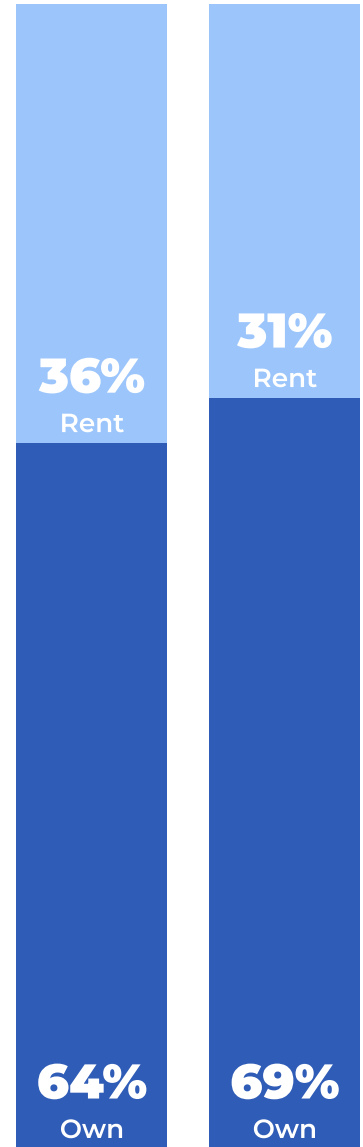


* Data Source: 2023 US Census Bureau, American Community Survey. Home value data includes all types of owner-occupied housing.

HOME OWNERS VS RENTERS

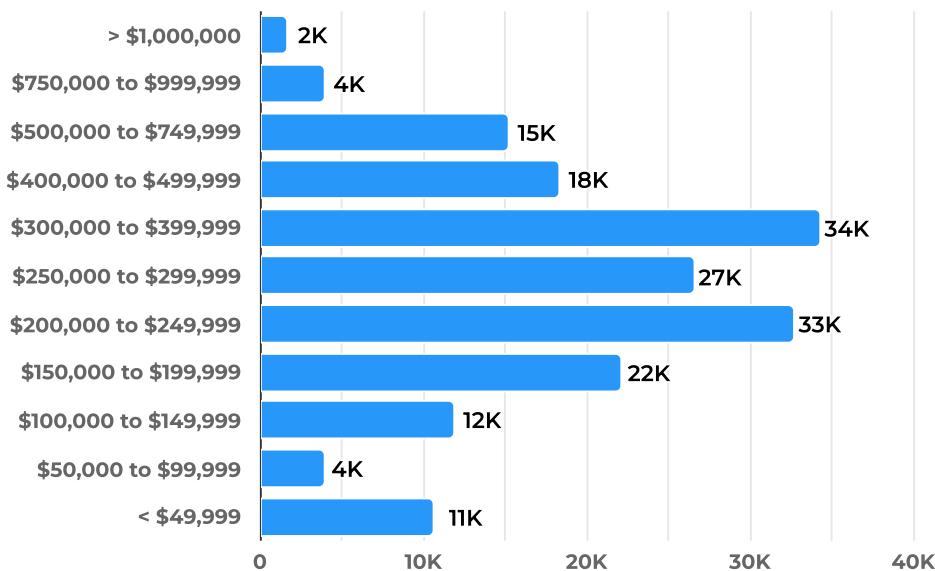
Albuquerque-Bernalillo County Water Utility Authority

State Avg.



* Data Source: 2023 US Census Bureau, American Community Survey. Home value data includes all types of owner-occupied housing.

HOME VALUE DISTRIBUTION



* Data Source: 2023 US Census Bureau, American Community Survey. Home value data includes all types of owner-occupied housing.

Unemployment Rate: New Mexico, Albuquerque MSA vs. U.S.

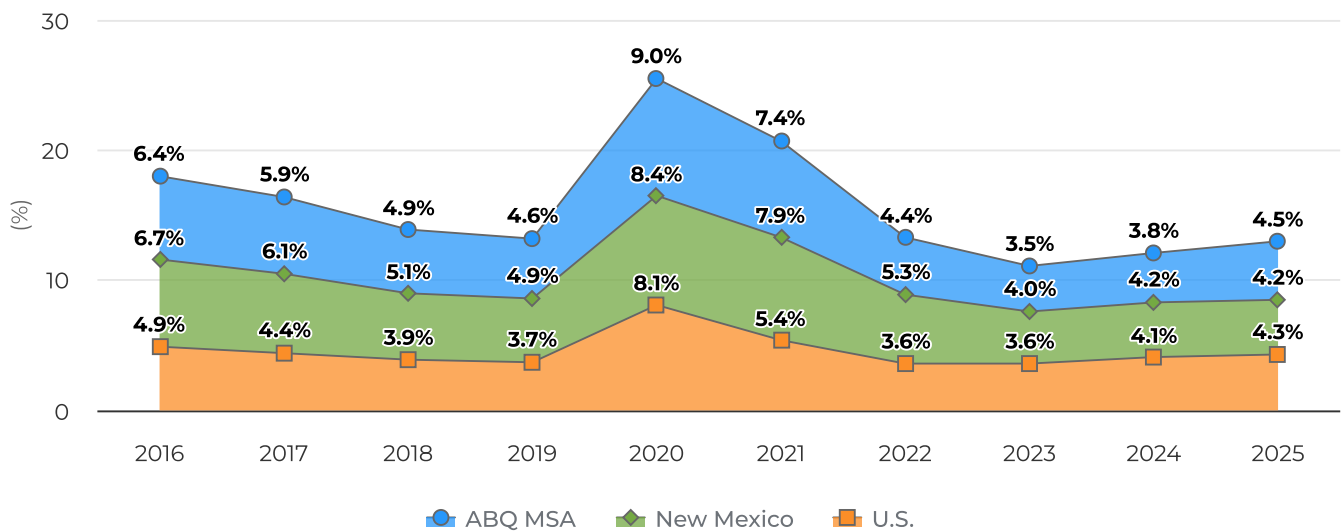
Year	New Mexico (%)	Albuquerque MSA (%)	United States (%)
2025	4.2% (Jun)	4.5% (Jun)	4.3% (Jun)
2024	4.2%	3.8%	4.1%
2023	4.0%	3.5%	3.6%
2022	5.3%	4.4%	3.6%
2021	7.9%	7.4%	5.4%
2020	8.4% (COVID)	9.0% (COVID)	8.1% (COVID)
2019	4.9%	4.6%	3.7%
2018	5.1%	4.9%	3.9%
2017	6.1%	5.9%	4.4%
2016	6.7%	6.4%	4.9%

