



COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2012 - JUNE 30, 2013



Albuquerque Bernalillo County
Water Utility Authority

STATE OF NEW MEXICO

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2012 through June 30, 2013

**Albuquerque Bernalillo County Water Utility Authority
Comprehensive Annual Financial Report
Year ended June 30, 2013**

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	1
Organization Chart.....	7

FINANCIAL SECTION

Report of Independent Auditors	9
Management's Discussion and Analysis	11
Basic Financial Statements:	
Statement of Net Position	26
Statement of Revenues, Expenses, and Changes in Net Position.....	28
Statement of Cash Flows	29
Notes to Financial Statements:	
I. Summary of Significant Accounting Policies	
A. Reporting entity.....	31
B. Measurement focus, basis of accounting, and financial statement presentation	31
C. Assets, liabilities, and net position	32
II. Stewardship, Compliance and Accountability	35
III. Detailed Notes	
A. Cash and investments.....	36
B. Accounts receivable, notes receivable, and due from other governments	38
C. Capital assets.....	39
D. Short-term and long-term obligations	40
E. Defined benefit pension plan – Public Employees Retirement Association	44
F. Defined contribution retirement plan.....	44
G. Post employment benefits.	45
H. Risk management.	48
I. Transactions with City of Albuquerque.....	49
J. Commitments and contingencies.....	49
K. Significant effects of subsequent events.....	50
Other Supplementary Information	
Schedule of Funding Progress for Life Insurance Benefit Plan	51
Statement of Revenues, Expenses, and Changes in Net Position – Budget and Actual	52

STATISTICAL SECTION - UNAUDITED

Table		
I	Statement of Revenues, Expenses, and Changes in Net Assets – Last Ten Fiscal Years	56
II	Selected Water/Sewer System Statistics – Last Ten Calendar Years	58
III	Demographic Statistics	60
IV	Top Ten Major Employers.....	61
V	Water and Wastewater Users by Class and Meter Size – Last Ten Fiscal Years.....	62
VI	Water Consumption – Last Ten Calendar Years.....	63
VII	Revenue from Water and Sewer Charges and Other Operating Revenue – Last Ten Fiscal Years	64
VIII	Revenue from Utility Expansion Charges – Last Ten Fiscal Years	65
IX	Water System Annual Peak Demand and Top Ten Customers	66
X	Wastewater System Annual Average Flow and Top Ten Customers	67
XI	Miscellaneous Trend Analysis – Last Ten Fiscal Years.....	68
XII	Revenue Bond Debt Service Coverage – Last Ten Fiscal Years.....	69
XIII	Net Position by Component – Last Ten Fiscal Years	70
XIV	Outstanding Debt Ratio – Last Ten Fiscal Years	71
XV	Revenue Rate Comparisons	72

**Albuquerque Bernalillo County Water Utility Authority
Comprehensive Annual Financial Report
Year ended June 30, 2013**

Table of Contents

STATE COMPLIANCE AND OPERATIONAL FINDINGS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
Schedule of Findings and Responses	75
Status of Prior Year Audit Findings.....	85
Schedule of Deposits and Investments by Financial Institution.....	87
Schedule of Pledged Collateral by Financial Institution.....	88
Joint Powers Agreements, Memorandums of Understanding, and Other Agreements.....	92
Exit Conference	108

INTRODUCTORY SECTION

April 29, 2014

Board of Directors
Albuquerque Bernalillo County Water Utility Authority

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Albuquerque Bernalillo County Water Utility Authority (Authority) for the fiscal year ended June 30, 2013. New Mexico State Statute 12-6-3, NMSA 1978 mandates that the financial affairs of the Authority's records be thoroughly examined and audited each year by independent public accountants.

The Comprehensive Annual Financial Report consists of four major sections:

1. The Introductory Section includes the Transmittal Letter with the Authority's Organizational Chart, and a listing of the Authority's Officials, as well as other relevant information to assist the reader in understanding the Authority's management structure, operations and financial condition.
2. The Financial Section which includes the Independent Auditor's Report, Management's Discussion and Analysis of the Financial Statements, the Authority's Financial Statements for the Fiscal Year ended June 30, 2013, explanatory footnotes, and supplementary information.
3. The Statistical Information Section contains tables with general information about the Authority and comparative data for prior years.
4. State Compliance and Operational Findings include certain schedules required by the New Mexico State Auditor's Office.

This report was prepared by the Albuquerque Bernalillo County Water Utility Authority in conjunction with the City of Albuquerque's Department of Finance and Administrative Services. The Water Authority management assumes full responsibility for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. REDW LLC, Certified Public Accountants, has issued an unmodified opinion on the Authority's comprehensive annual financial report for the year ended June 30, 2013. As indicated by the opinion of the Authority's independent auditors, the report fairly presents the financial position and results of operations of the Authority. The report has been set forth in a manner that will give the reader a broad understanding of the Authority's financial affairs, and it includes disclosures necessary for the reader to gain an understanding of the Authority's financial activities. The independent auditor's report is located at the front of the financial statements.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the Authority's basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Authority

In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978), which created the Authority and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Joint Water and Sewer Systems (System) would be transferred to the Authority. The legislation also provides that the debts of the City payable from Net Revenues of the System shall be debts of the Authority and that the 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 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 Authority. Effective July 1, 2007, the Authority assumed all management and operation of what was the City Water Utility Department. A new Memorandum of Understanding between the Authority and the City of Albuquerque (City) became effective July 1, 2007 and ran through June 30, 2012. The Authority extended the MOU through June 30, 2013. Under the new MOU, the Authority operates with greater autonomy from the City while continuing to utilize core central services of the City. During the 2005 New Mexico Legislative Session, Senate Bill 879 was passed which provided the Authority the statutory powers provided to all public water and wastewater utilities in the state and recognized the Authority as a political subdivision of the state.

Members of the Water Authority Board at June 30, 2013 are as follows:

Councilor Art De La Cruz, Chair
Councilor Rey Garduño, Vice-Chair
Mayor Richard J. Berry
Commissioner Maggie Hart Stebbins
Councilor Trudy E. Jones
Commissioner Debby O'Malley
Councilor Ken Sanchez
Ex Officio Member at June 30, 2013:
Pablo Rael, Trustee, Village of Los Ranchos

Summary of Local Economy

Albuquerque is the major commercial, trade, service and financial center of the state. It is located in the central part of the state, at the intersection of two major interstate highways, and served by both rail and air. The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has a population of 887,000 as of the 2010 census. The largest employers in the Albuquerque area are the University of New Mexico, Albuquerque Public Schools, Sandia National Labs (SNL), and Kirtland Air Force Base.

The Albuquerque economy has an industry composition not unlike that of the U.S. as a whole. Manufacturing makes up a smaller part of the Albuquerque economy, and has declined in employment in the past 10 years.

Albuquerque MSA Employment in Thousands				
<u>NAICS CATEGORY</u>	<u>Employment FY/13</u>	<u>Share of FY/13 Employment</u>	<u>Growth FY/12 to FY/13</u>	<u>Compound Annual Average FY/08 to FY/13</u>
Total Nonfarm Employment ⁽¹⁾	36774%	100%	0.0%	-1.5%
Natural Resources and Mining and Construction	1873%	5%	-2.0%	-8.8%
Manufacturing	1731%	5%	-2.0%	-5.4%
Trade, Transportation, and Utilities	6129%	17%	0.0%	-2.4%
Information	859%	2%	8.0%	-1.4%
Financial Activities	1759%	5%	1.0%	-1.5%
<u>Aggregate of Services</u>	<u>16195%</u>	<u>44%</u>	<u>0.0%</u>	<u>-0.5%</u>
Professional and Business Services	5458%	15%	-2.0%	-3.2%
Educational and Health Services	5658%	15%	1.0%	2.6%
Leisure and Hospitality	3899%	11%	3.0%	-0.2%
Other Services	1180%	3%	1.0%	-0.8%
<u>Government</u>	<u>8228%</u>	<u>22%</u>	<u>0.0%</u>	<u>0.5%</u>
Military	624%	NA	0.0%	1.7%

While the U.S. has shown some gains in employment, the Albuquerque MSA has only recently begun to add jobs. FY/13 shows no job growth in total, with continued losses in Professional and business Services, Construction and Manufacturing. The unemployment rate increased from 3.5% in FY/08 to a maximum of 8.3% in November of 2010. The rate has declined and was 6.2% in June of 2013. Although fiscal year 2013 showed no gain in employment, the second half of the fiscal year showed some increases. Construction declined 37% from fiscal year 2008 to fiscal year 2013, an average annual decline of nearly 9%. Single family construction activity has increased, but it is at a low level. Commercial and public construction have increased and at the end of fiscal year 2013 employment in the construction sector showed an increase. Government employment, after holding up in the recession, declined in fiscal year 2012 and was flat in fiscal year 2013.

One of the strengths for the Albuquerque economy is the national labs. Sandia National Laboratories (SNL) has devoted a great deal of research to anti-terrorism and homeland security and the mission to protect the nuclear weapons arsenal. The micro-systems technology, or nano-technology, for which SNL is well known, may provide many novel and inexpensive answers to medical and materials sciences. The labs expertise and technology is also becoming more readily available to the private sector.

Additional historic economic information is presented in the statistical section of this report.

Long-term financial planning

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

In order to plan for the future and to ensure financial stability, an amendment to the Authority's Rate Ordinance was approved by the Board which will increase rates by 5% in fiscal year 2014, fiscal year 2016 and again in fiscal year 2018. The Authority has operated since fiscal year 2004 with one rate increase of 6% in fiscal year 2007 and one rate increase of 5% in fiscal year 2012.

Effective July 1, 2007, the Authority Board approved new policies that will impact financial planning for the future. A Rate Reserve Fund was established to help offset fluctuations in revenue in the future and mitigate the need for rate increases. An annual adjustment to the Utility Expansion Charge (UEC) and the Water Supply Charge (WSC) based

on the building cost or construction cost indices was implemented. This adjustment will allow the Authority's capital program to maintain constant dollars with inflationary increases in the future. The Water Supply Charge was established to provide the resources for the 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.

The Authority also develops a Decade Plan 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 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 sewer rate revenues. The balance of capital funding is obtained through revenue bond or loan financing. Growth-related 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 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.

The Authority budgets for operations and capital implementation are driven by the Board approved five year goals and one year objectives.

Relevant Financial Policies

Budgetary Controls

The fiscal year 2013 budget provided the financial basis of operation for the Authority through June 30, 2013. After Board approval of the budget, a formal appropriation and encumbrance system to control expenditures is maintained by the City of Albuquerque financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Authority's budget by program. For fiscal year 2013, it is at the general ledger fund level that expenditures may not exceed appropriations. Outstanding encumbrances at June 30, 2013, were not re-appropriated in fiscal year 2014.

Cash Management

Pursuant to the Memorandum of Understanding, the Authority participates in the pooled cash investment program as outlined in the Fiscal Agent Ordinance of the City. Cash temporarily idle during the year was invested in those investments and deposits authorized by the City's Investment Policy. The City's policy is to minimize investment and market risk while seeking to obtain a competitive yield on its total portfolio.

Risk Management

The Authority participates in the City's Risk Management program that is operated as an Internal Service Fund. Managerial control and accountability over workers compensation, tort liability, and other risks are maintained through this fund. The program is intended as a self-insurance program with added risk control and prevention techniques.

The Authority has maintained a conservative approach to financial matters, which includes a twelve year or less debt term for basic capital financing, a minimum of fifty percent cash financing for basic capital projects and a minimum of 133% annual debt service coverage.

Major Initiatives

The Authority implemented the SunGard Enterprise Resource Planning (ERP) system in fiscal year 2014. This project implemented a full range of financial and human capital resources modules. In fiscal year 2013 Phase 1 was completed and the project went live on July 1, 2013. The Authority's first payroll run began in June of 2013. Phase 1 included all the Financial Modules, Payroll and the HR functions as they relate to Payroll. Phase 2 began on July 1, 2013 and is anticipated to be completed on April 28, 2014. This Phase will implement the remaining HR modules to include items such as Employee Self Service. Other SunGard modules will become available during fiscal year 2015 and the Authority will develop work plans to implement those modules.

Along with the implementation of the new ERP system, the Authority has moved most services performed by the City of Albuquerque on the Authority's behalf at the end of fiscal year 2013.

The Authority's San Juan-Chama Drinking Water Project became operational in December 2008. When fully operational, the Surface Water Treatment Plant (SWTP) will supply up to 70% of the metropolitan area's future water. San Juan-Chama water is diverted from the Rio Grande River and transported to a state-of-the-art treatment plant, from which purified water is being delivered to Albuquerque area homes and businesses. The SWTP is an integral component of the Authority's strategy to be in compliance with federal standards for the allowable amount of arsenic in municipal drinking water through the blending of low arsenic surface water with high arsenic well water.

The San Juan-Chama Drinking Water Project (DWP) is expected to increase surface water treatment to provide 60% of water supplied to the service area, but this may change as we enter the fifth year of drought in the Middle Rio Grande. With the pending drought, the Authority provided a loan of 20,000 acre-feet to the Middle Rio Grande Conservancy District along with providing supplemental water for the Bureau of Reclamation. The goal is to sustain endangered species and partner with other water entities during this irrigation season. It is anticipated that the Authority will still have more than three years of water available at the end of calendar year 2014.

The Plant Division began a major renovation of the Southside Water Reclamation Plant (SWRP) in fiscal year 2010 called the Reclamation Rehabilitation and Asset Management Plan (RRAMP). The RRAMP is a multi-year program to renew the treatment processes at the plant. Construction began on the Preliminary Treatment Facility (PTF) in late 2013 and will continue until summer 2015. Engineering evaluation of alternatives for the Solids Dewatering facility continue including replacing the facility with a new facility or rehabilitation of the existing facility. Construction improvements to the blower complex, aeration basins and systems, digester mixers and electrical systems are underway and will continue in 2014. The funding for the RRAMP improvements will be provided through the Authority's Capital Improvement Program (CIP).

In May 2009, the Authority acquired New Mexico Utilities Inc. (NMUI), a for-profit water provider and sewer carrier that served approximately 55,000 residents in a thirty-four square mile service area located in northwest Albuquerque. For fiscal year 2011, the Authority created a Northwest Service Area (NWSA) encompassing the area formerly serviced by NMUI and successfully integrated the NWSA operations into the general operations of the Authority. The NWSA provides services not only to former customers of NMUI but also to other Authority Westside rate payers.

Major renovation of the Southside Water Reclamation Plant, under a multi-year upgrade and replacement program, will continue in fiscal year 2014. The new headworks facility and a new solids dewatering facility are in the final stages of design. Construction on these two facilities is expected to begin in the fall of 2014. The funding for these projects will be provided through the Authority's CIP Program.

The Water Authority continues to participate in American Water Works Association's (AWWA) QualServe Benchmarking program which allows the utility to compare its performance against other utilities at least every two years. The most recent survey data was compiled in 2012 by AWWA from over 100 different utilities. The Water Authority utilizes performance measures or indicators to help guide the operating and capital budgets in prioritizing and allocating the Water Authority's financial resources. The Water Authority also uses these measures to help improve its operational efficiency and effectiveness through the One-Year Objectives.

The Authority has established an asset management program with a steering committee to oversee the program. The program is an extensive, well thought out '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 2011, the Authority completed a comprehensive Asset Management Plan (AMP) used to provide a rational framework for understanding and planning of long-range asset renewal (rehabilitation and replacement) requirements. The AMP consolidates the Authority's asset information into a structured framework and uses it to provide a justifiable basis to support long-term organization, operations, and asset management decisions. In fiscal year 2012, the Authority began work on preparing a set of 10-year asset management plans for various asset classes (i.e., small diameter pipes, large diameter pipes, wastewater treatment plant, groundwater and collection system facilities). The 10-year plans are generated to provide the Authority with a more accurate understanding of the short and intermediate-term renewal requirements. In fiscal year 2014, the Authority will continue to improve on its asset management practices and completed the planned 10-year asset management plans. Those plans were submitted for Board approval.

The fiscal year 2013 operating budget continues non-recurring funding for a safety/performance incentive program. This program will reward employees for cost savings due to increased efficiencies or a decrease in work related losses. Funding for this program is contingent on the Authority generating the same or a greater amount in savings.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada has established a Certificate of Achievement for Excellence in Financial Reporting program. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) which meets program standards and which satisfies both generally accepted accounting principles and applicable legal requirements.

The Authority received the Certificate of Achievement for each annual CAFR it prepared through the fiscal year ended June 30, 2008. While the Authority believed that the CAFRs for the fiscal years ended June 30, 2009, 2010, 2011 and 2012 met Certificate requirements, these CAFRs were not submitted to the GFOA for certificate determination because of delays in completing the CAFR. For similar reasons the CAFR for the fiscal year ended June 30, 2013 will not be submitted to the GFOA for certificate determination although the Authority believes the 2013 CAFR meets Certificate requirements.

We would like to thank the Board for their support in the planning and implementation of the financial affairs of the Authority. The Authority also wishes to express its appreciation to the City's Department of Finance and Administrative Services who contributed to the preparation of this report and recognize in particular the Accounting Division and its Financial Reporting Section in administering the City's accounting system and in preparing this report.

Respectfully submitted,

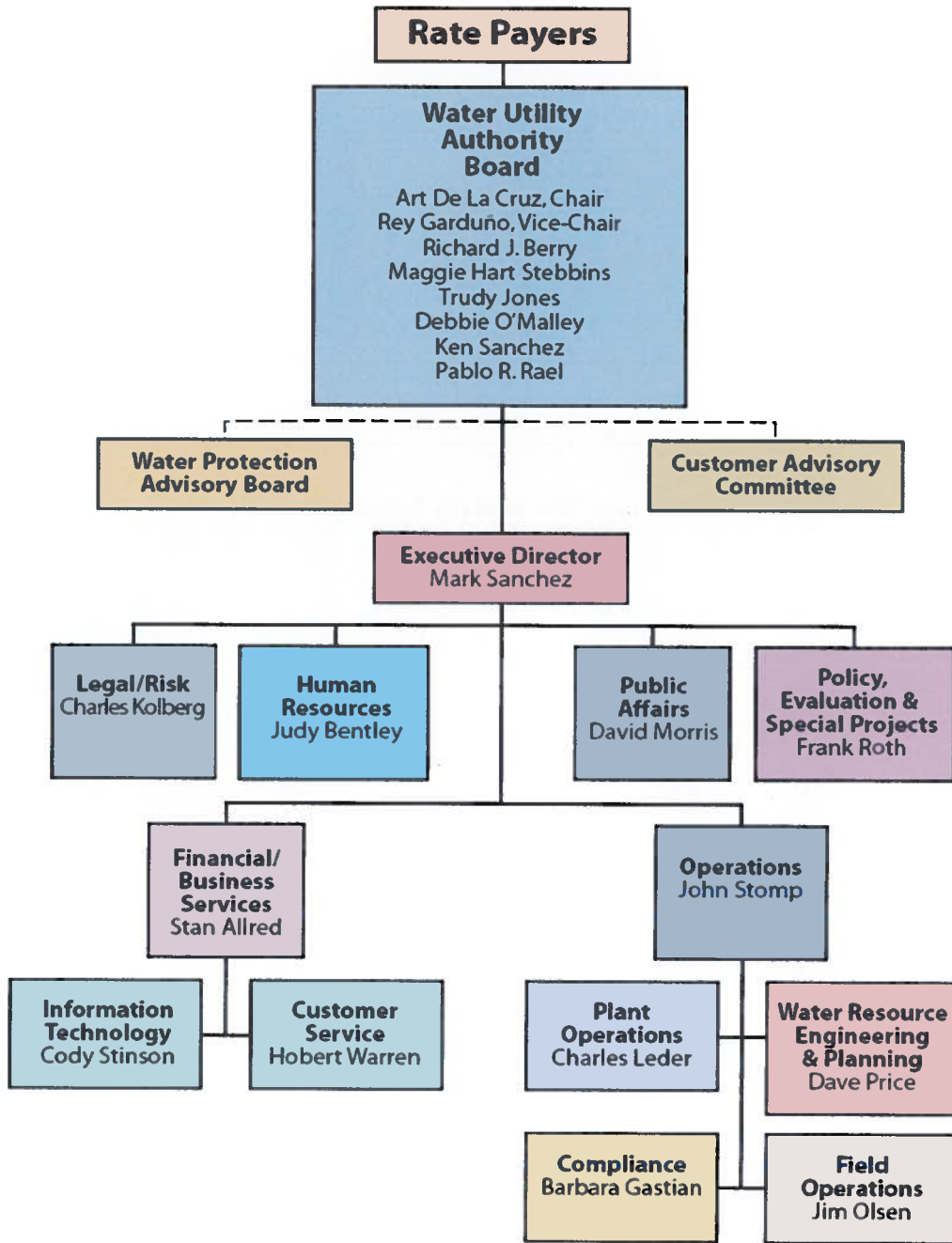


Mark S. Sanchez
Executive Director



Stanley Allred
Chief Financial Officer

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
ORGANIZATION CHART**



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FINANCIAL SECTION

Independent Auditor's Report

Mr. Hector Balderas
New Mexico State Auditor,
and the
The Board of Directors of the Albuquerque
Bernalillo County Water Utility Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Albuquerque Bernalillo County Water Utility Authority (the "Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Funding Progress for Life Insurance Benefit Plan on pages 11-25 and 51 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements. The Statement of Revenues, Expenses, and Changes in Net Position – Budget and Actual, the Schedule of Deposits and Investments by Financial Institution, the Schedule of Pledged Collateral by Financial Institution, and the Joint Power Agreements, Memorandums of Understanding, and Other Agreements (collectively the "other schedules required by 2.2.2 NMAC"), and the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico
April 29, 2014

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

As management of the Albuquerque Bernalillo County Water Utility Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented here in conjunction with our audited financial statements and additional information that we have furnished in our letter of transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements contain two components: 1) financial statements, and 2) notes to those financial statements. This comprehensive annual financial report also contains other supplementary and statistical information in addition to the basic financial statements.

The Authority for financial statement reporting purposes is considered a business like entity and accounted for similar to an enterprise fund. As such, it does not include in its financial statements financial information for individual general ledger funds that are used for internal accounting purposes.

The Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations which are the provision of water and sewer services to customers within the Authority's service area. The principal operating revenues result from exchange transactions in which each party receives and gives up essentially equal values.

Measurement Focus / Basis of Accounting:

The Authority's financial statements included herein present financial information using a recognition concept comprised of two elements, measurement focus and basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. In general, a specific measurement focus is matched with the corresponding basis of accounting that supports the measurement focus.

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

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

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

Basic Financial Statements

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

The statement of net position presents information on the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equal net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the Authority is improving or deteriorating, absent extraordinary events.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2013

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

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and statistical information including required supplementary information related to the Authority's employee pension funding and Other Post Employment Benefit Obligations (OPEB).

Net Position

The equity reported in the statement of net position should be labeled net position and displayed in the following three components: (1) net investment in capital assets; (2) restricted (distinguishing between major categories of restrictions); and (3) unrestricted.

Net Investment in Capital Assets - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be 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 should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

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 should be reported as restricted when constraints placed on an assets use are either:

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

The basic concept is that restrictions are not unilaterally established by the reporting government itself, and cannot be removed without the consent of those imposing the restrictions. This category of net position is intended to identify resources that were received or earned by the Authority with an explicit understanding between the 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.

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 Authority's obligations to its customers and its creditors.

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

June 30, 2013

FINANCIAL ANALYSIS

Net Position

Table 1 - Condensed Statement of Net Position

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Change</u>
		<u>(as restated)</u>	
Assets			
Current assets	\$ 57,200,878	\$ 64,820,403	\$ (7,619,525)
Non-current other than capital assets	8,273,685	33,408,958	(25,135,273)
Capital assets, net	<u>1,271,185,020</u>	<u>1,311,476,156</u>	<u>(40,291,136)</u>
Total assets	<u>1,336,659,583</u>	<u>1,409,705,517</u>	<u>(73,045,934)</u>
Liabilities			
Current liabilities	67,802,472	68,706,981	(904,509)
Long term payables	613,650,972	661,326,909	(47,675,937)
Other non-current liabilities	<u>1,855,519</u>	<u>52,457</u>	<u>1,803,062</u>
Total liabilities	<u>683,308,963</u>	<u>730,086,347</u>	<u>(46,777,384)</u>
Net Position			
Net investment in capital assets	617,398,422	636,174,669	(18,776,247)
Unrestricted	<u>35,952,198</u>	<u>43,444,501</u>	<u>(7,492,303)</u>
Total net position	<u>\$ 653,350,620</u>	<u>\$ 679,619,170</u>	<u>\$ (26,268,550)</u>

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2013

Table 2 - Condensed Statement of Changes in Net Position

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Change</u>
Operating revenues	\$ 179,677,625	\$ 177,054,690	\$ 2,622,935
Operating expenses other than depreciation, amortization, life insurance premiums and bad debt expense	107,213,677	100,532,321	6,681,356
Depreciation, amortization, life insurance premiums and bad debt expense	<u>88,222,868</u>	<u>85,360,738</u>	<u>2,862,130</u>
Total operating expenses	<u>195,436,545</u>	<u>185,893,059</u>	<u>9,543,486</u>
Operating loss	<u>(15,758,920)</u>	<u>(8,838,369)</u>	<u>(6,920,551)</u>
Non-operating income (expenses)			
Utility expansion charges	8,197,016	8,035,123	161,893
Investment income	42,009	148,520	(106,511)
Interest expense	(30,579,433)	(31,094,270)	514,837
Current year capitalized interest	1,946,692	4,384,347	(2,437,655)
Other income	1,743,925	2,146,169	(402,244)
Lease of stored water	1,094,892	190,010	904,882
Amortization of deferred amount on refunding / premium	4,066,823	2,555,736	1,511,087
Non-capital expenses paid in a capital project general ledger fund	<u>(1,153,368)</u>	<u>(1,137,408)</u>	<u>(15,960)</u>
	<u>(14,641,444)</u>	<u>(14,771,773)</u>	<u>130,329</u>
Loss before capital contributions	(30,400,364)	(23,610,142)	(6,790,222)
Capital contributions	<u>4,131,814</u>	<u>5,058,962</u>	<u>(927,148)</u>
Change in net position	(26,268,550)	(18,551,180)	(7,717,370)
Net position, July 1, as restated (Note I.C.10)	<u>679,619,170</u>	<u>698,170,350</u>	<u>(18,551,180)</u>
Net position, June 30	<u>\$ 653,350,620</u>	<u>\$ 679,619,170</u>	<u>\$ (26,268,550)</u>

Table 1 presents a summarized comparative statement of net position for the current and prior fiscal year. Table 2 presents a summarized comparative statement of changes in net position for the current and prior fiscal year. The fiscal year 2012 figures have been restated to conform to fiscal year 2013 presentation and the early implementation of Governmental Accounting Standards Board (GASB) Statement No. 65 'Items Previously Reported as Assets and Liabilities'. GASB Statement No. 65 concluded that deferred bond issuance costs no longer met the criteria for recognition as an asset. Accordingly, the June 30, 2012 balance in deferred bond issuance costs was removed through a downward adjustment of the Authority's net unrestricted position as of that date. For purposes of Table 1, FY 2012 non-current assets other than capital assets were reduced by \$3,537,317 and FY 2012 unrestricted net position were reduced by the same figure from balances previously reported. For purposes of Table 2, FY 2012 amortization expense was reduced by \$348,123 and the July 1, 2011 net position figure was reduced by \$3,189,194 from balances previously reported.

The decrease in current assets is primarily from the \$9 million reduction in the unrestricted cash balance of which \$7 million is attributed to spending within the Authority's capital program in fiscal year 2013 and the other \$2 million is the combined decrease in the cash balance between the Authority's operating and debt service general ledger funds. The decrease in non-current assets other than capital assets is primarily from the \$24.6 million reduction in the restricted cash balance. The \$24.6 million was spent within the Authority's capital program in fiscal year 2013.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2013

Operating revenues increased by \$2.6 million in fiscal year 2013 while operating expenses (exclusive of depreciation, amortization, other post-employment life insurance benefits, and bad debt) increased by \$6.7 million in fiscal year 2013. The net difference of \$4.1 million is consistent with the decline in the cash balance in the Authority's general ledger operating fund. Increases of \$2.03 million in salary and fringe benefit costs and \$3.65 million in fuels, repairs and maintenance were responsible for almost \$5.7 million of the \$6.7 million increase in operating expenses. The 2% cost of living adjustment (discussed below) for salaries also increased employer benefit expenses such as PERA and FICA and there were a significant number of pay increases from promotions and certifications as the Authority's work force matures.

Utility expansion charge (UEC) revenues increased by less than \$200 thousand in fiscal year 2013. While UEC revenues are not considered operating revenues because they do not derive from the sale of water and sewer services, these revenues are a funding source for debt service and for capital acquisition similar to operating revenues and thus for many management purposes are considered together. UEC revenues in fiscal year 2013 were used to cover the \$2 million increase in debt service costs as the transfer from the operating general ledger fund for debt service stayed the same between fiscal years 2012 and 2013.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2013

Operating Budget

**Table 3 - Comparative Statement of Operating Revenues and Expenses
Using Budgetary Functional Categories of Expenses**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Change</u>
Operating revenues:			
Water charges including reuse	\$ 77,606,359	\$ 77,292,289	\$ 314,070
Sewer charges	58,031,482	58,200,526	(169,044)
Strategy implementation fee	29,161,140	28,747,537	413,603
Franchise fees billed	6,629,318	6,517,918	111,400
High consumption water surcharges	8,305,901	7,152,349	1,153,552
Low consumption water credits	(1,198,575)	(1,902,931)	704,356
Administrative fees	1,142,000	1,047,002	94,998
Total operating revenues	<u>179,677,625</u>	<u>177,054,690</u>	<u>2,622,935</u>
Operating expenses:			
Program expenses:			
Water plant facility production	6,504,770	13,439,322	(6,934,552)
Water plant facility distribution	15,899,295	11,187,155	4,712,140
Water distribution facilitation	2,211,249	2,217,809	(6,560)
Wastewater treatment	11,562,601	15,268,209	(3,705,608)
Compliance	3,761,225	3,846,553	(85,328)
Wastewater collection	7,090,736	8,854,518	(1,763,782)
Sustainable water supply	3,160,070	8,306,086	(5,146,016)
North I-25 reuse	9,263	254,187	(244,924)
Customer services	5,489,640	5,290,049	199,591
Finance	6,117,949	5,652,534	465,415
Human resources	1,052,049	952,475	99,574
Northwest service area	1,237,460	1,119,150	118,310
San Juan-Chama	750,272	927,249	(176,977)
Water resources management	6,295,368	6,273,032	22,336
Information systems	5,565,463	4,839,801	725,662
Low income utility credit	141,410	238,933	(97,523)
Water Authority	21,926,539	3,535,796	18,390,743
Administrative expenses:			
Franchise fees paid	6,629,318	6,524,463	104,855
Administrative fees paid to City	1,809,000	1,805,000	4,000
Other operating expenses:			
Depreciation and amortization	87,087,062	85,283,614	1,803,448
Other post employment benefit - life insur.	1,108,722	-	1,108,722
Bad debt expense	27,084	77,124	(50,040)
Total operating expenses	<u>195,436,545</u>	<u>185,893,059</u>	<u>9,543,486</u>
Operating loss	<u>\$ (15,758,920)</u>	<u>\$ (8,838,369)</u>	<u>\$ (6,920,551)</u>

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

June 30, 2013

Budget Parameters:

In the preparation of the fiscal year 2013 budget, certain assumptions were made related to the operations of the Authority, the economic climate and system growth within Bernalillo County and the City of Albuquerque.

- There was no rate adjustment effective for fiscal year 2013. The most recent rate adjustment was a 5% rate adjustment effective for fiscal year 2012 which continued in fiscal year 2013.
- Operating revenues were projected using a 5 year historical trend based upon growth and consumption. The trend was structured by class of customer as well as by the service size of each class. The projected revenues took into account the Authority's continued conservation efforts.
- System growth was based on a 2% growth factor offset in part by an estimated 1% water conservation effect.
- Utility expansion charge revenues were increased by \$1 million in fiscal year 2013 up to \$8 million to match the fiscal year 2012 actual revenues.
- There was a 2.0% cost of living adjustment for fiscal year 2013 and the full year cost from the addition of eleven net new positions added mid-year in fiscal year 2012.
- The largest budgeted increase in operating costs was \$2.1 million for paving and barricade costs which is consistent with the actual increase in fuels, repairs and maintenance costs in fiscal year 2013.
- Fringe benefits were calculated at 47.62% of gross wages, an increase of .58% from fiscal year 2012. The employer/employee split in employee benefit costs other than health insurance costs remained at 80%/20%.
- \$2 million was appropriated for addition to the Rate Reserve Fund making the balance in the Rate Reserve Fund equal to \$4 million.

Significant Organizational Changes:

The Authority for fiscal year 2013 moved the electricity, fuel and chemical expenses from individual programs into a general government department in the Water Authority program. There was a two-fold purpose behind this action. First, moving these primarily non-discretionary expenditures into their own program was thought to allow for more effective central management of these costs which after salaries and benefits comprise the largest segment of operating expenditures. At the same time, the individual programs from where these costs were moved were left with a larger proportion of controllable costs that could be subject to evaluation for effective management and accountability.

The Authority approved \$3.3 million in issue papers for fiscal year 2013 which represented increased costs for various purposes. Most significant was \$2.4 million added to the Water Plant Facility Distribution program for barricading, paving and permit expenses which in prior years had been charged to the Authority's capital program. The barricading, paving and permit expenses were primarily associated with line repairs done in the normal course of business. The budget increase allowed these costs to be charged to operating consistent with the thinking that these costs were more operating than capital in nature.

The Authority made a conscious decision to ask the plant and field operating departments to take a more proactive approach to maintenance and do more work on a planned basis rather than a reactive basis. Accordingly, the budget for repairs and maintenance in the affected programs was increased to allow Authority personnel to do more scheduled maintenance.

Results of Operations:

The Authority's operating budget as approved had an excess of revenues compared to expenditures of \$9.76 million. The anticipated surplus in the operating fund was intended to meet the Authority's objective of maintaining a working capital balance of \$10 million in that fund. Actual results produced a deficit of \$2.65 million.

Actual results fell below budgeted goals primarily because actual revenues were less than budgeted revenues. Actual results for revenues were \$9.57 million below budget. Actual results for expenditures were \$2.84 million above budget. In the spring of calendar year 2013, the Authority enacted drought restrictions and added another tier of high consumption surcharge. In tandem with the Authority's ongoing and effective water conservation efforts, the drought restrictions led to reduced consumption during the normally high consumption period of spring and the month of June with a corresponding negative impact on overall revenues.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

June 30, 2013

Underlying the Authority's operating costs is the continuing responsibility to operate and maintain two water systems, the well/aquifer system and the surface water treatment system. Although the well/aquifer system usage is being reduced as the surface water system increases capacity, the well/aquifer system will still have to be fully operational to supplement the surface water as necessary. The operation of these systems represents a dual cost for the Authority.

Year to Year Program Differences:

The year to year program differences mirror the organizational changes discussed above. The newly created general government department in the Water Authority program in fiscal year 2013 accounted for more than \$17.99 million of the increase in this program. Correspondingly, the two plant programs, water plant facility production and wastewater treatment had declining expenditures from the removal of electricity, fuel and chemical expenses. Although the wastewater treatment program had an overall decline in expenditures, this program and the water plant facility distribution program saw higher repairs and maintenance costs arising from the directive to do more planned maintenance of plant assets.