Key Insights:

- COVID-19 Impact (2020):** Both regions saw a sharp spike in unemployment, with Albuquerque MSA slightly more affected.
- Recovery (2021–2023):** Steady decline in unemployment rates, reaching pre-pandemic levels by 2023.
- Current Status (2025):** Rates have stabilized to around 4.2% for New Mexico and 4.5% for Albuquerque MSA*.

*Metropolitan Service Area (MSA)

Note: These values are approximations based on monthly averages and may vary slightly depending on seasonal adjustments.



Schedule 13 – Top Ten Major Employers

Current Fiscal Year and Nine Years Ago

Employer	2025			2016		
	Number of Employees	Rank	% of Albuquerque MSA Employment	Number of Employees	Rank	% of Albuquerque MSA Employment
Kirtland Air Force Base	23,000	1	5.65%	40,550	1	10.97%
Presbyterian Health System	11,575	2	2.84%	7,369	5	1.99%
Sandia National Laboratories	15,100	3	3.71%	8,400	4	2.27%
Albuquerque Public Schools	10,150	4	2.49%	14,480	2	3.92%
University of New Mexico	11,875	5	2.92%	14,300	3	3.87%
University of New Mexico Hospital	6,772	6	1.66%	5,950	7	1.61%
City of Albuquerque	5,800	7	1.42%	6,680	6	1.81%
State of New Mexico	4,950	8	1.22%	5,910	8	1.60%
Lovelace Health System	3,650	9	0.90%	3,700	9	1.00%
Bernalillo County	1,133	10	0.28%	-		0.00%
Intel Corporation	0			3300	10	0.89%
Total	94,005		23.09%	110,639		29.94%
Total Employment	407,048			369,554		

Metropolitan Service Area (MSA)

Sources:

- New Mexico Partnership and listed employers
- Total Employment: University of New Mexico Bureau of Business and Economic Research

Operating Indicators

To ensure transparency, accountability, and continuous improvement, the Water Authority provides its customer base with a comprehensive set of Key Performance Indicators (KPIs) and operational metrics. These indicators measure service delivery, program effectiveness, operational efficiency, and other critical aspects of performance. They include:

- Schedule 14 – Full-time Equivalent Water Authority Employees by Function
- Schedule 15 – Operating Indicators by Function

Schedule 14 - Full-time Equivalent Water Authority Employees by Function

Last Ten Fiscal Years

Function	Fiscal Year				
	2025	2024 (6)	2023	2022	2021 (5)
Administration:					
Water Authority Admin	8.0	8.0	7.0	7.0	7.0
Legal / Risk	-	-	-	-	-
Risk	6.0	6.0	5.0	5.0	5.0
Legal	1.0	1.0	1.0	1.0	1.0
Human Resources	15.0	15.0	15.0	15.0	15.0
Information Technology	43.0	43.0	-	-	-
Financial / Business Services:					
Finance	31.0	31.0	44.0	42.0	40.0
Customer Service	49.0	49.0	49.0	49.0	51.0
Asset Management	5.0	6.0	-	-	-
Information Technology	-	-	43.0	38.0	37.0
Plant:					
Wastewater Treatment	89.0	89.0	88.0	91.0	91.0
San Juan-Chama Water Treatment Plant	35.0	35.0	35.0	34.0	34.0
Groundwater	56.0	55.0	55.0	53.0	54.0
Field:					
Wastewater Collection	64.0	64.0	64.0	64.0	64.0
Water Field Operations	148.0	148.0	149.0	151.0	150.0
Compliance	47.0	47.0	44.0	44.0	43.5
Fleet & Facility Maintenance	16.0	13.0	-	-	-
Water Resources Management	-	-	-	-	-
Planning & Engineering	-	-	-	-	-
Centralized Engineering	26.0	26.0	24.0	24.0	24.0
Planning & Utility Development	5.0	4.0	4.0	3.0	3.0
Asset Management	-	-	6.0	5.0	5.0
Water Resources	14.0	13.0	13.0	14.0	13.0
CIP Funded	-	-	-	-	-
Total	658.0	653.0	646.0	640.0	637.5

Schedule 14 - Full-time Equivalent Water Authority Employees by Function, continued

Last Ten Fiscal Years

Function	Fiscal Year				
	2020 (4)	2019 (3)	2018 (2)	2017 (1)	2016
Administration:					
Water Authority Admin	7.0	15.0	14.0	13.0	8.0
Legal / Risk	-	-	-	7.0	5.0
Risk	5.0	5.0	6.0	-	-
Legal	1.0	1.0	1.0	-	-
Human Resources	15.0	15.0	14.0	13.0	13.0
Information Technology	-	-	-	-	-
Financial / Business Services					
Finance	39.0	29.5	30.5	31.5	31.5
Customer Service	52.0	91.0	91.0	90.0	92.0
Asset Management	-	-	-	-	-
Information Technology	34.0	27.0	26.0	26.0	25.0
Plant:					
Wastewater Treatment	91.0	91.0	92.0	92.0	99.0
San Juan-Chama Water Treatment Plant	34.0	33.0	30.0	28.0	56.0
Groundwater	53.0	53.0	54.0	55.0	26.0
Field:					
Wastewater Collection	62.0	62.0	62.0	61.0	60.0
Water Field Operations	153.0	123.0	124.0	124.0	117.0
Compliance	44.5	44.5	44.5	45.5	46.0
Fleet & Facility Maintenance	-	-	-	-	-
Water Resources Management	-	-	-	-	40.0
Planning & Engineering	27.0	31.0	26.0	23.0	-
Centralized Engineering	-	-	-	-	-
Planning & Utility Development	-	-	-	-	-
Asset Management	5.0	-	-	-	-
Water Resources	12.0	12.0	11.0	16.0	-
CIP Funded	-	-	7.0	7.0	9.0
Total	634.5	633.0	633.0	632.0	627.5

Notes and Disclosures

1. In 2017, the Water Resources Management function separated into 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 functions separated; now Central Engineering, Asset Management, and Planning and Utility Development.
6. In 2024, Information Technology was moved to the Water Authority Administration. Fleet & Facility Maintenance functions were separated from Finance and is now a division; Asset Management was moved to Finance.

Source: Water Authority Financial/Business Services Division

Schedule 15 – Operating Indicators by Function

Last Ten Calendar Years

Surface Water Treatment Plant Capacity (Gallons)	2024	2023	2022	2021	2020
Estimated Population (Service Area)	657,511	656,237	654,067	665,392	685,486
Number of Meters (Billed)	213,710	212,945	212,258	211,444	210,357
Estimated Persons Per Meter	3.08	3.08	3.08	3.15	3.26
Annual Pumpage (1,000 Gallons)	28,772,000	29,950,000	29,351,780	30,466,000	30,878,760
Annual Water Billed (1,000 Gallons)	27,392,067	27,897,712	26,768,692	27,967,068	28,431,768
Average Daily Pumpage (Gallons)	78,600,000	82,054,000	79,219,834	83,468,493	84,599,000
Peak Day Pumpage (Gallons)	122,000,000	153,300,000	142,460,000	142,984,000	141,450,000
Peak Day Consumption (Gallons)	128,250,000	145,304,000	133,668,000	137,644,000	140,223,000
Average Daily Production Per Meter (Gallons)	368	385	373	395	402
Well Pumping Capacity (per 24-hour period)	177,000,000	178,000,000	176,000,000	176,000,000	176,000,000
Storage Capacity (Gallons)	247,000,000	247,000,000	245,000,000	245,000,000	245,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Capital Assets:					
Fire Hydrants	16,550	16,486	16,337	16,194	16,076
Pipelines (in miles):					
Water	2,842	2,836	2,821	2,802	2,783
Wastewater	1,956	1,952	1,946	1,936	1,926
San Juan-Chama	38	38	38	38	38

Schedule 15 – Operating Indicators by Function, continued

Last Ten Calendar Years

Function	2019	2018	2017	2016	2015
Estimated Population (Service Area)	683,207	680,946	676,298	670,779	658,238
Number of Meters (Billed)	209,029	207,858	206,606	208,140	208,200
Estimated Persons Per Meter	3.27	3.28	3.27	3.22	3.16
Annual Pumpage (1,000 Gallons)	29,392,000	30,139,000	30,895,000	30,720,000	29,498,000
Annual Water Billed (1,000 Gallons)	27,073,469	27,696,655	28,357,626	28,250,591	27,195,260
Average Daily Pumpage (Gallons)	80,526,027	82,572,603	84,643,836	84,164,384	80,816,438
Peak Day Pumpage (Gallons)	147,000,000	147,000,000	150,600,000	159,000,000	146,000,000
Peak Day Consumption (Gallons)	145,000,000	143,000,000	147,300,000	141,000,000	148,000,000
Average Daily Production Per Meter (Gallons)	385	397	410	404	388
Well Pumping Capacity (per 24-hour period)	176,000,000	176,000,000	176,000,000	178,000,000	184,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Capital Assets:					
Fire Hydrants	15,948	15,853	15,731	15,646	15,572
Pipelines (in miles):					
Water	2,767	2,756	2,739	2,729	2,721
Wastewater	1,920	1,914	1,908	1,904	1,900
San Juan-Chama	38	38	37	37	37

Efficiency Metrics

Chart 1 illustrates **population** versus **number of water meters** and shows the relationship between how many people live in the service area and how many water meters are installed — essentially a proxy for how water infrastructure scales with the population.