Debt Service Budget:

The Authority's debt service budget as approved had an excess of expenditures compared to revenues of \$.88 million. Actual results produced a deficit of \$1.03 million. Actual debt service expenditures were slightly lower than budgeted and UEC revenues were slightly higher than budgeted. However, these two positive items were insufficient to offset investment income being much less than budgeted investment income.

Utility expansion charge (UEC) remained constant at fiscal year 2012 levels but debt service was \$2 million higher in fiscal year 2013 than in fiscal year 2012. Although the transfer from the operating fund remained constant, more of the UEC revenue was needed to pay debt service rather than being allowed to accumulate and build up the working capital balance.

CAPITAL ASSETS

The Authority's Capital program is comprised of different categories of projects, each with its own funding rules. The 'Basic Program' is funded by recurring revenues generated from the water/sewer rate structure. Special Projects are done outside of the Basic program but are funded from the same revenue stream that funds the Basic Program. Since the Basic 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. In recent years, the Authority has increased its utilization of state and federal grants to fund some capital projects in whole or in part.

The blueprint for the Authority's Basic Program is its Decade Plan, a ten-year capital plan required to be updated biennially in even numbered fiscal years with two, four, six, eight and ten year planning elements. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. The Decade Plan requires approval by the Authority Board with at least one 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 Authority's 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 Basic Program budget. FY/13 was the second year of the two year planning element included in the FY/12 – FY/21 Decade Plan approved by the Board in April, 2011.

Basic Program capital needs are incorporated into the water/sewer rate structure through the Rate Ordinance. Funding for the Basic Program comes from a combination of cash and debt. The rate structure is intended to generate sufficient revenues such that approximately 50% of the Basic Program can be paid with cash transfers and there is sufficient funding 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 Authority capital projects. UEC revenue is considered cash for purposes of meeting the 50% test. The current Rate Ordinance requires a \$30 million Basic rehabilitation program. The Rate Ordinance does not specify the size of the Basic growth program.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued****June 30, 2013**

The Basic growth program has shifted in focus from placing new pipe in the ground to meeting the demands of a business intent on achieving performance improvement goals and meeting mandated standards. The discretionary spending in the FY/13 Growth program budget continued initiatives in Information Technology (IT) support for the operating divisions. The remainder of the FY/13 Growth program was primarily non-discretionary and included funding for the low income connection program managed by Bernalillo County and repayment to developers as connections are made to the System.

The most significant project in the IT area is a special project for the acquisition and implementation of the Authority's own financial and human resource systems. The Authority for fiscal year 2013 continued to utilize the City of Albuquerque's PeopleSoft systems which went live on January 1, 2009. The continuing difficulties with the PeopleSoft systems have been a primary contributor to the inability of the City and the Authority to get their annual external financial audit done on a timely basis and to timely monitor actual results against budgeted amounts. The Authority chose a financial system appropriate to its size and needs with the goal of minimal customization while changing business processes as needed to accommodate the delivered software. The software choice was the SunGard Financial Systems product titled 'One Solution'.

The Authority engaged the services of the Governmental Finance Officers Association to assist with system criteria, vendor selection and implementation services. The financial system and the payroll portion of the human resources system went live as scheduled on July 1, 2013. The remainder of the human resources system will go live on January 1, 2014. The FY/13 capital program appropriation includes \$2.0 million for this project.

Table 4 - Schedule of Infrastructure and Capital Assets

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Change</u>
Buildings and Improvements	\$ 2,210,836	\$ 2,210,836	\$ -
Improvements other than Buildings	2,075,704,412	2,025,226,113	50,478,299
Machinery and Equipment	51,825,486	49,877,090	1,948,396
Purchased Water Rights	<u>44,581,533</u>	<u>43,720,597</u>	<u>860,936</u>
Total capitalized assets	2,174,322,267	2,121,034,636	53,287,631
Less accumulated depreciation and amortization	<u>(932,729,932)</u>	<u>(845,642,870)</u>	<u>(87,087,062)</u>
Net capitalized assets	1,241,592,335	1,275,391,766	(33,799,431)
Land	25,699,732	25,699,732	-
Construction work in progress	<u>3,892,953</u>	<u>10,384,658</u>	<u>(6,491,705)</u>
Total capital assets	<u>\$ 1,271,185,020</u>	<u>\$ 1,311,476,156</u>	<u>\$ (40,291,136)</u>

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2013

Table 5 - Schedule of Fiscal Year 2013 Major Capital Additions

	<u>In Millions</u>
Basic Program with supplemental Southside Water Reclamation Plant funding	
Southside Water Reclamation Plant and collection system improvements	\$ 7.0
Sanitary sewer pipeline renewal	8.5
Drinking water pipeline renewal	9.8
Drinking water facilities renewal	5.3
Aquifer recharge demonstration project	2.4
Non-Basic Program	
Automated meter infrastructure project	6.3
Third Party Financed	
Private developer and grant funded infrastructure improvements	4.1
	<u><u>\$ 43.4</u></u>

Table 4 presents the Authority's infrastructure and capital assets at June 30, 2013 and 2012 while Table 5 presents significant capital projects or combinations of smaller individual projects with a common purpose that were placed in service in fiscal year 2013. The project values include capitalized interest.

The capital program expended fewer dollars in fiscal year 2013 than in fiscal year 2012 due to the lack of an ongoing major project or any major capital initiative. The construction of a replacement preliminary treatment facility (PTF) at the Southside Water Reclamation Plant with an expected cost in excess of \$30 million will be the major initiative in the fiscal year 2014 capital program.

There was only one large scale planned water and sewer line project ongoing in fiscal year 2013. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Authority's on-call contractors for small diameter water and sewer line repair and the repair of a large diameter sewer line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations that control the surface and groundwater pumping and treatment systems, purchasing replacement water meters, and making improvements at the Surface Water Treatment Plant.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2013

DEBT ADMINISTRATION

The Authority's debt obligations at June 30, 2013 are presented below. Net revenues of the System secure debt issued by the Authority.

Table 6 - Schedule of Debt Obligations at June 30, 2013

	<u>Outstanding</u>			<u>Payable in one year</u>
	<u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	
Parity Obligations:				
Revenue Bonds	\$ 443,015,000	\$ -	\$ 22,235,000	\$ 420,780,000
Loan Agreements - NMFA	211,918,729	-	17,497,222	194,421,507
Subordinate Obligations:				
Loan Agreements - NMED	7,433,738	-	992,059	6,441,679
Loan Agreements - NMFA	9,980,080	-	466,842	9,513,238
Junior Obligations:				
Loan Agreements - NMFA	311,232	-	17,353	293,879
Lines of Credit - NMFA	-	191,380	56,406	134,974
Water rights contract	12,932,117	-	1,007,322	11,924,795
Less deferred amounts:				
Unamortized bond premiums	17,432,095	-	4,098,492	13,333,603
Bond refunding costs	(31,669)	-	(31,669)	-
	<u>\$ 702,991,322</u>	<u>\$ 191,380</u>	<u>\$ 46,339,027</u>	<u>\$ 656,843,675</u>
				<u>\$ 43,192,703</u>

In the ordinances pursuant to which the System obligations have been issued, the Authority agreed to charge all purchasers of services reasonable rates sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all System obligations (excluding reserves). The calculation of "net revenues" is done in a prescribed manner using data from these financial statements. "Net revenues" are then divided by debt service requirements. The resulting ratio, called the debt service coverage ratio, is then compared to the 1.33 ratio required by Ordinance.

The debt service coverage ratio for all system obligations in fiscal year 2013 was 1.34. The debt service coverage ratio for senior lien obligations in fiscal year 2013 was 1.42. The Authority's bond ratings at the time the Joint Water and Sewer System Improvement and Refunding Revenue Bonds (see below) closed on October 22, 2013 were Aa2 from Moody's, AA from Fitch and AA from Standard & Poors.

Debt issued for basic capital needs is scheduled for a twelve year retirement while debt issued for San Juan Chama Drinking Water and Southside Reuse projects have a twenty five year retirement schedule. Net revenues of the system secure all debt of the Authority.

New Debt

The Joint Water and Sewer System Improvement (Series 2013A) and Refunding (Series 2013B) Revenue Bonds closed on October 22, 2013. Series 2013A had a par amount of \$62,950,000 with a premium of \$7,503,235. Series B had a par amount of \$55,265,000 with a premium of \$7,711,334. Series 2013A has a Serial Bond component - \$57,110,000 - and a Term Bond component - \$5,840,000 - with final maturity due July 1, 2038. Series 2013B is a Serial Bond with final maturity due July 1, 2024. Principal is paid annually on July 1st of every year beginning July 1, 2014 for both Series A and B.

The coupon rate for Series 2013A is 3% for the July 1, 2014 installment and 4% for the July 1, 2015 and 2016 installments and is 5% thereafter for all subsequent installments. The coupon rate for Series 2013B is 3% for the July 1, 2014 installment and is 5% thereafter for all subsequent installments.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2013

Proceeds from the Series 2013A issue will be used for the Basic rehabilitation program, provide supplemental funding for rehabilitation work at the Southside Water Reclamation Plant, provide funding for the Authority's Automated Meter Infrastructure (AMI) project, and replacement of steel water lines.

Proceeds from the Series 2013B issue were placed in a refunding escrow for the purpose of refunding the 2004 NMFA-PPRF (New Mexico Finance Authority-Public Project Revolving Fund) loan in the principal amount of \$61,005,000 on May 1, 2014. The Authority is responsible for making the scheduled May 1, 2014 principal payment of \$8,670,000 on the NMFA loan at which time all subsequent installment payments become callable.

Three Water Trust Board grant/loans closed on November 23, 2011. Water Trust Board grant/loan numbers 205 and 206 are for the continued planning, design and construction of a regional water conveyance and delivery system for the residents of the community of Carnuel east of Albuquerque in Bernalillo County. Number 205 has a grant amount of \$1,808,000 and a loan amount of \$452,000 for a total of \$2,260,000. Number 206 has a grant amount of \$960,000 and a loan amount of \$640,000 for a total of \$1,600,000. As with the Authority's other agreements with the Water Trust Board, these agreements do not provide forward funding for work but instead will reimburse the Authority as eligible expenditures are made. Water Trust Board grant/loan number 207 is for the planning and design of a large scale aquifer recharge project. Number 207 has a grant amount of \$95,032 and a loan amount of \$63,354 for a total of \$158,386. This funding represents a continuation of state funding for the Authority's aquifer recharge efforts. Phase one of the project was funded in part by an earlier state grant. The interest rate on all three grant/loans is 0% but a .25% fiscal agent fee expense is charged.

The agreements with the New Mexico Finance Authority or the New Mexico Water Trust Board which provide for reimbursement to the Authority upon submission of eligible expenditures are considered lines of credit for financial statement purposes until the final amount of the agreement is known at project completion and all reimbursements have been received. At that point, the line of credit is considered to be converted to a loan agreement.

As of June 30, 2013 all three Water Trust Board grant/loan numbers 205, 206 and 207 are considered lines of credit. There have been reimbursable expenditures and reimbursements received on grant/loan numbers 205 and 207 in fiscal year 2013 while there have been no expenditures and no reimbursements relative to grant/loan number 207. However, each of the three agreements required the payment of principal beginning July 1, 2012 and each July 1 thereafter regardless of whether the lines of credit have been converted to loan agreements and regardless of whether any reimbursements have been received on the lines of credit. Accordingly, the Authority made principal payments on all three grant/loans on July 1, 2012 and 2013. For financial statement purposes, reimbursements are first considered loan proceeds to the full extent of the loan amount and grant revenues thereafter.

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

National Economy and Key Points from the Global Insight Outlook

It should be noted that the following is based on the October 2012 Global Insight forecast and events have transpired that may or may not agree with this forecast. Along with the baseline forecast alternative forecasts are prepared with pessimistic and optimistic occurrences.

Baseline Scenario

In the baseline forecast, assigned a probability of 60%, IHS Global Insight (GI) expects limited growth. The year over year growth in real GDP for FY/14 is expected to be 1.9% which is below the 2.0% growth in FY/13. Growth remains low due to the many uncertainties both in the U.S. and in the world. Exports, which had been leading the recovery, are lagging as Europe and the rest of the world still remain weak and the dollar remains relatively strong against the Euro. Consumer spending continues to be sluggish. Consumers have reduced their debt levels though they are still relatively high. In addition consumers lack confidence in the strength of the economy and the government's ability to make things better. With the government shutdown in October consumer confidence fell to an all-time low. GI assumes that the automatic spending cuts of the sequestration will continue through calendar year 2014. Then some combination of tax increases and spending cuts will occur moving forward. Employment growth remains sluggish but has shown steady increases. Growth was 1.6% in FY/13, and 1.7% in FY/14. Total employment is not expected to reach its previous peak of FY/08 until FY/15. Unemployment reached a peak of 9.9% in the fourth quarter of 2009 and by FY/18 declines to 5.5%.

Inflation is one of the few bright spots in the GI forecast. Weak employment growth puts little pressure on wages helping to limit pressure on prices. Inflation is expected to remain below 2% from FY/14 through FY/18. Oil prices increase in FY/14 to over \$100 per barrel, but remain below \$100 for the remainder of the forecast. GI expects growth in the Consumer Price Index (CPI) to remain muted, around 1.5% in FY/14 and increasing slightly in FY/15 to 1.7% and only reaching 1.9% in FY/17 and FY/18. The low inflation expectation also plays into moderate increases in interest rates. GI believes that the Federal Reserve Bank (FRB) will not raise rates until FY/16; reaching 1.1% in FY/16 and 4% by FY/18.

There are a number of risks in the economy. With the rate of growth in GDP so low, any unexpected occurrence could push the economy into recession. The battle in congress over spending, taxes and extension of the debt ceiling pushed confidence to a new low in October 2013. The shutdown of the federal government in October was not directly factored into the forecast, but the November forecast showed little impact. The "sequester" is expected to be in place through December 2014. The current levels of uncertainty on businesses restrain activity in investment and hiring. Unfortunately, these high levels of uncertainty are likely to remain with us over the next few years.

Pessimistic Scenario

This scenario is assigned a probability of 20%. In this scenario, the recovery stalls. Construction is weak in part due to more difficulty in access to credit; an increase in the credit crunch. The "sequester" is replaced by more severe cuts including a suspension of long term unemployment benefits. Unemployment basically remains at a high level, only decreasing to 7.4% by FY/18. Inflation is above the baseline at 2.5% in the out years in part due to supply constraints that raise the price of oil to \$112 per barrel. Internationally the Eurozone falls back into recession and emerging markets are weak. The FRB doesn't increase rates until FY/18 as it attempts to continue to stimulate the economy.

Optimistic Scenario

This scenario is assigned a probability of 20%. In it basically everything goes right. A tax and spending compromise is reached, The Eurozone and emerging markets show strong growth helping exports. Inflation is above the baseline originally as strong demand pushes it up. The FRB reacts and starts raising interest rates in FY/15 to limit inflation. Even with higher interest rates housing starts accelerate and unemployment drops to near 4.1% in FY/18.

Albuquerque Economy

The Albuquerque economy is affected by the U.S. and world economies. Albuquerque fell with the national economy, but has lagged in its recovery. Employment has begun to grow, but at very modest rates. The FOR-UNM forecast of employment in October 2013, has positive employment growth beginning in FY/13. FY/13 increased 0.5% and FY/14 is expected to grow 1.3%.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2013

National Economy and Key Points from the Global Insight Outlook, continued

The Albuquerque economy lost over 27 thousand jobs from FY/08 to FY/12 a loss of 7% of total employment. Growth for FY/15 is expected at 1.7% with FY/16 increasing at the same rate. This is a muted growth rate for pulling out of a recession. The economy does not reach FY/08 levels until FY/18. Construction has improved and is now helping the economy. The unemployment rate continues to decline, but some of this is due to discouraged workers leaving the labor force. The rate is expected to slowly decline to 5.6% in FY/18.

FY 2014 Budget and Rates

The fiscal year 2014 approved budget included a 5% revenue rate adjustment.

The fiscal year 2014 budget is a maintenance of effort budget within the projected estimated revenues. The fiscal year 2014 budget has an increase of \$1.9 million for total personnel expenditures including a 1.45% increase in other employee benefits and the full year impact of eight net new positions added mid fiscal year 2013 plus three net new positions added for fiscal year 2014.

General operating expenditures increase \$.7 million with the major increase being the franchise fee based upon the 5% revenue adjustment effective July 1, 2013. The most significant expense of the Authority continues to be debt service payments which will comprise 38% of the total operating expense in fiscal year 2014.

On the revenue side, revenues classified as operating revenues in the accompanying financial statements were budgeted at \$196.374 million or \$8.240 million higher than fiscal year 2013 budgeted amounts and \$16.696 million higher than fiscal year 2013 actual amounts.

Utility expansion charge (UEC) revenue was budgeted at \$8.0 million or the same amount in the fiscal year 2013 budget and \$.197 million less than fiscal year 2013 actual amounts.