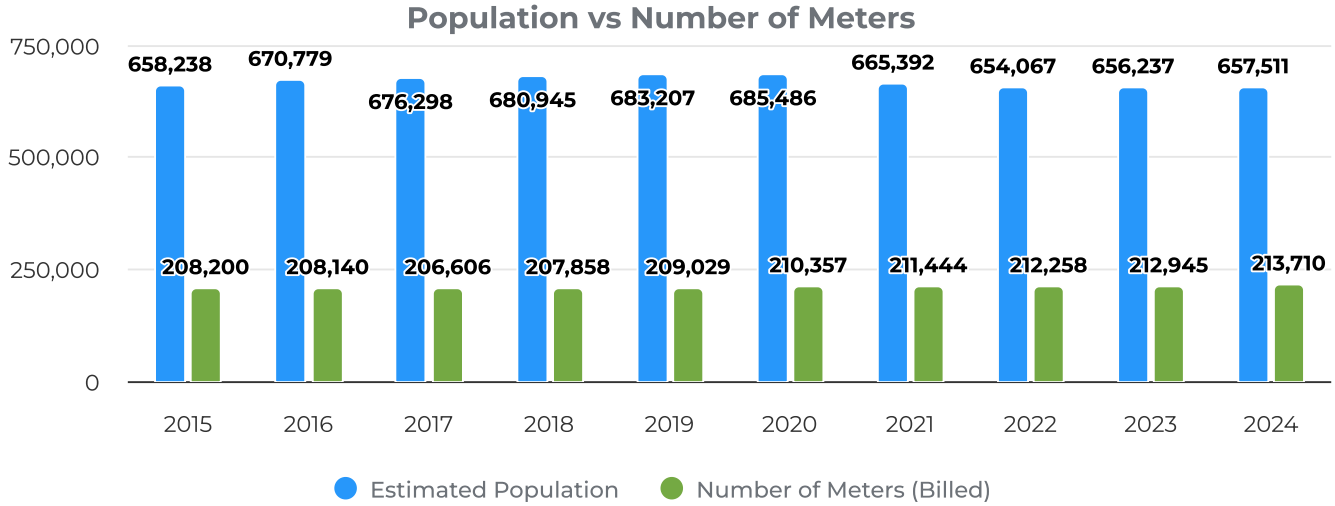


Chart 2 compares **annual pumpage** (total water pumped or produced) versus **annual water billed** (water actually sold to customers). It illustrates **water loss**—often referred to as **non-revenue water (NRW)**.

- **Annual Pumpage:** The total volume of water extracted from sources (e.g., wells, reservoirs, treatment plants) and introduced into the distribution system.
- **Annual Water Billed:** The volume of water measured by customer meters and invoiced—essentially, the water that generates revenue.

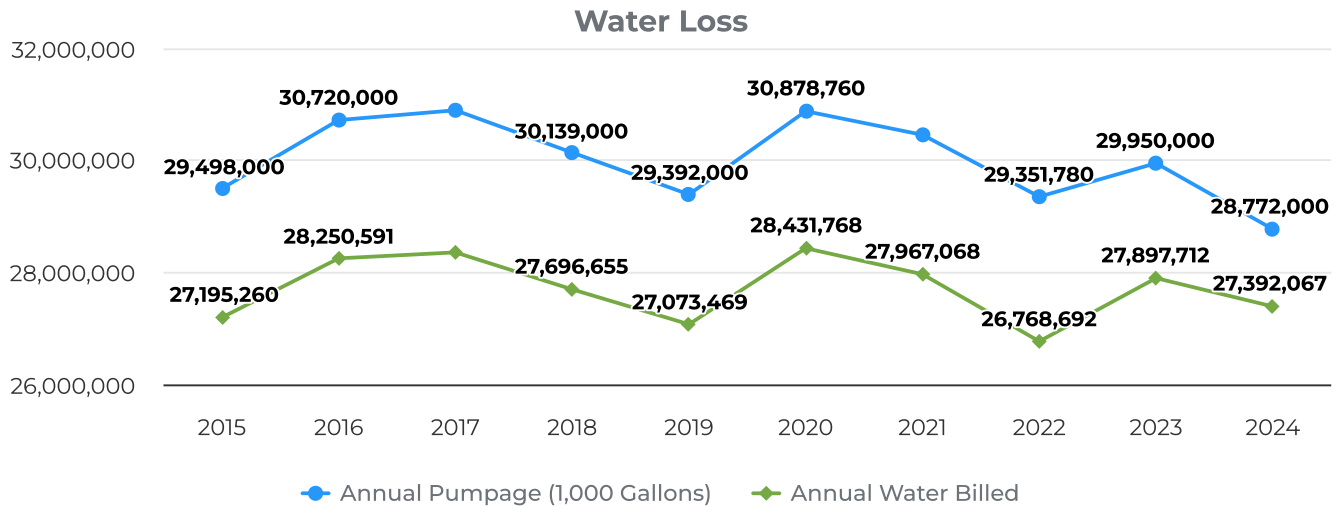
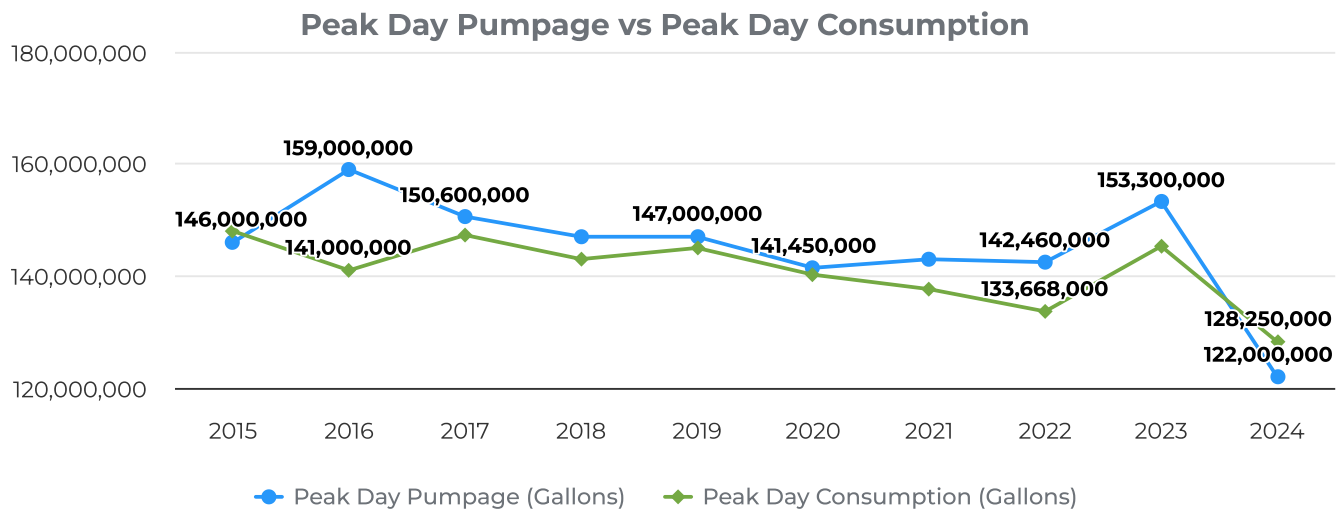


Chart 3 compares **peak day water pumpage** versus **peak day consumption**.

- **Peak Day Water Pumpage** refers to the **maximum volume of water pumped** from the source (like reservoirs, wells, or treatment plants) into the distribution system on the busiest day of the year.
- **Peak Day Water Consumption** is the **actual amount of water used** by consumers (homes, businesses, industries) on that same day.

This comparison reveals several important insights:

- **System Efficiency**
 - If pumpage is significantly higher than consumption, it may indicate **losses** due to leaks, overflows, or inefficiencies in the system.
- **Storage & Buffering Capacity**
 - Sometimes utilities pump more than is consumed to **replenish reservoirs or tanks**, ensuring there's enough supply for emergencies or the next day's demand.
- **Demand Forecasting Accuracy**
 - A close match between pumpage and consumption suggests good **forecasting and planning**. A mismatch might mean the utility over- or under-estimated demand.
- **Infrastructure Stress**
 - Peak days stress the system. Comparing pumpage to consumption helps identify whether the infrastructure can handle **maximum demand** without failures.



Other Financial and Non-Financial Data

Financial Benchmarks

Days Cash on Hand

Goal:

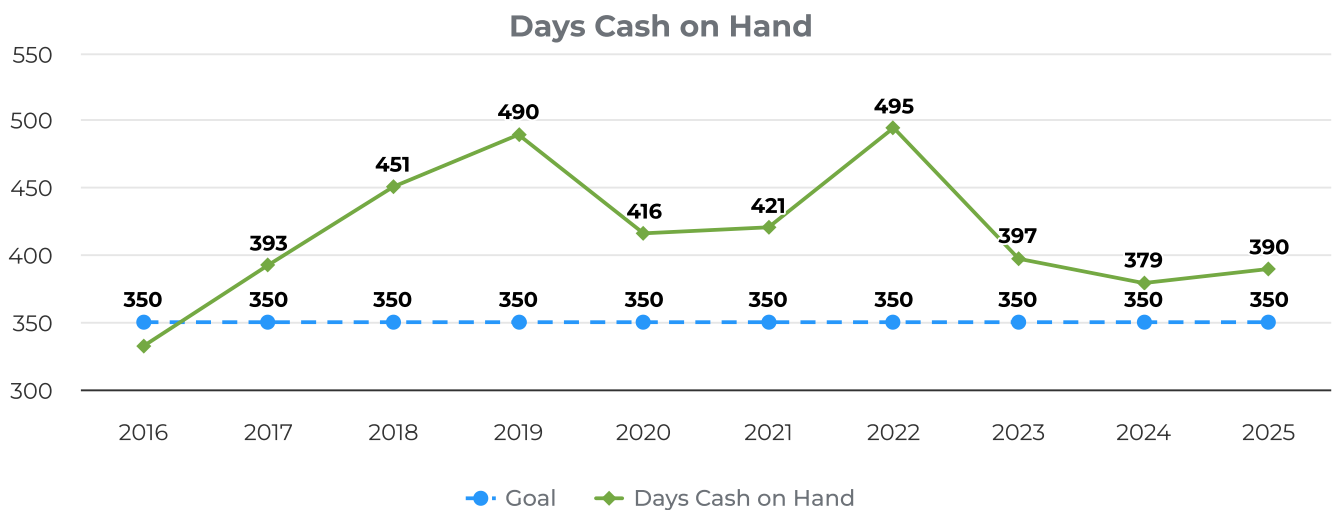
The goal of Days Cash on Hand is to measure how many days the Water Authority can continue to pay its operating expenses using only its available, unrestricted cash—without any incoming revenue.

Why It Matters:

- Acts as a financial cushion during revenue disruptions (e.g., droughts, economic downturns, customer non-payment).
- Helps utilities weather emergencies without immediate rate hikes or borrowing.
- Signals financial health to regulators, rating agencies, and stakeholders.

Target Benchmark:

- **Minimum:** At least enough to cover the billing cycle (typically **30–60 days**).
- **Recommended:** Many utilities aim for **90–180 days**, though some may target **up to 12 months** depending on risk tolerance and revenue volatility. The Water Authority's target is **350 days**.



Days of Working Capital (DWC)

Goal:

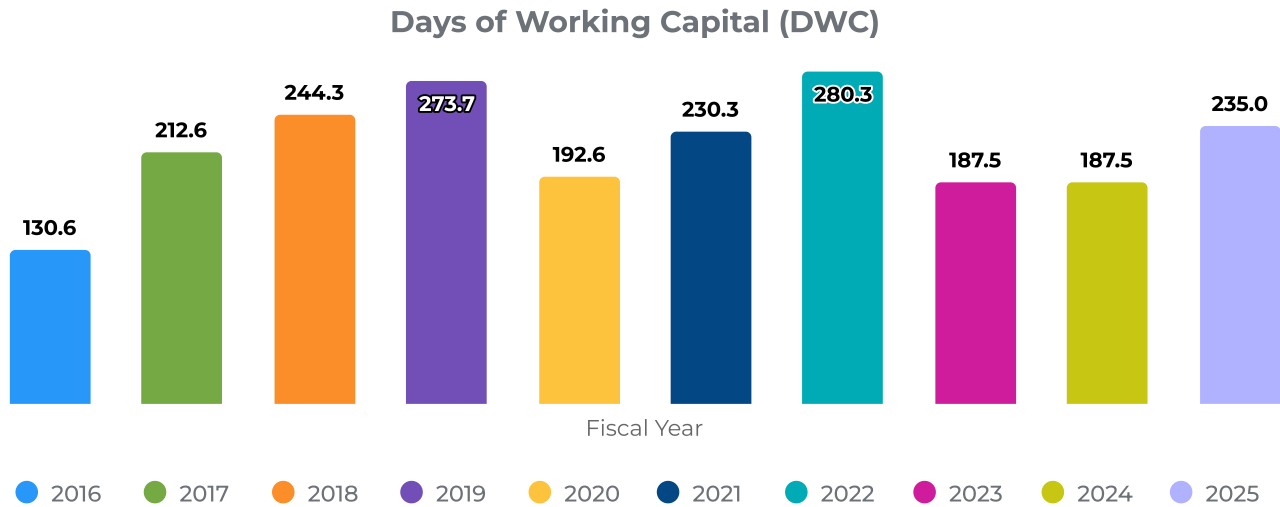
Days of Working Capital estimates how long it takes for a utility to convert its net working capital (current assets minus current liabilities) into revenue.