REQUESTS FOR INFORMATION

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
STATEMENT OF NET POSITION
June 30, 2013

ASSETS

Current assets:

Cash, investments, and accrued interest	\$ 4,376,391
Cash held for debt service	34,205,405
Accounts receivable, net of allowance for uncollectible accounts	15,487,864
Notes receivable, current portion	920,432
Due from other governments	2,194,935
Prepaid assets	<u>15,851</u>
Total current assets	<u>57,200,878</u>

Noncurrent assets:

Long-term notes receivable	<u>5,216,608</u>
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Restricted assets:

Cash, investments, and accrued interest	<u>3,057,077</u>
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Capital assets:

Buildings and improvements	2,210,836
Improvements other than buildings	2,075,704,412
Machinery and equipment	51,825,486
Purchased water rights	<u>44,581,533</u>
	2,174,322,267
Less accumulated depreciation and amortization	<u>932,729,932</u>
Net capital assets	1,241,592,335
Land	25,699,732
Construction work in progress	<u>3,892,953</u>
Total capital assets	<u>1,271,185,020</u>

Total noncurrent assets	<u>1,279,458,705</u>
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Total assets	<u>1,336,659,583</u>
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The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**STATEMENT OF NET POSITION, continued****June 30, 2013****LIABILITIES****Current liabilities:**

Trade accounts payable	2,817,948
Accrued payroll	1,912,951
Accrued vacation and sick leave pay	3,071,653
Deposits	702,845
Accrued interest payable	302,691
Construction contracts payable	4,274,419
Other payables - debt obligations	
Current portion:	
Bonds	23,545,000
Loan agreements	18,609,698
Water rights contract	1,038,005
Accrued interest	<u>11,527,262</u>
Total current liabilities	<u>67,802,472</u>

Noncurrent liabilities:**Long-term payable:**

Bonds, net of current portion, discounts and premiums	410,568,603
Loan agreements, net of current portion	192,195,579
Water rights contract, net of current portion	<u>10,886,790</u>
Total long-term payable	<u>613,650,972</u>

Other:

Post-employment life insurance benefit obligation	1,108,722
Accrued vacation and sick leave pay	<u>746,797</u>
Total other	<u>1,855,519</u>

Total noncurrent liabilities	<u>615,506,491</u>
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Total liabilities	<u>683,308,963</u>
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NET POSITION

Net investment in capital assets	617,398,422
Unrestricted	<u>35,952,198</u>
Total net position	<u>\$ 653,350,620</u>

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
Year ended June 30, 2013

Operating revenues:

Charges for services	\$ <u>179,677,625</u>
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Operating expenses:

Salaries and fringe benefits	48,510,025
Professional services	882,847
Utilities	12,889,006
Supplies	9,295,557
Fuels, repairs, and maintenance	13,095,120
Contractual services	9,694,480
Franchise fees	6,629,318
Tort and other legal fees	2,618,768
Workman's compensation	754,159
Administrative fees to other government	1,550,000
Life insurance premiums	1,108,722
Other operating expenses	1,294,397
Depreciation	86,644,314
Amortization	442,748
Bad debt expense	<u>27,084</u>

Total operating expenses	<u>195,436,545</u>
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Operating loss	<u>(15,758,920)</u>
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Nonoperating revenues (expenses):

Interest on investments	42,009
Interest expense	(24,565,918)
Water service expansion charges	8,197,016
Other	<u>1,685,449</u>

Total nonoperating revenues (expenses), net	<u>(14,641,444)</u>
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Loss before capital contributions	(30,400,364)
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Capital contributions	<u>4,131,814</u>
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Change in net position	(26,268,550)
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Net position, July 1, as restated (Note I.C.10)	<u>679,619,170</u>
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Net position, June 30	<u>\$ <u>653,350,620</u></u>
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The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**STATEMENT OF CASH FLOWS****Year ended June 30, 2013**

Cash flows from operating activities:	
Cash received from customers	\$ 180,053,082
Cash payments to employees for services	(46,530,030)
Cash payments to suppliers for goods and services	(59,824,588)
Miscellaneous cash received	<u>2,271,730</u>
Net cash provided by operating activities	<u>75,970,194</u>
Cash flows from capital and related financing activities:	
Proceeds from line of credit	191,380
Principal paid on revenue bond maturities	(22,235,000)
Interest and other expenses paid on revenue bond maturities	(20,954,795)
Principal paid on loan agreements	(18,973,475)
Interest and fees paid on loan agreements	(9,827,089)
Principal paid on water rights contract	(1,007,322)
Interest paid on water rights contract	(393,912)
Principal paid on lines of credit	(56,407)
Purchased water rights	(860,936)
Acquisition and construction of capital assets	(44,132,793)
Capital grants received	187,879
Water service expansion charges	<u>8,768,458</u>
Net cash used for capital and related financing activities	<u>(109,294,012)</u>
Cash flows from investing activities:	
Interest received on investments	<u>164,564</u>
Net decrease in cash and cash equivalents	(33,159,254)
Cash and cash equivalents, July 1	<u>74,798,127</u>
Cash and cash equivalents, June 30	<u>\$ 41,638,873</u>

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**STATEMENT OF CASH FLOWS, continued****Year ended June 30, 2013****Reconciliation of operating loss to net cash
provided by operating activities:**

Operating loss	\$ (15,758,920)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	86,644,314
Amortization	442,748
Miscellaneous cash received	2,271,730
Provision for bad debts	27,084
Decrease (increase) in assets:	
Accounts receivable	346,515
Prepaid assets	20,796
Increase (decrease) in liabilities:	
Accounts payable and customer deposits	(1,112,790)
Post-employment life insurance benefit obligation	1,108,722
Accrued payroll and vacation and sick leave pay	<u>1,979,995</u>
Net cash provided by operating activities	<u>\$ 75,970,194</u>

Cash and cash equivalents at June 30 consist of:

Current assets:	
Cash, investments, and accrued interest	\$ 4,376,391
Cash held for debt service	34,205,405
Non-current assets:	
Restricted assets:	
Cash, investments, and accrued interest	<u>3,057,077</u>
Total cash and cash equivalents, June 30	<u>\$ 41,638,873</u>

Noncash transactions:

Capital contributions by developers	1,939,091
Unrealized loss on investments	(47,704)

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

I. Summary of Significant Accounting Policies

The financial statements of the Albuquerque Bernalillo County Water Utility Authority (Authority), a related organization of the City of Albuquerque, New Mexico, (City) have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The significant governmental accounting policies are described below.

A. Reporting entity

In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978), which created the Authority and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Joint Water and Sewer Systems (System) would be transferred to the Authority. The legislation also provided that the debts of the City payable from Net Revenues of the System shall be debts of the Authority and that the 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 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 Authority. All policy-making for the System resides with the Authority. During the 2005 New Mexico Legislative Session, Senate Bill 879 was passed which provided the Authority the statutory powers provided to all public water and wastewater utilities in the state and recognized the Authority as a political subdivision of the state.

Effective July 1, 2007, the Authority assumed all management and operation of what was the City Water Utility Department. A new Memorandum of Understanding (MOU) between the Authority and the City became effective July 1, 2007 and was due to expire on June 30, 2012. The existing MOU was extended through June 30, 2013. Although the extension of the MOU for fiscal year 2013 did not change any terms and conditions of the MOU and in fact the administrative fee the Authority paid to the City in fiscal year 2013 was identical to the fee paid to the City in fiscal year 2012, the Authority began in fiscal year 2013 to operate with greater autonomy from the City in preparation for fiscal year 2014 when the Authority assumed almost all business processes previously performed by the City on the Authority's behalf.

The accompanying financial statements present only the financial position of the Authority at June 30, 2013, and the results of its operations for the year ended June 30, 2013. The Authority is a related organization of the City, and these financial statements are not intended to present fairly the financial position of the City as of June 30, 2013, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. However, certain disclosures are for the City as a whole, since such information is generally not available for the Authority on a separate Authority basis. Where applicable, the Authority's share of the balance/activity is included (See Notes III, A., G., and H.). There are no component units of the Authority.

The accounting policies of the Authority as reflected in the accompanying financial statements conform to generally accepted accounting principles for local governmental units. The more significant of these accounting policies are summarized below.

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

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

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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

C. Assets, liabilities, and net position

1. Cash, investments, and accrued interest

In accordance with City policies, the Authority participates in the City's cash management program that is administered by the City's Treasury Division. A significant portion of cash and investments held by the City is pooled. The pooled cash investment program of the City is operated under the provisions of City ordinance and a specific City investment policy. The policy states that the City shall invest cash balances over the anticipated amount needed to meet operating requirements. Investments are stated at fair market value. The balance reported as "Cash, Investments, and Accrued Interest" represents the equity of the Authority in the pooled cash, investments, and accrued interest. The Authority's share of the interest earnings on pooled investments is determined by allocating interest to the Authority based on average daily balances.

The investment policy states that the City will not commit any funds invested in the pool to maturities longer than three years from the date of purchase, except investments held to meet legal reserve requirements on bonded indebtedness. The maturity date of these investments will not exceed the final maturity date of the bond issue to which they are pledged. Funds are invested based on a minimum of three bids and/or offers. Certificates of deposit are based on competitive rates for specific maturities.

All investments are valued at quoted market prices except for the investment in Special Assessments District bonds and in State of New Mexico Mortgage Finance Authority bonds that are computed at amortized cost approximating market value.

Investments in the State of New Mexico Local Government Investment Pool (LGIP) are valued at fair value based on quoted market prices as of the valuation date in accordance with GASB Statement No. 31. The LGIP is not SEC registered. The State Treasurer is authorized to invest the LGIP, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy Document. The independent Auditor's Report, together with the Financial Statements, the accompanying Notes to the Financial Statements and the Independent Auditor's Report on Compliance and Internal Controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

The following categories of investments are specifically authorized by the policy:

1. Repurchase Agreements - secured by collateral, which is delivered to a third-party safekeeping institution, with a market value equal to or greater than the value of the agreement.
2. U.S. Treasury Obligations - bills, notes, and bonds.
3. Obligations of Federal Agencies or Instrumentalities - interest bearing or discount form.
4. Municipal Bonds - rated in any of the three highest major rating categories by one or more nationally recognized rating agencies.
5. Fixed-income securities - through a diversified investment company registered pursuant to the federal Investment Company Act of 1940, provided the investment company or manager has total assets under management of at least one hundred million dollars (\$100,000,000).

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

C. Assets, liabilities, and net position, continued

The following categories of deposits are specifically authorized by the policy:

1. Checking Accounts - at insured financial institutions.
2. Certificates of Deposit - subject to restrictions set forth in the City's Fiscal Agent Ordinance (City policy requires a minimum of 50% security consisting of insurance and/or collateral).
3. Money market instruments - rated in the highest rating category by any nationally recognized rating agency.

2. Accounts receivable

Accounts receivable include water and sewer billings that are considered 100% collectible since a lien can be placed on the customer's property for nonpayment. Consequently, the Authority rarely has an allowance for uncollectible accounts. Any accounts that are subject to bankruptcy are directly written off when the court order is received.

3. Capital assets

State of New Mexico Administrative Code (Section 12-6-10 NMSA 1978) requires state and local governmental agencies to capitalize capital assets costing in excess of \$5,000. Currently, the Authority defines capital assets as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year. The Authority implemented the new \$5,000 capitalization threshold in fiscal year 2007 for items purchased during the fiscal year. Such assets are recorded at historical cost or estimated historical cost if historical cost information is not available. Software is capitalized when acquired. Donated capital assets are recorded at estimated fair market value at the date of donation.

Construction costs of water and sewer 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:

<i>Buildings</i>	<i>50 years</i>
<i>Improvements other than buildings</i>	<i>25 years</i>
<i>Machinery and equipment</i>	<i>5 – 12.5 years</i>

Purchased water rights are recorded at cost and are being amortized using the straight-line method over one hundred years. Interest expense is capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings. The amount of capitalized interest is determined using the interest cost of the borrowings less any interest earned on investments acquired with the proceeds of the related tax-exempt borrowings from the date of the borrowings until the assets are ready for their intended use.

4. Trade accounts payable and construction contracts payable

Trade accounts payable are recorded as the liability is incurred and represent payables from daily operations. Payment is made from unrestricted assets. Construction contracts payable are liabilities incurred for the acquisition of new capital projects or for rehabilitation of existing water and sewer lines and facilities. These contracts are funded by operational revenues, utility expansion charge revenues, and long-term debt proceeds.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

C. Assets, liabilities, and net position, continued

5. *Accrued vacation and sick leave pay*

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

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

6. *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 Authority's revenues and are recorded in the 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. Bonds payable are reported net of the applicable bond premium or discount.

7. *Net position*

The net position of the Authority is reported in the following three categories:

Net investment in capital assets – This category reflects the portion of net position that is associated with capital assets less outstanding capital asset related debt.

Restricted net position – Restricted net position result from constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

Unrestricted net position – This category reflects net position of the Authority that is not restricted for any project or other purpose.

8. *Statement of cash flows*

For the purposes of the statement of cash flows, all pooled cash and investments are considered to be cash equivalents, although there are investments with a maturity in excess of three months when purchased, because they have characteristics of demand deposits. Non-pooled investments with original maturities of three months or more are deducted from cash, investments, and accrued interest. Purchases and sales of these investments are reported as cash flows from investing activities.

9. *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.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

C. Assets, liabilities, and net position, continued

10. New accounting pronouncements

For fiscal year 2013, the Authority early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement addressed in part the recognition of certain items previously recorded as assets and liabilities. In prior years, the Authority capitalized bond issuance costs and amortized the costs over the remaining maturity period of the related bond issues under a method that approximated the level interest rate method. This pronouncement requires that debt issuance costs be expensed as incurred. Changes from adoption of this pronouncement should be applied retroactively by restating financial statements for all periods presented. As such, the Authority has restated beginning unrestricted net position as of July 1, 2012 by \$3,537,371, resulting in restated beginning net position of \$679,619,170.

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2013.

- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The Authority will implement the new GASB pronouncements in the fiscal year no later than the required effective date. Except as discussed in the following paragraph, the Authority believes that the above listed new GASB pronouncements will not have a significant financial impact to the Authority or in issuing its financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, becomes effective in the fiscal year ending June 30, 2015. The new standard will substantially change accounting and financial reporting for the City's participation in the Public Employees Retirement System (PERA), a cost sharing multiple-employer defined benefit retirement plan. The new standard will require the City's financial statements that use the economic resources measurement focus and accrual accounting to recognize a liability for the City's proportionate share of PERA's net pension liability, and to recognize pension expense, and to report deferred outflows of resources and deferred inflows of resources related to pensions, for its proportionate shares of PERA's collective pension expense and collective deferred outflows of resources and deferred inflows of resources.

II. Stewardship, Compliance and Accountability

The budgetary data is prepared consistent with the basis of accounting described in Note I.B with these exceptions; debt service principal payments, certain cash transfers, capital contributions, capital outlay, and capitalized interest costs. The annual budget is formulated by the Authority's Management and submitted to the Water Authority Board by April 1 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. After Board approval of the budget, a formal appropriation and encumbrance system to control expenditures is maintained by the City's financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Authority's budget by program. For fiscal year 2013, expenditures may not exceed budgetary appropriations at the general ledger fund level. The Authority uses general ledger funds for internal accounting purposes. However, since the Authority is accounted for similar to an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

III. Detailed Notes

A. Cash and investments

As discussed in Note I, C.1., the Authority participates in the City's pooled investment program. Cash and investments are held by the City and balances are allocated between the City and Authority. The total cash, investments, accrued interest and cash held for debt service of the Authority at June 30, 2013, which represents approximately 4.9% of the City's pooled investment program in which the Authority is a participant, consist of the following:

	<u>(in 000's)</u>
Cash, investments, accrued interest and cash held for debt service	
Held in the City's pooled investment program:	
Investments	
Repurchase agreements	\$ 177
Local government obligations	15
Obligations of federal agencies or instrumentalities	<u>3,025</u>
Total investments	<u>3,217</u>
Certificates of deposit	2,230
Bank accounts at book balance	34,867
Accrued interest receivable	<u>6</u>
Total held in City's pooled investment program	<u>40,320</u>
Not held in the City's pooled investment program	<u>1,318</u>
Total cash, investments, accrued interest and cash held for debt service	<u>\$ 41,638</u>
Current cash, investments and accrued interest:	
Held in the City's pooled investment program	\$ 3,058
Not held in the City's pooled investment program	<u>1,318</u>
Total current cash, investments, and accrued interest	4,376
Restricted noncurrent cash, investments and accrued interest	
held in the City's pooled investment program	3,057
Cash held for debt service	<u>34,205</u>
	<u>\$ 41,638</u>

Custodial credit risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the funds of the participants in the pool may not be returned to them. The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2013, none of the bank balances were exposed to custodial credit risk.

Custodial credit risk – Investments. Custodial credit risk with respect to investments is the risk that in the event of the failure of the counterparty, the participants in the pool will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment basis. The investment policy further requires that all collateral securities held by a third party custodian, designated by the City Treasurer, shall be held in the City's name and evidenced by a safekeeping receipt or Federal Reserve book-entry reporting. The City's investment in the New Mexico State Treasurers Office (STO) Local Government Investment Pool (LGIP) represents a proportionate interest in the Pool's portfolio. The City's portion is not identified with specific investments and is not subject to custodial credit risk.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

A. Cash and investments, continued

Credit risk Credit risk is the risk that in the event an issuer or other counterparty to an investment does not fulfill its obligations, the participants in the pool will not be able to recover the value of its principal. As a home rule city, the City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The City's Investment Committee annually reviews its asset allocation strategies and guidelines for the percentage of its total portfolio that may be invested in securities other than repurchase agreements, U.S. Treasury bills and notes or insured/collateralized certificates of deposit. As part of the City's allocation evaluation, these guidelines are reviewed periodically, considering the probability of market and default risk in various investment sectors. The City's investment policy describes permitted investments as those allowed for municipalities with a population in excess of 65,000 per Section 10-10-10 of the Statutes of the State of New Mexico. Among permitted investments, the investment policy requires that 1) repurchase agreements have a collateralized value of 102% of the par value of the agreement, and 2) certificates of deposit with local banks be fully insured by the FDIC. Investments in direct obligations of the U.S. Treasury are permitted as are securities of the U.S. Government agencies denoted in Section 6-10-10 F (2) of the State Statutes. At June 30, 2013, the City's internal investment pool held investments in fully-collateralized overnight repurchase agreements (repos), a fully-insured money market account, U.S. Government agency notes and a local government obligation.