Why It Matters:

- Reflects how efficiently the utility manages short-term assets and liabilities.
- A lower DWC means quicker cash conversion and better liquidity.
- A higher DWC may indicate sluggish collections, excess inventory, or delayed payments to suppliers.

Target Benchmark:

- There's no universal target, but **lower is generally better**.
- Utilities often aim to keep DWC **below 60 days**, though this varies by size, structure, and billing practices.



Financial Ratios

The **Current Ratio** is a snapshot of the Water Authority's ability to stay afloat in the short term. If it's below 1, the Water Authority might struggle to pay its bills. If it's too high, it might be hoarding assets inefficiently.

2024 Average: 1.9

Trend: Water Authority consistently stays within the 1.7-1.9 range.

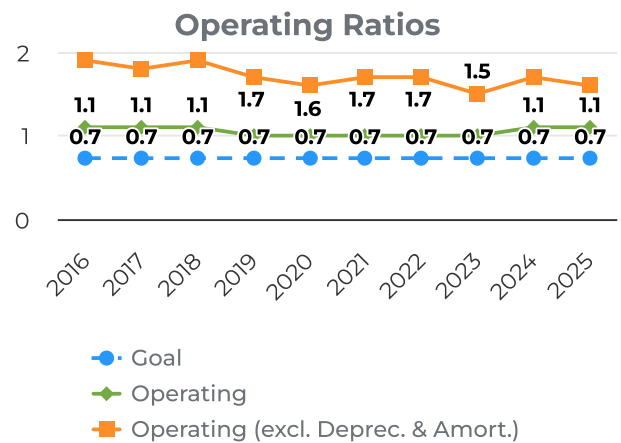
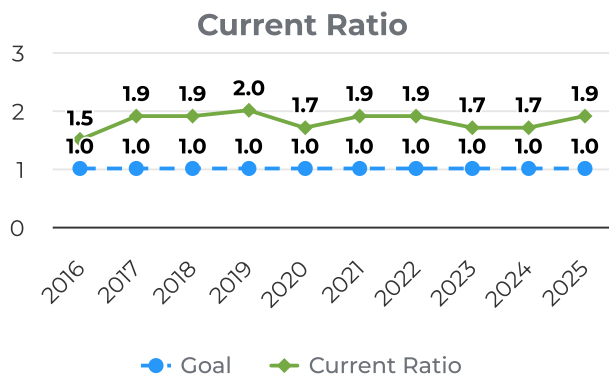
Interpretation: Water utilities typically operate with a **low current ratio**, reflecting stable but tight liquidity. This is common in regulated industries with predictable cash flows and long-term infrastructure investments.

The **Operating Ratio** tells how much of each dollar in revenue is eaten up by operating costs. A lower ratio means the Water Authority is keeping more of its revenue as reserves — a sign of strong cost control.

- This implies an **operating ratio of ~73.2%**, meaning about 73 cents of every dollar in revenue goes toward operating costs.
- Compared to other utility sectors, this is relatively efficient — thanks to scale, regulation, and steady demand.

What This Tells Us:

- **Liquidity (Current Ratio):** Water utilities don't hold large amounts of liquid assets. Their business model relies on consistent billing and long-term capital planning, so a low current ratio isn't necessarily a red flag.
- **Efficiency (Operating Ratio):** A ~73% operating ratio suggests solid cost control. Since water utilities often face public scrutiny and regulatory oversight, maintaining lean operations is key.



Water Resources

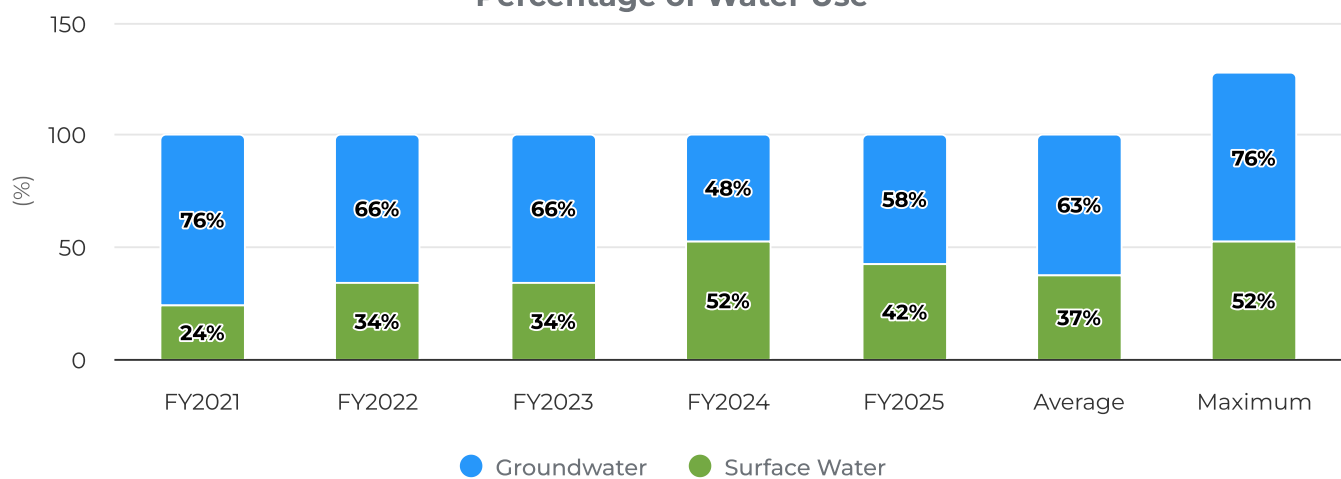
The Water Authority utilizes its surface water (San Juan-Chama Project surface water supply) and groundwater supply sources to meet demand and surface water is prioritized. FY2021 through FY2025 surface water diversion totals reflect that surface water diversions were shutdown during periods of low flows in the Rio Grande, as required by the NM Office of the State Engineer permit. Totalizer readings are reported to the Office of the State Engineer on a monthly basis in a Monthly Production Report, in units of acre-feet and millions of gallons, as shown in the table.

In addition to groundwater supply wells in the Water Authority system, the Water Authority also tracks pumping by non-system wells; the non-system wells are removed from the quantity summaries for “System Wells Only” and is most representative of groundwater use for customer demand. In addition to surface water and groundwater, the Water Authority also recovers water from its aquifer storage and recovery project, which is tracked through totalizer readings and reported on a monthly basis. Quantities are reported and accounted on an annual basis with the NM Office of the State Engineer and the quantities reported in the table are adjusted for the Fiscal Year.

Total System Water Diversion (acre-feet)



Percentage of Water Use



Notes and disclaimers

Maximum Capacity of Water Use: Groundwater vs. Surface Water

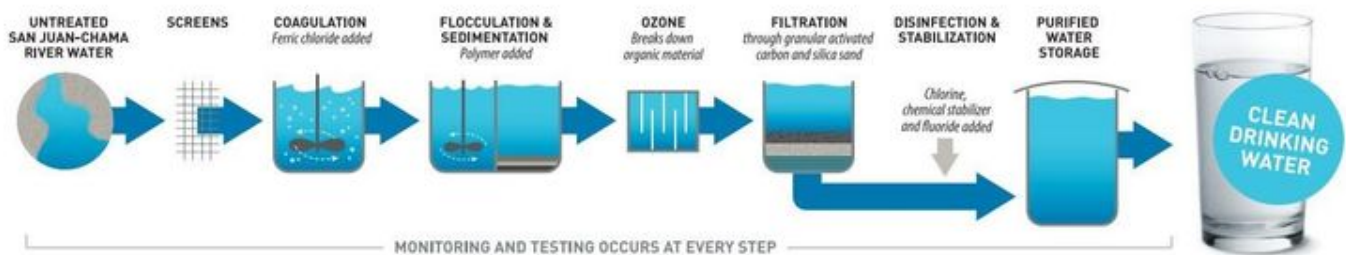
According to the chart above, **groundwater accounts for the highest proportion of water use at 76%**, compared to **52% for surface water**. This indicates that groundwater is the more heavily relied upon source, likely due to its availability, reliability, or suitability for specific uses. The significant dependence on groundwater underscores the importance of sustainable management practices to ensure long-term water security.

Other Supplementary Information

The **Other Supplementary Information Section** of an ACFR includes detailed financial data that supports and expands upon the basic financial statements, but isn't required by accounting standards. It's presented for **additional analysis** and transparency.

Schedules included are:

- Financial Institution information
- Schedule of Expenditures of Federal Awards
- Independent Auditors Reports and Findings
- Exit Conference



San Juan-Chama Water Treatment Plant Waterflow

Schedule of Deposits and Investments by Financial Institution

June 30, 2025

Institution / Account Name	Type of Account	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Bank of Albuquerque:				
Lockbox	Non-interest bearing Checking	\$ 3,744,145	\$ -	\$ 3,744,145
Wells Fargo Bank:				
General Fund	Interest-bearing Checking	43,356	(10,628,575)	(10,585,219)
General Fund Sweep	Sweep	95,717,917		95,717,917
SAF Reserve	Savings	-	-	-
SAF Reserve Sweep	Sweep	2,255,489		2,255,489
Money Market Reserve	Savings	-	-	-
Money Market Reserve Sweep	Sweep	10,707,533	-	10,707,533
Flex Spending	Non-interest bearing Checking	50,824	-	50,824
Rio Grande Credit Union:				
Money Market	Savings	-	-	-
NM State Treasurer's Office:				
Local Government Investment Pool (LGIP)	Investments	45,701,561	-	45,701,561
U.S. Bank:				
Treasury Money Market	Investments	61,939,938	-	61,939,938
Cash on Hand:				
		-	-	3,000
Total Deposits		\$ 220,160,763	\$ (10,628,575)	\$ 209,535,188

Schedule of Pledged Collateral by Financial Institution

June 30, 2025

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Bank of Albuquerque, N.A.				
FN MA3864	31418DJJ2	\$ 391,845	12/1/2034	2.500%
FN MA3864	31418DJJ2	391,845	12/1/2034	2.500%
FN MA3864	31418DJJ2	587,767	12/1/2034	2.500%
FN CB1966	3140QMFG4	869,009	10/1/2036	1.500%
FN BS1997	3140LCGF2	462,778	6/1/2028	1.340%
FNR 2016-37 BE	3136ASQA7	142,457	6/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	569,829	6/25/2046	2.000%
		<u>\$ 3,415,530</u>		
Location of collateral:	Bank of Oklahoma, Oklahoma City, OK			
Wells Fargo Bank, N.A.				
Travelers Casualty and Surety	107829902	\$ 23,000,000	6/21/2025	N/A
Company of America G2 MA8045	36179X5G7	55,447,303	6/1/2053	5.000%
		<u>\$ 78,447,303</u>		
Location of collateral:	Bank of New York Mellon, New York, NY			
Total Collateral of Cash Deposits		<u>\$ 81,862,833</u>		



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, PE, CFE
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, 2025, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements, and have issued our report thereon dated December 1, 2025.