In 2009, the City's internal investment pool liquidated its position in the STO LGIP. However, at June 30, 2013, the City continued to hold \$134,524 in the STO's "Reserve Contingency Fund" which represented the maximum potential loss from assets previously held in the LGIP's Primary Money Market Fund. The City does not expect any further recoveries from the reserve and has accrued the remaining balance as a loss. The City's Housing Authority Fund continued to hold a non-pooled position in the STO LGIP Fund of \$8,047,579 and a balance in the Reserve Contingency Fund of \$3,886. The State of New Mexico's LGIP is rated AAAM by Standard and Poors.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy states the City will develop diversification strategies to avoid incurring concentration risk. The following general policies and constraints shall apply: With the exception of collateralized repos, U.S. Treasury securities, and authorized pools (comprising the "liquidity segment" of the portfolio), no more than 50% of the residual investment portfolio (the "core segment") will be invested in a single issue or at a single maturity. At June 30, 2013, the City's core segment is invested in debt securities issued by four Government Sponsored Entities (GSEs): the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Federal Home Loan Mortgage Corporation. These investments comprise 9%, 68%, and 23% respectively, of the core segment residual. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. At June 30, 2013, liquidity and core segment maturities are allocated as follows: 0-12 months – 0%; 1-2 years – 12%; 3-5 years – 88%. Holdings in the STO LGIP represent 1% of the total portfolio.

Summarized information concerning the GSE investments is as follows:

U.S. Agency Investments (summarized by GSE)	Wtd. Avg. Days to Maturity	Weighted Average Days to Call	Standard & Poor's Rating	Moody's Rating
Federal Home Loan Banks	964	50	AA+	Aaa
Federal National Mortgage Association	947	112	AA+	Aaa
Federal Home Loan Mortgage Corporation	852	157	AA+	Aaa

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

A. Cash and investments, continued

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City's investment policy limits the City's exposure to interest rate risk by requiring that no less than 80% of the funds invested in the core segment of the internal investment pool or in other discretionary funds be in maturities of no more than three years from date of purchase. No more than 20% of the funds may be invested in maturities between three and five years. Investment of non-discretionary assets, including funds to be held in trust, may be committed to maturities up to ten years from the date of purchase. The weighted average maturity of the investments in the internal investment pool's core segment at June 30, 2013, was 926 days. The weighted average days to call of the core segment was 117 days.

Pledged collateral by bank - The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides insurance of \$250,000 per depositor, per insured bank. The pledged collateral by bank (in thousands) at June 30, 2013, was as follows:

	US Bank	Bank of America	Bank of the West	Wells Fargo Bank	NM Bank & Trust	Bank of Albuquerque
Total amount on deposit	\$ 983	\$ 213,413	\$ 252,261	\$ 376	\$ 961	\$ 1,560
Less FDIC coverage	250	250	250	250	250	250
Total uninsured public funds	733	213,163	252,011	126	711	1,310
50% collateral requirement	367	106,581	126,005	63	356	655
Pledged securities, fair value	598	198,306	362,738	969	492	1,500
Pledged in excess of requirement	\$ 231	\$ 91,725	\$ 236,733	\$ 906	\$ 136	\$ 845

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

Accounts receivable are primarily revenues earned from the Authority's water and sewer utility billing system. These are considered 100% collectible since a lien can be placed on the customer's property. They also include some miscellaneous receivables for other services. Accounts receivable at June 30, 2013 were \$15,566,280 net of an allowance for doubtful accounts of \$78,416.

Notes receivable are for utility expansion charges. The borrower is allowed to pay the Authority for the extension of water and sewer lines over a ten year period at 7% interest. Notes receivable at June 30, 2013 were \$6,137,040.

Due from other governments are primarily Federal and State grants receivable of \$2,147,648 that are for capital improvements. Also included are miscellaneous receivables of \$47,287.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

C. Capital assets

Capital asset activity of the Authority for the year ended June 30, 2013, is as follows:

	Balance July 1	Increases	Decreases	Balance June 30
Assets not being depreciated:				
Land	\$ 25,699,732	\$ -	\$ -	\$ 25,699,732
Construction work in progress	10,384,658	4,769,720	11,261,425	3,892,953
Total assets, not being depreciated	<u>36,084,390</u>	<u>4,769,720</u>	<u>11,261,425</u>	<u>29,592,685</u>
Assets being depreciated:				
Buildings	2,210,836	-	-	2,210,836
Improvements other than buildings	2,025,226,113	50,478,299	-	2,075,704,412
Machinery and equipment	49,877,090	1,948,396	-	51,825,486
Total assets, being depreciated	<u>2,077,314,039</u>	<u>52,426,695</u>	<u>-</u>	<u>2,129,740,734</u>
Less accumulated depreciation:				
Buildings	1,754,573	44,217	-	1,798,790
Improvements other than buildings	801,524,213	80,927,525	-	882,451,738
Machinery and equipment	30,428,688	5,672,572	-	36,101,260
Total accumulated depreciation	<u>833,707,474</u>	<u>86,644,314</u>	<u>-</u>	<u>920,351,788</u>
Capital assets being depreciated, net	<u>1,243,606,565</u>	<u>(34,217,619)</u>	<u>-</u>	<u>1,209,388,946</u>
Assets being amortized:				
Purchased water rights	43,720,597	860,936	-	44,581,533
Less amortization	11,935,396	442,748	-	12,378,144
Capital assets being amortized, net	<u>31,785,201</u>	<u>418,188</u>	<u>-</u>	<u>32,203,389</u>
Total capital assets, net	<u>\$ 1,311,476,156</u>	<u>\$ (29,029,711)</u>	<u>\$ 11,261,425</u>	<u>\$ 1,271,185,020</u>

Changes to capital assets of the Authority for the fiscal year ended June 30, 2013, include the following amount of capitalized interest:

	Total Interest	Interest Related to Tax-Exempt Borrowing	Net
Interest expense	\$ 26,512,610	\$ 1,946,692	\$ 24,565,918
Interest income	164,563	122,554	42,009
Capitalized interest		<u>\$ 1,824,138</u>	

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

D. Short-term and long-term obligations

The change in the short-term and long-term obligations of the Authority for the year ended June 30, 2013, are as follows:

	Outstanding				
	June 30, 2012	Increases	Decreases	June 30, 2013	Payable in one year
Parity Obligations:					
Revenue Bonds	\$ 443,015,000	\$ -	\$ 22,235,000	\$ 420,780,000	\$ 23,545,000
Loan Agreements - NMFA	211,918,729	-	17,497,222	194,421,507	17,606,701
Subordinate Obligations:					
Loan Agreements - NMED	7,433,738	-	992,059	6,441,679	453,894
Loan Agreements - NMFA	9,980,080	-	466,842	9,513,238	475,158
Junior Obligations:					
Loan Agreements - NMFA	311,232	-	17,353	293,879	17,397
Line of Credit - NMFA	-	191,380	56,406	134,974	56,548
Water rights contract	12,932,117	-	1,007,322	11,924,795	1,038,005
Accrued vacation and sick leave pay	3,316,874	4,135,409	3,633,833	3,818,450	3,071,653
Less deferred amounts:					
Unamortized bond premiums	17,432,095	-	4,098,492	13,333,603	-
Deferred refunding costs	(31,669)	-	(31,669)	-	-
	706,308,196	4,326,789	49,972,860	660,662,125	46,264,356
Current portion of long-term obligations	(44,928,830)	-	1,335,526	(46,264,356)	-
Total	<u>\$ 661,379,366</u>	<u>\$ 4,326,789</u>	<u>\$ 51,308,386</u>	<u>\$ 614,397,769</u>	<u>\$ 46,264,356</u>

Parity Obligations – Revenue Bonds, Loan Agreements, and Lines of Credit:

Authority parity obligations are secured by a pledge of net revenues derived from the operations of the Authority's water and sewer system. In ordinances pursuant to the issuance of these bonds, the 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 system obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Authority shall either promptly increase rates in order to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Authority's rate structure and other charges in order to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2013, the net revenues were 134% of the annual debt service on all outstanding system obligations.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

D. Short-term and long-term obligations, continued

Authority Parity Revenue Bonds outstanding at June 30, 2013, are as follows:

<u>Revenue Bonds Issued</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
October 25, 2005	\$ 117,390,000	3.50% to 5.00%	July 1, 2025	100% beginning July 1, 2015
July 12, 2006	115,710,000	4.25% to 5.165%	July 1, 2026	100% beginning July 1, 2016
April 9, 2008	55,630,000	5.00%	July 1, 2033	100% beginning July 1, 2018
April 8, 2009	128,140,000	3.00% to 5.50%	July 1, 2029	100% beginning July 1, 2019
April 8, 2009, Refunding	<u>3,910,000</u>	3.00% to 5.00%	July 1, 2013	Not callable
Total outstanding	\$ 420,780,000			
Unamortized:				
Premiums	<u>6,192,228</u>			
Net outstanding	<u>\$ 426,972,228</u>			

Authority Parity Loan Agreements outstanding at June 30, 2013, are as follows:

<u>Loan Agreements Issued</u>	<u>Current Loan Balance</u>	<u>Original Loan Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
April 11, 2003	\$ 981,922	\$ 3,600,000	2.00%	January 1, 2016
October 13, 2004	69,675,000	118,415,000	1.32% to 4.16%	May 1, 2024
October 28, 2005	17,405,000	20,000,000	2.93% to 4.01%	May 1, 2025
September 26, 2007	56,305,000	77,005,000	4.00% to 5.0%	May 1, 2025
December 1, 2010	954,585	1,000,000	0.75%	July 1, 2031
December 15, 2011	<u>49,100,000</u>	53,400,000	3.00% to 5.0%	June 1, 2036
Total outstanding	\$ 194,421,507			
Unamortized:				
Premiums	<u>7,141,375</u>			
Net outstanding	<u>\$ 201,562,882</u>			

Subordinate Obligations – Loan Agreements and Lines of Credit:

On May 20, 2005, the Authority executed a promissory note with the New Mexico Environment Department that converted an existing \$12,000,000 line of credit agreement. The note payable of \$9,627,877 (total draws on the line of credit plus accrued interest of \$242,655) has an interest rate of 3%. The note requires annual payments of \$647,145, due on May 20th each year. Final payment is due May 20, 2025. The balance due at June 30, 2013, is \$6,441,679.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

D. Short-term and long-term obligations, continued

On November 17, 2008, the Authority entered into a line of credit agreement with the New Mexico Finance Authority. The agreement provided that the Authority could draw a total of \$12,000,000. Construction of the project was completed in fiscal year 2010 for a total cost of \$10,426,232. This credit line was converted to a long-term subordinate loan agreement on November 11, 2010 at an interest rate of 1.75% with annual payments due beginning May 1, 2011 and maturing on May 1, 2030. The balance due at June 30, 2013, is \$9,304,961.

The Authority entered into a line of credit agreement on January 22, 2010, with the New Mexico Finance Authority (NMFA) whereby the Authority could draw up to \$200,000. The agreement was partially funded with federal grants received by the NMFA through the American Recovery and Reinvestment Act. If the Authority complied with the terms of the agreement, then \$140,000 would be subsidized by the grant and therefore not repayable. The purpose of the project was to upgrade and improve the water utility system, including, but not limited to, expansion of the leak detection system to cover an additional 5% of the distribution system. This project was completed in fiscal year 2011 for a total cost of \$199,873, of which \$140,000 was forgiven and a new long-term subordinate loan created for \$59,873. The interest rate is .75%, with an administrative fee of .25%. The close occurred August 11, 2010. The loan requires annual principal payments and semi-annual interest payments beginning November 1, 2010 and maturing on May 1, 2030. The balance due at June 30, 2013, is \$52,083.

The Authority entered into a line of credit agreement on January 22, 2010, with the New Mexico Finance Authority (NMFA) whereby the Authority could draw up to \$156,826. The agreement was partially funded with federal grants received by the NMFA through the American Recovery and Reinvestment Act. If the Authority complied with the terms of the agreement, then \$109,778 would be subsidized by the grant and therefore not repayable. The purpose of the project was to upgrade and improve the water utility system, including, but not limited to, the replacement of approximately 1,086 high flow urinals with high efficiency fixtures in City of Albuquerque facilities. The Authority completed the project in fiscal year 2011, for a total cost of \$150,207, of which \$109,778 was forgiven and a new long-term subordinate loan created for \$40,429. The interest rate is .75%, with an administrative fee of .25%. The close occurred May 1, 2011. The loan requires annual principal payments and semi-annual interest payments beginning July 1, 2012 and maturing on July 1, 2031. The balance due at June 30, 2013, is \$38,593.

Also on January 22, 2010, the Authority entered into a line of credit agreement with the New Mexico Finance Authority (NMFA) whereby the Authority can draw up to \$414,036. The agreement is partially funded with federal grants received by the NMFA through the American Recovery and Reinvestment Act. If the Authority complies with the terms of the agreement, then \$289,825 will be subsidized by the grant and therefore not repayable. The purpose of the project was to upgrade and improve the water utility system, including, but not limited to, a water use efficiency retrofit analysis. The Authority completed the project in fiscal year 2012 for a total cost of \$413,969, of which \$289,797 was forgiven and a new long-term subordinate loan created for \$124,172. The interest rate is .75%, with an administrative fee of .25%. The close occurred March 5, 2012. The loan requires annual principal payments and semi-annual interest payments beginning July 1, 2012 and maturing on July 1, 2031. The balance due at June 30, 2013, is \$117,601.

Junior Obligations – Loan Agreements:

The Authority entered into three loan and grant agreements with the New Mexico Finance Authority (NMFA) and the Water Trust Board on November 23, 2011. The general term for each agreement is a repayable loan amount at 0% interest and a .25% administrative fee. The loans require 20 annual installments beginning July 1, 2012, and ending July 1, 2031. The grant amount is not repayable. The agreements with the New Mexico Finance Authority/New Mexico Water Trust Board (which provide for reimbursement to the Authority upon submission of eligible expenditures) are considered lines of credit for financial statement purposes until the final amount of the agreement is known at project completion. Upon completion the amount to be repaid will be resized and converted to a junior loan agreement.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

D. Short-term and long-term obligations, continued

The three agreements and purpose are as follows:

<u>Issue</u>	<u>Loan Amount</u>	<u>Grant Amount</u>	<u>Total</u>	<u>Purpose</u>
ABCWUA #12 (#0205-WTB)	\$ 452,000	\$ 1,808,000	\$ 2,260,000	Construction of a regional water conveyance and delivery system for the community of Carnuel
ABCWUA #13 (#0206-WTB)	\$ 640,000	\$ 960,000	\$ 1,600,000	Construction of a regional water conveyance and delivery system for the community of Carnuel
ABCWUA #14 (#0207-WTB)	\$ 63,354	\$ 95,032	\$ 158,386	Planning and design of a large scale aquifer recharge

At June 30, 2013, \$191,380 had been drawn against these three lines. Pre-payments of \$56,406 were made in fiscal year 2013, with a balance due at June 30, 2013 of \$134,974.

On November 13, 2009, the Authority entered into a loan agreement with New Mexico Water Trust Board and New Mexico Finance Authority for \$50,000 with 0% interest and an administrative fee of .25%. The agreement includes a \$450,000 grant funded through the State of New Mexico. The grant amount was not repayable. The project was for the benefit of the Carnuel Mutual Domestic Water and Wastewater Consumers Association. It extended water lines to the community of Carnuel (an unincorporated city) just east of Albuquerque. The loan payments began June 1, 2010, and extend until June 1, 2029. The project was completed in November, 2010 with all drawdowns on the grant received. The balance due on the loan at June 30, 2013, is \$41,041.

Also on November 13, 2009, the Authority entered into a loan agreement with New Mexico Water Trust Board and New Mexico Finance Authority for \$100,000 with 0% interest and an administrative fee of .25%. The agreement included a \$400,000 grant funded through the State of New Mexico. The grant amount was not repayable. The project was for the benefit of the Carnuel Mutual Domestic Water and Wastewater Consumers Association. It extended water lines to the community of Carnuel (an unincorporated city) just east of Albuquerque. The loan payments began June 1, 2010, and extend until June 1, 2029. The project was started and completed in fiscal year 2011. All drawdowns on the grant were received. The balance due on the loan at June 30, 2013, is \$82,205.

On May 28, 2010, the Authority entered into a loan agreement with New Mexico Water Trust Board and New Mexico Finance Authority for \$200,000 with 0% interest and an administrative fee of .25%. The agreement includes an \$800,000 grant funded through the State of New Mexico. The grant amount is not repayable. The project is for the benefit of the Carnuel Mutual Domestic Water and Wastewater Consumers Association. It will extend water lines to the community of Carnuel (an unincorporated city) just east of Albuquerque. Loan payments began June 1, 2011, and extend until June 1, 2030. Phase one of this project was completed in fiscal year 2013. All drawdowns on the grant were received. The balance due on the loan at June 30, 2013, is \$170,633.

Water Rights Contract

A Water Rights Contract with the United States Government was entered into by the Authority during the fiscal year ended June 30, 1963, to pay a portion of the construction, operation, and maintenance costs of the San Juan Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2013, is \$11,924,795.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

D. Short-term and long-term obligations, continued

The annual debt service requirements on the revenue bonds, loan agreements, and the water rights contract payable outstanding at June 30, 2013, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 43,192,703	\$ 29,327,584	\$ 72,520,287
2015	42,395,465	27,471,242	69,866,707
2016	45,671,380	25,604,785	71,276,165
2017	41,340,952	23,596,740	64,937,692
2018	46,010,799	21,615,814	67,626,613
2019 - 2023	212,129,678	78,138,057	290,267,735
2024 - 2028	124,056,013	35,210,660	159,266,673
2029 - 2033	65,798,082	14,405,341	80,203,423
2034 - 2036	22,915,000	1,092,917	24,007,917
Total	<u>\$ 643,510,072</u>	<u>\$ 256,463,140</u>	<u>\$ 899,973,212</u>

E. Defined benefit pension plan – Public Employees Retirement Association

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

Funding Policy. Plan members are required to contribute 13.15% of their gross salary. The Authority is required to contribute 9.15% of the gross covered salary. The Authority has elected to pay a percentage of the employee's contributions. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's employer contribution to PERA for the fiscal years ending June 30, 2013, 2012, and 2011, were \$2,703,455, \$2,668,261 and \$2,477,629 respectively, which equal the amount of the required contributions for each fiscal year.

F. Defined contribution retirement plan

On March 31, 2004, the Authority Board approved a Declaration of Trust for a 401 qualified defined contribution retirement plan through ICMA Retirement Corporation for 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. Employees have a 30-day election period from the date of initial eligibility to elect to participate in the plan. Participation is not mandatory. Under the plan the employer contributes 19.01% of earnings for full time employees and 7% for part time employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute one of 3.29%, 5%, 7%, 10% for full time employees and 7% for part time employees. Total contributions to the plan were \$164,469 in fiscal year 2013 of which \$122,639 were from employer contributions and \$41,830 was from employee contributions.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

G. Post employment benefits

In addition to providing pension benefits described in Notes E and F, the Authority provides certain health care and life insurance benefits for retired employees. The Authority has ended the postemployment life insurance benefit for those employees hired after June 30, 2013 and reduced the benefit amount for future eligible retirees to a lump sum amount of \$5,000. The benefit amount for current retirees is unchanged. The plan previously provided a sliding benefit based on salary up to a maximum of \$25,000 with a minimum benefit of \$12,500. There were no changes made to the Authority's participation in the New Mexico Retiree Health Care Act.

Postemployment Life Insurance Benefits.

Plan Description. The Authority as of the fiscal year end date of June 30, 2013 participated in the City of Albuquerque's Life Insurance Benefit Plan (the City Plan). The Authority will continue to participate in the City Plan after June 30, 2013 but with its own terms of participation and benefits. The City Plan is a single employer defined benefit plan administered by the City which includes coverage for the employees of the Authority. Upon retirement an eligible Authority employee will continue to be covered by the City Plan at no cost to the employee. The number of Authority retired employees covered under the City Plan at June 30, 2013 was 124. The number of active employees at June 30, 2013 was 553. Normal retirement eligibility conditions are defined as a retirement eligible for a PERA benefit.

Funding Policy. The Authority recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenses. Life insurance benefits are paid through premiums to an insurance company, currently Hartford, under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The required contribution is based on projected pay-as-you-go financing requirements. The current rate for the City Plan is \$.28 per \$1,000 face value of life insurance for actives and retirees.

Annual OPEB Cost and Net OPEB Obligation. The Authority's annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Authority's net OPEB obligation to the Life Insurance Benefit plan.

Net OPEB Obligation at beginning of year	\$ 911,210
Plus Projected Annual OPEB Cost:	
Interest on Net OPEB Obligation at beginning of year	36,448
Annual Required Contribution (ARC) for current fiscal year	339,258
ARC Adjustment for current fiscal year	(42,463)
	<u>333,243</u>
Less Net Employer Contribution	(135,732)
Expected Net OPEB Obligation at end of year	<u>\$ 1,108,721</u>

The Authority's net OPEB obligation is \$1,108,722 and is reported in the accompanying financial statements as a long-term liability.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

G. Post employment benefits, continued

Funding Status and Funding Progress. As of June 30, 2013, the most recent actuarial valuation date, the City Plan was 0% percent funded, meaning there were no plan assets, using the criteria established by GASBS 45. The Authority's actuarial accrued liability (AAL) for benefits was calculated as 8% of the total actuarial accrued liability of \$63,758,573 reported at June 30, 2013 for the City Plan. Accordingly, the Authority's AAL at June 30, 2013 was \$5,100,686 of which the full amount represents the Authority's unfunded actuarial accrued liability (UAAL). The covered payroll for the Authority (annual payroll of active employees covered by the plan) was \$25,842,595 and the ratio of the UAAL to the covered payroll was 19.74%. The Authority's ARC as a percent of payroll is 1.31% of which .428% is the normal cost as a percent of payroll. The ARC per active employee is \$568. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.

Actuarial Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the Life Insurance Benefit plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the City's historical pattern of paying for the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2013 actuarial valuation, the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASBS 45 is to match recognition of retiree life expense with the periods during which the benefit is earned, and the City's actuary believes that EAN funding method effectively meets that goal in most circumstances.

Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs. The City pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASBS 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 4.0 percent investment rate of return on expected long-term returns on the City's own investments calculated on the funded level of the plan at the valuation date. As of June 30, 2013, the plan has not been funded and no interest was earned on the plan assets during the year. The City intends to amortize the UAAL over a thirty-year period under the level percentage of pay method, beginning in the next fiscal year. The remaining amortization period at June 30, 2013, was 25 years. The ARC was based on a 4.0 percent discount rate, funding will be based on a 6.0 percent discount rate.

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

G. Post employment benefits, continued

Retiree Health Care Act Contributions

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87107.

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

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Authority's contributions (employer and employee) to the RHCA for the years ended June 30, 2013, 2012, and 2011, were \$883,814, \$819,943 and \$677,304, respectively, which equal the required contributions for each year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

G. Post employment benefits, continued

H. Risk management

The Authority is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of its officers and officials; and natural disasters. The Authority participates in the City's Risk Management Fund (an internal service fund of the City) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$1,000,000 for each workers' compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City and Authority real and contents damage claim. Losses in other categories and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the City and Authority continue to benefit from case coverage on claims that were incurred during the insured claim year.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund and the Authority based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$1,000,000 at June 30, 2013, and is included in the unrestricted net position of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a 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 an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Based on historical data, the City believes the Risk Management Fund is adequately funded. Moreover, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of \$1,000,000 the City, with Council approval, may levy a tax on real property to provide for the payment of catastrophic losses. In addition, the City started fiscal year 2013 with \$41,400,000 available in the committed General Fund balance.

In recent years, the City has experienced an increase in claim amounts. In response to this increase, the City conducted a review of both its philosophy for reserving funds and the tools used to analyze the reported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher reserve liability was needed. The City plans to increase annual funding to the Risk Management Fund reserve in the amount of \$2.5 million per year by increasing charges to other funds beginning in fiscal year 2015.

Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount. The amounts and change in the City's Risk Management Fund's claims liability in fiscal year 2013 and 2012 were:

	2013	2012
Claims liability at July 1	\$ 72,136,558	\$ 66,902,536
Current year claims and change in estimates	65,079,418	26,923,508
Claims liquidated	(27,383,326)	(21,689,486)
Claims liability at June 30	<u>\$ 109,832,650</u>	<u>\$ 72,136,558</u>

The Authority paid \$3,372,927 for its share of the risk management charges for the year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

I. Transactions with City of Albuquerque

As discussed in Note I-A, the Authority has entered into a Memorandum of Understanding with the City for operations of the utility. In addition to the risk management charges reported in Note III-H, the Authority engaged in the following transactions with the City. The Authority paid the City for the following services:

Franchise fees	\$ 6,005,881
Administrative indirect overhead, including accounting and other central services	2,319,162
Warehouse supplies	1,785,815
Fleet management services	1,597,118
Barricading and street sweeping	<u>462,088</u>
Total	<u>\$ 12,170,064</u>

The City paid the Authority for water, sewer and other services in the amount of:	<u>\$ 7,273,482</u>
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J. Commitments and contingencies

Construction Commitments. At June 30, 2013, the uncompleted construction and other commitments in the Authority was \$9,477,171. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

In October 2008, the Authority and the Carnuel Mutual Domestic Water and Waste Water Consumer Association (CMDWWCA) entered into an agreement to extend water infrastructure improvements and provide water service to the Carnuel community. This agreement was amended in December 2008 to identify that the Authority would serve as the fiscal agent for the CMDWWCA on all state and federal grant and /or loan agreements. The Authority will own, operate, and maintain the water system which supplies and distributes water to the CMDWWCA. Reimbursement for costs associated with operation and maintenance of the system, including reserves, shall be collected by the Authority through collection of payments from customers based on costs for monthly water usage rates.

Federal and State Grant Commitments. The Authority has received a number of federal and state grants 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, Authority management believes that such disallowances, if any, will not be material.

Contingencies. In the normal course of business, the 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 Authority management that the ultimate resolution of other litigation will not have a material effect on the financial position of the Authority.

The Authority received permit SP-4830 from the Office of the State Engineer in 2004 for diverting and fully consuming imported Colorado River water (San Juan-Chama water) in the amount of 96,200 acre-feet per annum. A group of environmentalists and farming activists filed an appeal of the surface diversion permit in State District Court. The District Court upheld the Office of the State Engineer decision including the permit conditions imposed by the State Engineer and ruled in favor of the Authority on all counts. The decision of the District Court granting the surface diversion permit was appealed by the same group of protestants to the New Mexico Court of Appeals.

Because of various requests for rehearing filed by the parties, the Court of Appeals has issued three opinions affirming the previous decisions by the State Engineer and District Court that the San Juan-Chama Drinking Water Project is not contrary to conservation, is not detrimental to the public welfare, does not impair the water rights of downstream users, and does not adversely affect New Mexico's obligation under the Rio Grande Compact. Each of the Court of Appeals decisions noted that the primary issues (conservation, public welfare, impairment and compact deliveries) had been exhaustively addressed and disposed of and need not be raised or litigated again. The Court of Appeals decision has introduced a new process under the law that requires a non-consumptive appropriation permit. The

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

J. Commitments and contingencies, continued

Court of Appeals was careful to emphasize that this process would not threaten the already established fact that the Drinking Water Project does not impair downstream users. To the contrary, the Court emphasized that a new non-consumptive 'appropriation' process would provide permanent protection to water users such as the Authority. Because this decision was adverse to the protestants, the protestants have filed a petition for writ of certiorari in the State Supreme Court requesting that an appeal of the Court of Appeals decision be heard.

In a related environmental permitting process, the 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 concludes that the effects of the San Juan-Chama Project will not jeopardize the continued existence of the Rio Grande Silvery Minnow and will not adversely affect critical habitat. The Authority has completed the design of the environmental mitigation and will be starting construction in September 2013 and continuing through the winter months until April 2014. If the mitigation construction cannot be completed in one winter season (September to April), then the Authority will complete the work in the following year.

On May 17, 2011, the United States Environmental Protection Agency (EPA) issued Administrative Order CWA-06-2012-1777 to the Authority for violations of its permit to discharge effluent into the Rio Grande River at its Southside Water Reclamation Plant. The permit is obtained under the National Pollutant Discharge Elimination System (NPDES) program. The Administrative Order (AO) listed NPDES violations that occurred between 2006 and 2010. The majority of the violations related to Sanitary Sewer Overflows (SSO's). The Authority responded to the AO and provided supplemental information regarding the violations and also presented a draft Corrective Action Plan (CAP) that included rehabilitation and new construction totaling \$250 million over the next ten years. The Authority's management is awaiting comments from EPA on the draft CAP that was submitted in October 2011 and revised and resubmitted in April 2012.

On May 31, 2012, the Authority received a letter from the Internal Revenue Service (the 'IRS') informing the Authority that the IRS would be conducting an examination of its Joint Water and Sewer System Improvement Revenue Bonds Series 2006A issued July 12, 2006 (the 'Bonds'). The letter indicates that the IRS routinely examines debt issuances to determine compliance with Federal tax requirements. On April 10, 2013 the Authority received notification from the IRS that the examination was complete and there was no change to the Authority's position.

K. Significant effects of subsequent events

The Joint Water and Sewer System Improvement (Series 2013A) and Refunding (Series 2013B) Revenue Bonds Series 2013A&B closed on October 22, 2013. Series 2013A had a par amount of \$62,950,000 with a premium of \$7,503,235. Series B had a par amount of \$55,265,000 with a premium of \$7,711,334. Series 2013A has a Serial Bond component - \$57,110,000 - and a Term Bond component - \$5,840,000 - with final maturity due July 1, 2038. Series 2013B is a Serial Bond with final maturity due July 1, 2024. Principal is paid annually on July 1st of every year beginning July 1, 2014 for both Series A and B.

The coupon rate for Series 2013A is 3% for the July 1, 2014 installment and 4% for the July 1, 2015 and 2016 installments and is 5% thereafter for all subsequent installments. The coupon rate for Series 2013B is 3% for the July 1, 2014 installment and is 5% thereafter for all subsequent installments.

Proceeds from the Series 2013A issue will be used for the Basic rehabilitation program, provide supplemental funding for rehabilitation work at the Southside Water Reclamation Plant and provide funding for the Authority's Automated Meter Infrastructure (AMI) project and for replacement of steel water lines.

Proceeds from the Series 2013B issue were placed in a refunding escrow with the Bank of Albuquerque for the purpose of refunding the 2004 NMFA PPRF (Public Project Revolving Fund) loan in the principal amount of \$61,005,000 on May 1, 2014. The Authority is responsible for making the scheduled May 1, 2014 principal payment of \$8,670,000 on the NMFA loan at which time all subsequent installment payments become callable.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR LIFE INSURANCE BENEFIT PLAN
Year ended June 30, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age Normal</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL Percentage of Covered Payroll</u>
6/30/2011	0	1,296,421	1,296,421	0.00%	27,047,218	4.79%
6/30/2012	0	1,416,172	1,416,172	0.00%	33,131,853	4.27%
6/30/2013	0	5,100,685	5,100,685	0.00%	25,842,595	19.74%

Note: This schedule represents the funding progress for the Albuquerque Bernalillo County Water Utility Authority portion of the City of Albuquerque's total unfunded actuarial accrued liability of \$63,758,573.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
Year ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 157,734,000	\$ 157,734,000	\$ 150,119,305	\$ (7,614,695)
City water service expansion charges	8,000,000	8,000,000	8,197,016	197,016
Sustainable water supply	30,400,000	30,400,000	29,558,320	(841,680)
Interest on investments	1,250,000	1,250,000	80,618	(1,169,382)
Valley system connection charges	50,000	50,000	20,800	(29,200)
City system connection charges	350,000	350,000	385,502	35,502
Other miscellaneous	2,124,000	2,124,000	1,757,729	(366,271)
Transfer to cash held for debt service from cash for operations	<u>66,362,000</u>	<u>66,362,000</u>	<u>66,362,000</u>	<u>-</u>
Total revenues	<u>266,270,000</u>	<u>266,270,000</u>	<u>256,481,290</u>	<u>(9,788,710)</u>
Expenses:				
Water plant facility production	6,561,000	6,561,000	6,590,618	(29,618)
Water plant facility distribution	14,706,000	14,706,000	16,323,438	(1,617,438)
Water distribution facilitation	2,050,000	2,050,000	2,211,249	(161,249)
Wastewater treatment	11,792,000	11,792,000	12,315,432	(523,432)
Compliance	4,270,000	4,270,000	3,761,225	508,775
Wastewater collection	6,352,000	6,352,000	7,097,701	(745,701)
Sustainable water supply	2,712,000	2,712,000	3,203,147	(491,147)
North I-25 reuse	76,000	76,000	9,263	66,737
Customer services	5,552,000	5,552,000	5,509,269	42,731
Finance	7,022,000	7,022,000	6,741,386	280,614
Human resources	1,085,000	1,085,000	1,052,049	32,951
NW service area	2,394,000	2,394,000	1,403,042	990,958
San Juan-Chama	2,247,000	2,247,000	2,125,937	121,063
Water resources, engineering and planning	6,515,000	6,515,000	6,333,208	181,792
Information systems	4,152,000	4,152,000	5,565,463	(1,413,463)
Low income utility credit	250,000	250,000	141,410	108,590
Water authority administration	21,253,000	21,253,000	21,926,539	(673,539)
Debt service - principal and interest	72,738,000	72,738,000	72,669,745	68,255
Transfer from cash for operations to cash held for debt service	<u>66,362,000</u>	<u>66,362,000</u>	<u>66,362,000</u>	<u>-</u>
Transfer of cash held for debt service to cash used for capital acquisitions	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
Transfer from cash for operations to cash used for capital acquisitions	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>-</u>
Administrative services to City	<u>8,294,000</u>	<u>8,294,000</u>	<u>7,814,881</u>	<u>479,119</u>
Total expenses	<u>257,383,000</u>	<u>257,383,000</u>	<u>260,157,002</u>	<u>(2,774,002)</u>
Excess of revenues over (under) expenses	<u>\$ 8,887,000</u>	<u>\$ 8,887,000</u>	<u>(3,675,712)</u>	<u>\$ (12,562,712)</u>

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL, continued
Year ended June 30, 2013

	<u>Actual</u>
Revenues (expenses) not budgeted:	
Interest on investments in capital acquisition fund	130,793
Proceeds from loss of vehicle	17,480
Depreciation	(86,644,314)
Amortization on water rights contract	(442,748)
Amortization on premium and discounts	4,098,493
Amortization of deferred amounts on refundings	(31,670)
Unrealized gain (loss) on investments	(46,848)
Life insurance expense	(1,108,722)
Miscellaneous expenses	(1,023,128)
Bad debt expense	(27,084)
Lease of water rights	1,094,892
Net expenses over revenues not budgeted	<u>(83,982,856)</u>
Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	43,465,977
Transfer in to cash used for capital acquisitions	
from cash held for debt service and for operations	11,000,000
Capital contributions	4,131,814
Capital outlay	968,089
Capitalized interest on long-term debt	1,824,138
Net changes to conform to generally accepted accounting principles	<u>61,390,018</u>
Change in net position	<u>\$ (26,268,550)</u>

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STATISTICAL SECTION – UNAUDITED

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:			
Charges for services	\$ 179,677	\$ 177,055	\$ 158,515
Operating expenses:			
Salaries and fringe benefits	48,510	46,482	43,501
Professional services	883	297	446
Utilities	12,889	13,125	12,748
Supplies	9,296	8,985	9,104
Fuels, repairs, and maintenance	13,095	9,447	11,898
Contractual services	9,694	9,450	9,339
Franchise fees ⁽¹⁾	6,629	6,524	5,844
Tort and other legal fees ⁽¹⁾	2,619	2,490	3,335
Workman's compensation ⁽¹⁾	754	831	1,580
Administrative fees paid to the City ⁽¹⁾	1,550	1,550	1,550
Life insurance premiums ⁽²⁾	1,109	-	-
Other operating expenses	1,294	1,351	1,411
Depreciation	86,644	84,850	83,447
Amortization - water rights	443	434	401
Bad debt expense	27	77	358
Total operating expenses	<u>195,436</u>	<u>185,893</u>	<u>184,962</u>
Operating income (loss)	<u>(15,759)</u>	<u>(8,838)</u>	<u>(26,447)</u>
Nonoperating revenues (expenses):			
Interest on investments	42	148	209
Interest expense	(24,566)	(23,806)	(25,324)
City water service expansion charges	8,197	8,035	6,240
Bond issue amortization ⁽³⁾	-	(348)	(414)
Other	1,686	1,547	1,689
Total nonoperating revenues (expenses)	<u>(14,641)</u>	<u>(14,424)</u>	<u>(17,600)</u>
Income (loss) before capital contributions and transfers	(30,400)	(23,262)	(44,047)
Capital contributions	4,132	5,058	10,538
Change in net position	(26,268)	(18,204)	(33,509)
Net position, July 1, restated⁽³⁾	<u>679,619</u>	<u>701,360</u>	<u>734,869</u>
Net position, June 30	<u>\$ 653,351</u>	<u>\$ 683,156</u>	<u>\$ 701,360</u>

- (1) In 2011, the Authority expanded the operating expenses line items for improved disclosure. In prior years, these expenses were included in "other operating expenses".
- (2) In 2013, the Authority recorded for the first time a liability for post employment benefit life insurance. Prior to fiscal year 2013, the Authority's liability had been aggregated with the City of Albuquerque liability and reported as a City liability.
- (3) In 2013, the Authority implemented Governmental Accounting Standards Board Statement No. 65 'Items Previously Reported as Assets and Liabilities.' GASB Statement No. 65 concluded that deferred bond issuance costs no longer met the criteria for recognition as an asset. Accordingly, the 7/1/2012 net position balance reflects the elimination of the deferred bond issuance balance.