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.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-001.

The Water Authority's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Water Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Water Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

December 1, 2025



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, PE, CFE
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Albuquerque Bernalillo County Water Utility Authority's (the "Water Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Water Authority's major federal programs for the year ended June 30, 2025. The Water Authority's major federal programs are 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each 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.

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 each 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 each 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

December 1, 2025

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Direct or Pass-Through Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
U.S. Department of Interior			
WaterSMART: Aquatic Ecosystem Restoration Program	R24AP00177-00	15.507	\$ 2,523,684
Total U.S. Department of Interior			2,523,684
U.S. Department of Environmental Protection Agency			
Pass-through: NM Clean Water State Revolving Fund (CWSRF)			
Clean Water State Revolving Fund	CWSRF 147	66.458	2,598,400
Pass-through: NM Finance Authority (NMFA)			
Drinking Water State Revolving Fund	DW-6343	66.468	199,781
Total U.S. Department of Environmental Protection Agency			2,798,181
U.S. Department of Treasury			
Pass-through: Bernalillo County			
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I10-0505-KAFBIR	21.027	42,475
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I07-0502-MDCWSI	21.027	11,132,461
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I09-511-SVD8_9	21.027	5,798,119
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I11-0511-VCCTRI	21.027	8,623,237
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I16-0508-BPSNPR	21.027	1,588,970
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I06-0502-CARNSW	21.027	2,025,422
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I21-0511-CARNWE	21.027	280,794
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	I22-0511-TOHAJW	21.027	1,000,000
Pass-through: The Navajo Nation			
COVID-19 Coronavirus State and Local Recovery Funds (CSLFRF)	CJY-41-21	21.027	19,588
Total U.S. Department of Treasury			30,511,066
Total Expenditures of Federal Awards			\$ 35,832,931

Notes to the Schedule of Expenditures of Federal Awards

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, 2025. 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 modified 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 15% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 — Assistance Listing Numbers

The program titles and Assistance Listing Numbers (ALN) were obtained from the federal or pass-through grantors.

The federal granting agency is responsible for providing the Water Authority with the 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.

Note 4 — Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

Reconciliation of Federal Revenue:	
Revenue per Statements of Revenue, Expenditures, and Changes in Net Position	
Capital contributions	\$ 65,449,409
Noncapital subsidies:	
Intergovernmental revenue	7,734,516
Total revenue per Statements of Revenue, Expenditures, and Changes in Net Position	73,183,925
Add: Loan federal revenue	2,218,567
Less: Non-SEFA related contracts	(19,507,441)
Less: Infrastructure expenditures covered by private sector contributions	(20,062,120)
Total Federal Expenditures per SEFA	\$ 35,832,931

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

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
Other findings required to be reported under Section 12-6-5, NMSA 1978?	Yes

Federal Awards

Type of auditor's report issued on compliance for each major federal program:	Unmodified
Internal control over each 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 Programs

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
15.507	WaterSMART (Sustain and Manage America's Resources for Tomorrow)
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
66.458	Clean Water State Revolving Fund
Dollar threshold used to distinguish between type A and type B programs:	\$1,074,988
Auditee qualified as low-risk auditee?	Yes

Schedule of Findings and Questioned Costs, continued

For the Year Ended June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

Schedule of Findings and Questioned Costs, continued

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

Schedule of Findings and Questioned Costs, continued

For the Year Ended June 30, 2025

SECTION IV – Other Findings as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978

2025-001 – Travel Reimbursement (Other Noncompliance)

Criteria: According to the Water Authority Travel Handbook, employees and/or individuals traveling at Water Authority expense are expected to travel in the most economical manner possible. Excess costs, indirect routes, delays, or luxury accommodations and services unnecessary or unjustified in the performance of official business are not acceptable under this standard. An employee/individual will be held personally responsible for excess costs and any additional expenses incurred for personal preference or convenience.

Condition: During our testing of travel reimbursements, we noted that one employee was reimbursed for the same Uber ride twice. The amount of the duplicated reimbursement was \$50.

Cause: Two receipts were included in the travel request for the same Uber ride. One receipt contained only the fee for the Uber ride, and the second receipt included this same fee plus a tip.

Effect: The Water Authority is not in compliance with its Travel Handbook.

Auditor's Recommendation: The Water Authority should work with this employee to have the duplicate payment reimbursed to the Water Authority.

Management's Response: The Water Authority acknowledges the audit finding and agrees with the recommendation. The Water Authority is committed to strengthening our internal controls and ensuring compliance with applicable policies.

The duplicate reimbursement of \$50 has been fully recovered from the employee, and no financial loss was incurred by the Water Authority. We have reviewed the processes related to this finding and identified areas for improvement. The travel liaisons and finance staff have received additional training and clear guidance on procedures. Management will implement periodic reviews to verify compliance and prevent recurrence.

Responsible Party: Finance Department Controller

Anticipated Completion: December 2025

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2025

None.

Exit Conference

For the Year ended June 30, 2025

The Annual Comprehensive Financial Report for the fiscal years ended June 30, 2025 and 2024 was prepared by the Financial / Business Services Division of the Water Authority, based on its official books and records.

A virtual exit conference was conducted on Tuesday, November 25, 2025, with representatives from the Water Authority and SJT Group, LLC in attendance.

Water Authority Attendees:

- Barbara Baca, Vice Chair
- Marta J. Ortiz, Chief Financial Officer
- Susan J. Lander, Controller

SJT Group LLC Attendee:

- Joshua Trujillo, CPA, Principal