TABLE I
Page 1 of 1

2010	2009	2008	2007	2006	2005	2004
\$ 153,145	\$ 147,146	\$ 152,232	\$ 141,034	\$ 138,202	\$ 126,622	\$ 130,420
40,632	37,383	33,435	30,151	27,200	26,796	25,479
602	859	706	572	522	1,139	388
11,361	12,203	9,218	7,844	8,575	7,935	8,306
9,010	6,092	5,249	4,493	3,567	2,939	2,425
11,809	10,873	10,441	9,494	7,322	7,252	7,387
8,813	8,890	6,334	3,937	2,907	4,422	3,886
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
12,770	13,429	14,158	14,094	14,077	12,933	12,524
81,443	72,295	60,906	55,926	51,934	46,410	42,877
396	396	393	392	383	374	370
-	93	339	-	-	-	-
176,836	162,513	141,179	126,903	116,487	110,200	103,642
(23,691)	(15,367)	11,053	14,131	21,715	16,422	26,778
866	2,648	6,443	8,936	5,019	1,549	419
(24,977)	(21,682)	(21,782)	(15,889)	(8,619)	(8,406)	(10,428)
6,834	6,346	11,075	12,516	17,255	12,404	15,112
(516)	(360)	(405)	(305)	(313)	(143)	(130)
1,535	7,870	1,357	(99)	299	873	(325)
(16,258)	(5,178)	(3,312)	5,159	13,641	6,277	4,648
(39,949)	(20,545)	7,741	19,290	35,356	22,699	31,426
18,917	27,811	11,939	15,448	16,854	20,849	28,288
(21,032)	7,266	19,680	34,738	52,210	43,548	59,714
755,901	748,635	728,955	694,217	642,007	598,459	538,745
\$ 734,869	\$ 755,901	\$ 748,635	\$ 728,955	\$ 694,217	\$ 642,007	\$ 598,459

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SELECTED WATER/SEWER SYSTEM STATISTICS
LAST TEN CALENDAR YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Estimated Population (Service Area)	560,454	554,905	549,411	543,971
Number of Meters (Billed)	203,912	201,884	200,498	194,087
Estimated Persons Per Meter	2.75	2.75	2.74	2.80
Annual Pumpage (1,000 Gallons)	33,318,000	33,577,000	33,830,964	33,098,373
Annual Water Billed (1,000 Gallons)	30,044,094	28,621,945	29,949,844	28,844,216
Average Daily Pumpage (Gallons)	91,282,192	91,991,781	92,687,573	90,680,474
Peak Day Pumpage (Gallons)	175,000,000	182,000,000	226,902,542	186,819,804
Peak Day Consumption (Gallons)	164,000,000	161,500,000	160,000,000	144,030,800
Average Daily Production Per Meter (Gallons)	448	456	462	467
Well Pumping Capacity (per 24 Hour Period)	196,000,000	282,000,000	282,000,000	314,250,000
Storage Capacity (Gallons)	249,000,000	249,000,000	249,000,000	228,700,000
Surface Water Pumping Capacity	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity	20,000,000	20,000,000	20,000,000	20,000,000
Fire Hydrants	15,110	14,996	14,879	14,778
Water Reclamation Treatment Capacity	76,000,000	76,000,000	76,000,000	76,000,000
Number of Miles of Lines⁽¹⁾				
- Water	2,663	2,650	2,636	2,626
- Sewer	1,869	1,866	1,863	1,858
- San Juan Chama	37	37	37	37

⁽¹⁾ Estimated

Source: Albuquerque Bernalillo County Water Utility Authority

TABLE II
Page 1 of 1

2008	2007	2006	2005	2004	2003
538,586	533,253	530,600	525,347	512,288	499,684
174,005	172,394	171,130	167,737	162,536	160,135
3.10	3.09	3.10	3.13	3.15	3.12
31,940,000	32,598,000	31,384,000	32,469,000	32,600,000	34,734,000
27,816,110	28,573,691	27,942,376	29,551,899	29,235,684	30,886,343
87,506,849	89,284,930	85,983,561	89,860,274	89,315,068	95,161,644
155,329,700	174,986,400	165,478,800	179,876,700	180,759,600	182,638,000
149,870,000	147,670,000	149,879,000	150,459,000	151,000,000	163,500,000
503	518	502	536	549	594
294,000,000	294,000,000	294,000,000	294,000,000	294,000,000	294,000,000
211,000,000	211,000,000	211,000,000	211,000,000	211,000,000	211,000,000
-	-	-	-	-	-
-	-	-	-	-	-
14,577	14,093	14,093	13,435	13,062	12,771
76,000,000	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
2,599	2,520	2,520	2,520	2,520	2,520
1,846	1,820	1,820	1,820	1,820	1,820
-	-	-	-	-	-

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
DEMOGRAPHIC STATISTICS**

Population

<u>US Census</u>		<u>Bernalillo County</u>	<u>% Inc/Dec from Prev. Yr.</u>	<u>City of Albuquerque</u>	<u>% Inc/Dec from Prev. Yr.</u>	<u>State of New Mexico</u>	<u>% Inc/Dec from Prev. Yr.</u>
2012	**	673,460	0.37%	555,417	0.47%	2,085,538	0.16%
2011	**	670,968	1.27%	552,804	1.27%	2,082,224	1.12%
2010	*	662,564	3.43%	545,852	3.14%	2,059,179	2.58%
2009	**	640,567	1.10%	529,219	1.14%	2,007,315	1.17%
2008	**	633,611	1.01%	523,240	1.18%	1,984,179	0.91%
2007	**	627,259	1.46%	517,162	1.71%	1,966,357	1.33%
2006	**	618,226	1.89%	508,486	2.20%	1,940,631	1.35%
2005	**	606,779	4.20%	497,543	4.63%	1,914,699	2.49%
2004	**	593,866	1.98%	486,319	2.27%	1,890,215	1.18%
2003	**	582,349	1.35%	475,511	1.72%	1,868,121	1.05%
2002	**	573,489	1.94%	466,455	2.15%	1,849,187	1.32%
2001	**	562,635	0.92%	455,961	1.03%	1,828,437	0.50%

* Source: Bureau of the Census

** Source: Bureau of Business and Economic Research - estimates

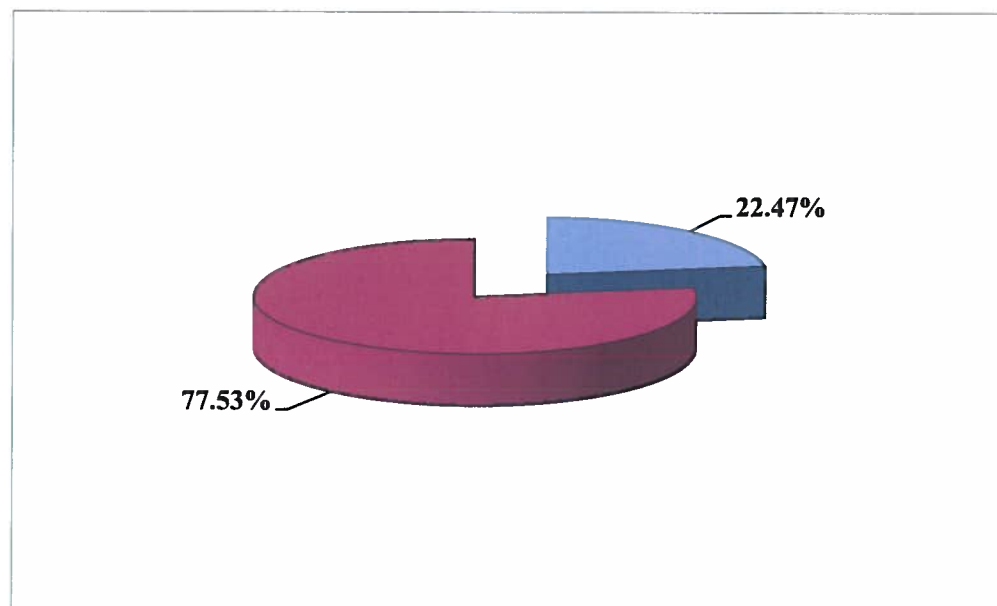
Unemployment

<u>Calendar Year</u>	<u>-----Bernalillo County-----</u>			<u>-----Unemployment Rates-----</u>		
	<u>Civilian Labor Force</u>	<u>Number Employed</u>	<u>Number Unemployed</u>	<u>Bernalillo County</u>	<u>New Mexico</u>	<u>United States</u>
2013	301,268	281,245	20,023	6.60%	6.60%	7.30%
2012	304,994	285,978	19,016	6.20%	6.00%	7.60%
2011	305,122	284,802	20,320	6.70%	6.40%	8.80%
2010	314,600	287,419	27,181	8.60%	8.90%	9.70%
2009	315,392	292,867	22,525	7.10%	7.20%	9.30%
2008	318,065	304,023	14,042	4.40%	4.50%	5.80%
2007	314,180	303,692	10,488	3.30%	3.20%	4.80%
2006	313,406	301,179	12,227	3.90%	4.20%	4.60%
2005	316,477	304,008	12,469	3.90%	4.40%	4.90%
2004	312,140	279,810	14,330	4.60%	5.60%	5.40%
2003	315,152	299,843	15,309	4.90%	5.70%	6.10%
2002	308,907	294,946	13,961	4.52%	5.40%	5.80%

Source: New Mexico Department of Labor

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
TOP TEN MAJOR EMPLOYERS**

2013			
	<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u> <u>% of County Employment</u>
1.	Kirtland AFB (Civilian) includes Sandia National Labs, DOE, and contractors on or off of base.	Defense	25,584 6.41%
2.	University of New Mexico	Education	15,360 3.85%
3.	Albuquerque Public Schools	Education	14,810 3.71%
4.	Presbyterian	Hospital/ Medical Services	7,310 1.83%
5.	UNM Hospital	Hospital/ Medical Services	5,960 1.49%
6.	City of Albuquerque	Government	5,500 1.38%
7.	State of New Mexico	Government	4,950 1.24%
8.	Lovelace	Hospital/ Medical Services	4,000 1.00%
9.	Intel Corporation	Semiconductor Manufacturer	3,500 0.88%
10.	Bernalillo County	Government	2,648 0.66%
	Total		<u>89,622</u> <u>22.47%</u>
	All Other		<u>309,245</u> <u>77.53%</u>
	Total Non-Ag Civil and Military Employees		<u>398,867</u> <u>100.00%</u>



Source: Albuquerque Economic Development, Inc.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
WATER AND WASTEWATER USERS BY CLASS AND METER SIZE
LAST TEN FISCAL YEARS

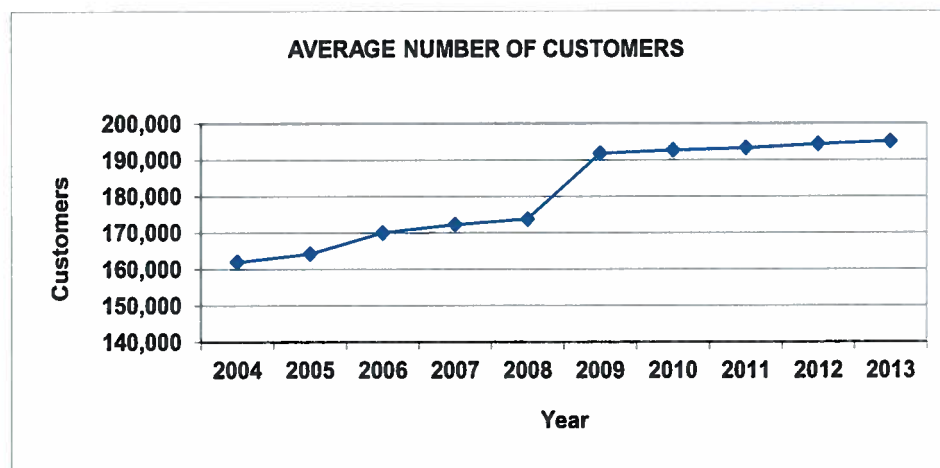
History of Water Users by Class

<u>Class</u>	<i>Average Number of Customers by Fiscal Year</i>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	146,656	148,974	151,089	152,563	153,959	171,983	172,787	173,339	174,277	174,909
Multi-Family⁽¹⁾	-	-	6,812	7,565	7,644	6,231	6,349	6,364	6,393	6,430
Commercial	13,388	13,304	10,065	10,049	9,998	11,367	11,272	11,226	11,287	11,321
Institutional	1,836	1,853	1,981	1,983	2,013	2,119	2,223	2,279	2,316	2,391
Industrial	<u>122</u>	<u>114</u>	<u>113</u>	<u>110</u>	<u>110</u>	<u>113</u>	<u>106</u>	<u>99</u>	<u>102</u>	<u>99</u>
Total	<u>162,002</u>	<u>164,245</u>	<u>170,060</u>	<u>172,270</u>	<u>173,724</u>	<u>191,813</u>	<u>192,737</u>	<u>193,307</u>	<u>194,375</u>	<u>195,150</u>

History of Water Users by Meter Sizes

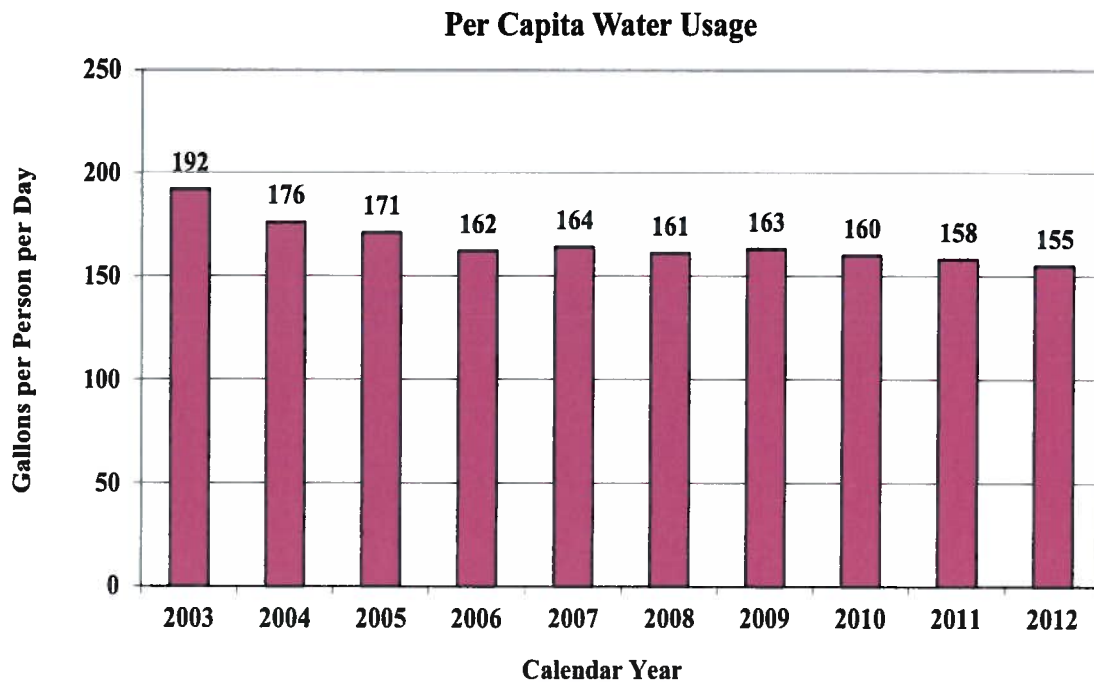
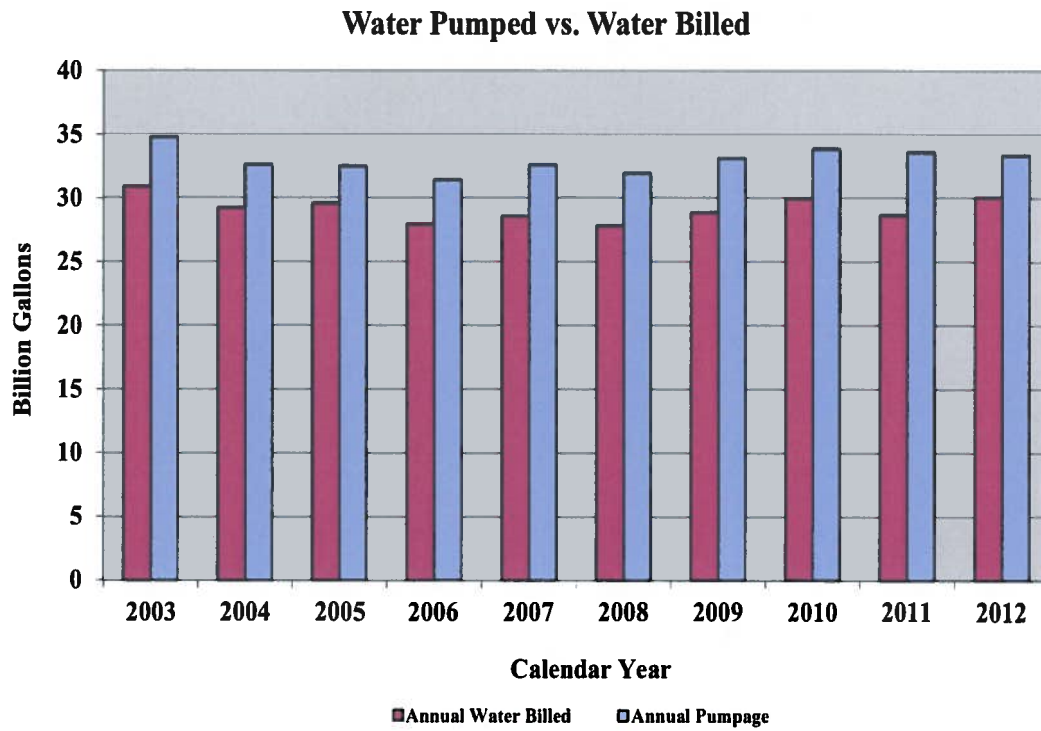
<u>Meter Size</u>	<i>Average Number of Customers by Fiscal Year</i>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
¾"	139,351	142,018	146,842	149,846	151,172	168,632	169,414	169,984	171,103	171,874
1" and 1 ¼ "	17,863	17,588	17,773	17,581	17,621	17,611	17,820	17,820	17,717	17,645
1 ½ "	1,854	1,879	1,945	1,955	1,968	2,169	2,195	2,195	2,221	2,249
2"	1,958	1,997	2,509	1,816	1,839	2,179	2,228	2,228	2,320	2,352
3"	524	419	654	733	766	834	714	714	634	634
4"	311	251	244	246	264	275	268	268	273	286
6"	73	52	52	53	53	67	58	58	61	63
8" and over	<u>68</u>	<u>41</u>	<u>41</u>	<u>40</u>	<u>41</u>	<u>46</u>	<u>40</u>	<u>40</u>	<u>46</u>	<u>47</u>
Total	<u>162,002</u>	<u>164,245</u>	<u>170,060</u>	<u>172,270</u>	<u>173,724</u>	<u>191,813</u>	<u>192,737</u>	<u>193,307</u>	<u>194,375</u>	<u>195,150</u>

⁽¹⁾ The Authority started using this class of user in 2006.



Source: Albuquerque Bernalillo County Water Utility Authority

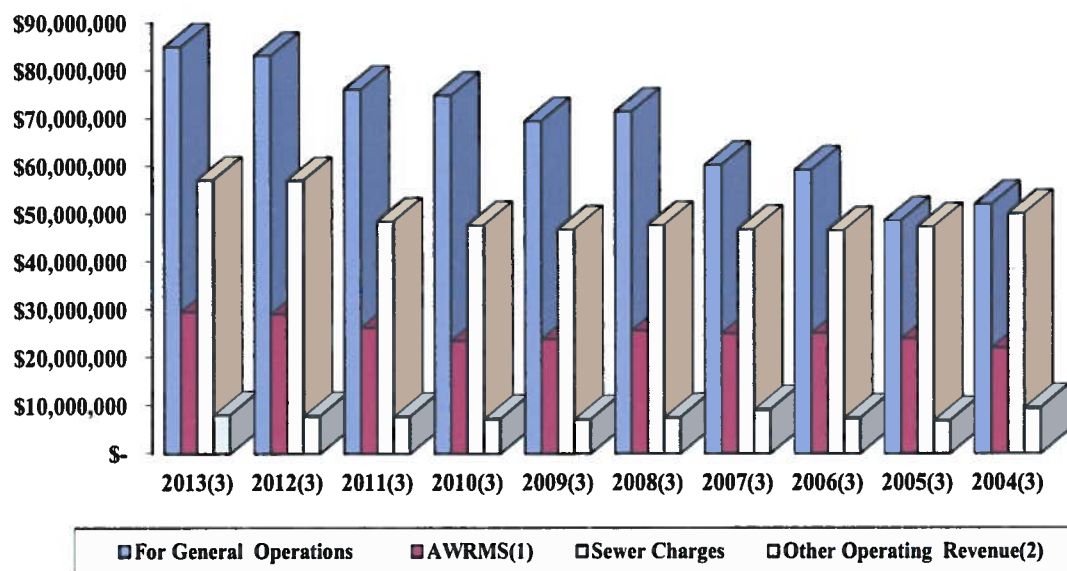
**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
WATER CONSUMPTION
LAST TEN CALENDAR YEARS**



Source: Albuquerque Bernalillo County Water Utility Authority

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
REVENUE FROM WATER AND SEWER CHARGES AND OTHER OPERATING REVENUE
LAST TEN FISCAL YEARS

Fiscal Year	Revenue from Water Charges		Revenue From Sewer Charges	Other Operating Revenue ⁽²⁾	Total Operating Revenue
	For General Operations	For AWRMS ⁽¹⁾			
2013 ⁽³⁾	84,994,139	29,558,320	57,072,020	8,053,146	179,677,625
2012 ⁽³⁾	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690
2011 ⁽³⁾	76,072,550	26,219,494	48,504,637	7,718,145	158,514,826
2010 ⁽³⁾	74,773,904	23,483,160	47,685,066	7,202,722	153,144,852
2009 ⁽³⁾	69,395,141	23,803,266	46,805,468	7,141,714	147,145,589
2008 ⁽³⁾	71,398,950	25,630,246	47,683,918	7,519,231	152,232,345
2007 ⁽³⁾	60,186,959	24,975,068	46,771,690	9,100,112	141,033,829
2006 ⁽³⁾	59,172,344	25,095,852	46,563,188	7,371,006	138,202,390
2005 ⁽³⁾	48,560,930	23,904,227	47,310,366	6,846,660	126,622,183
2004 ⁽³⁾	51,968,803	21,950,195	50,012,413	9,437,552	133,368,963



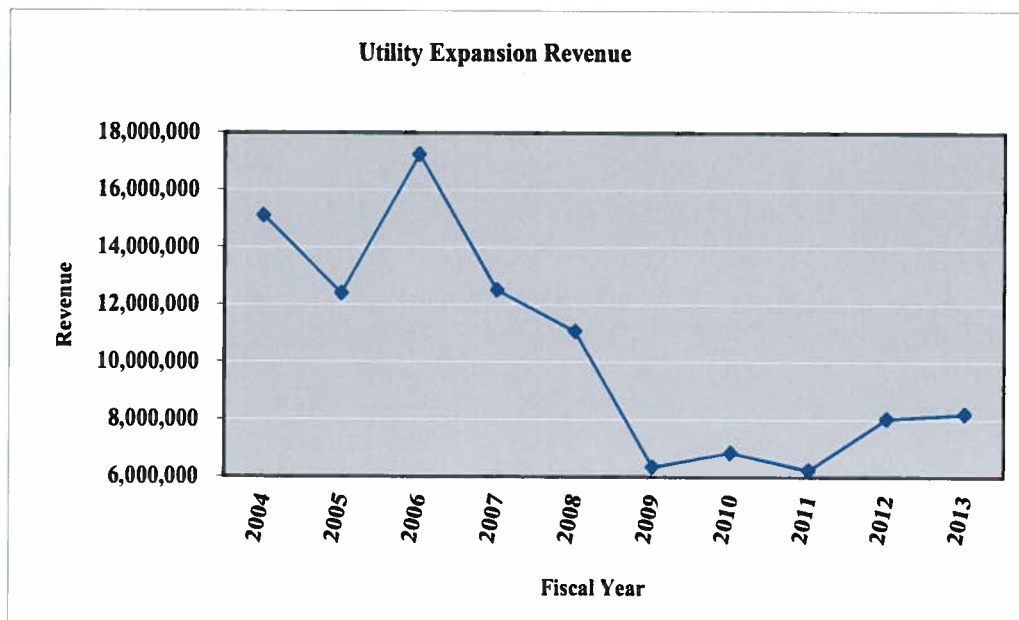
(1) These revenues are attributable to rate increases adopted by City Council to finance capital costs and operating expenses to implement the Albuquerque Water Resource Management Strategy (AWRMS).

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

(3) Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
REVENUE FROM UTILITY EXPANSION CHARGES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Utility Expansion Charge Revenues</u>
2004	15,111,935
2005	12,404,189
2006	17,254,474
2007	12,516,234
2008	11,074,840
2009	6,346,401
2010	6,834,261
2011	6,240,073
2012	8,035,123
2013	8,197,016

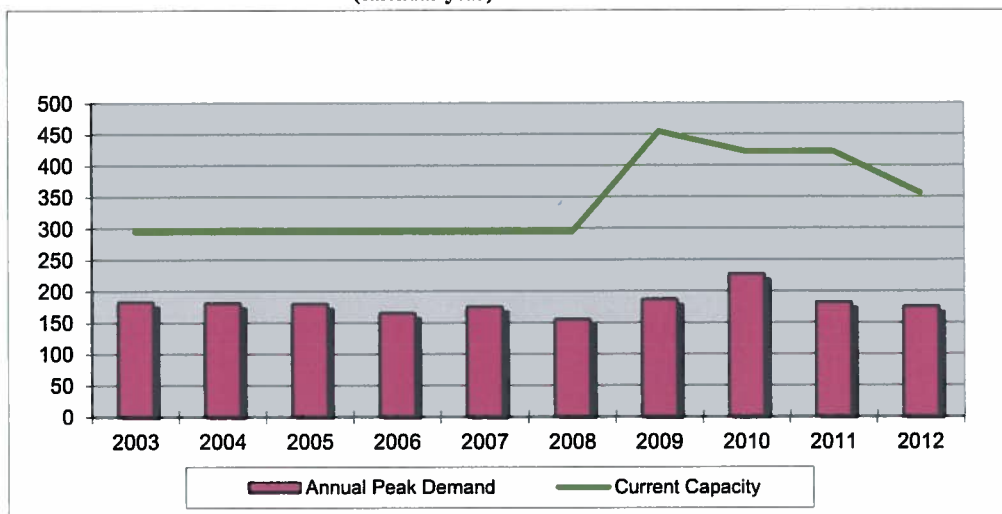


Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual
Financial Report.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
WATER SYSTEM ANNUAL PEAK DEMAND AND TOP TEN CUSTOMERS

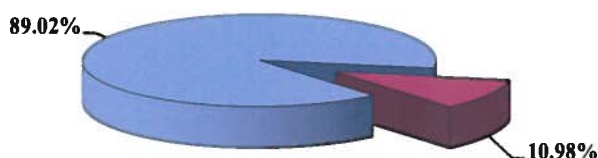
WATER SYSTEM ANNUAL PEAK DEMAND
(calendar year)

- ◆ *Current system peak demand of 175 MGD*
- ◆ *Current system peak capacity of 356 MGD*
- ◆ *System's current peak demand is 49% of capacity*



WATER SYSTEM TOP 10 CUSTOMERS
(fiscal year)

	<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected 2013 Revenue</u>	<u>% of Total Revenue</u>
1.	City of Albuquerque	2,752,293	\$ 6,714,624	5.86%
2.	Albuquerque Public Schools	709,846	2,331,362	2.04%
3.	University of New Mexico	302,787	1,066,700	0.93%
4.	Bernalillo County	224,123	625,254	0.55%
5.	Kirtland Air Force Base	174,674	553,306	0.48%
6.	ABCWUA	125,383	339,866	0.30%
7.	Lovelace Health	117,962	265,555	0.23%
8.	Albuquerque Academy	114,110	211,199	0.18%
9.	Sumitomo	112,453	209,185	0.18%
10.	Central New Mexico Community College	79,460	257,138	0.22%
	Total		\$ 12,574,189	10.98%
	Total Revenue for System		\$ 114,552,459	

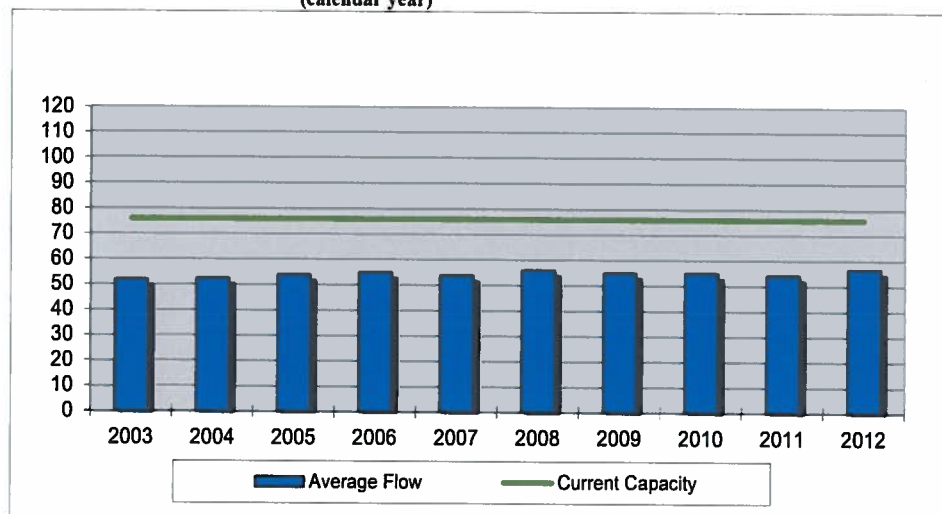


Source: Albuquerque Bernalillo County Water Utility Authority

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
WASTEWATER SYSTEM ANNUAL AVERAGE FLOW AND TOP TEN CUSTOMERS**

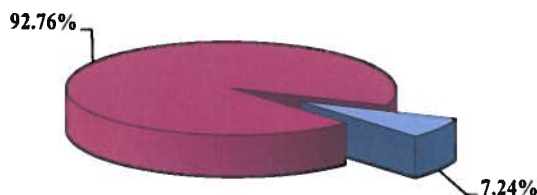
WASTEWATER SYSTEM ANNUAL AVERAGE FLOW
(calendar year)

- ◆ *Current system average flow of 57 MGD*
- ◆ *Current system peak capacity of 76 MGD*
- ◆ *System's current average flow is 74% of capacity*



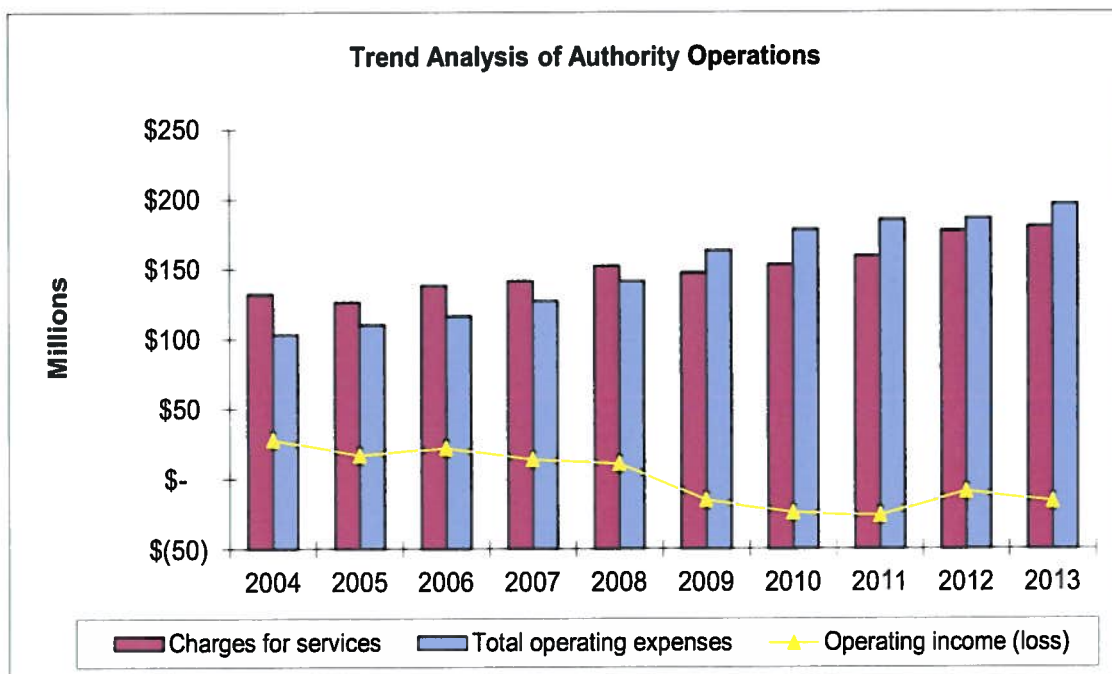
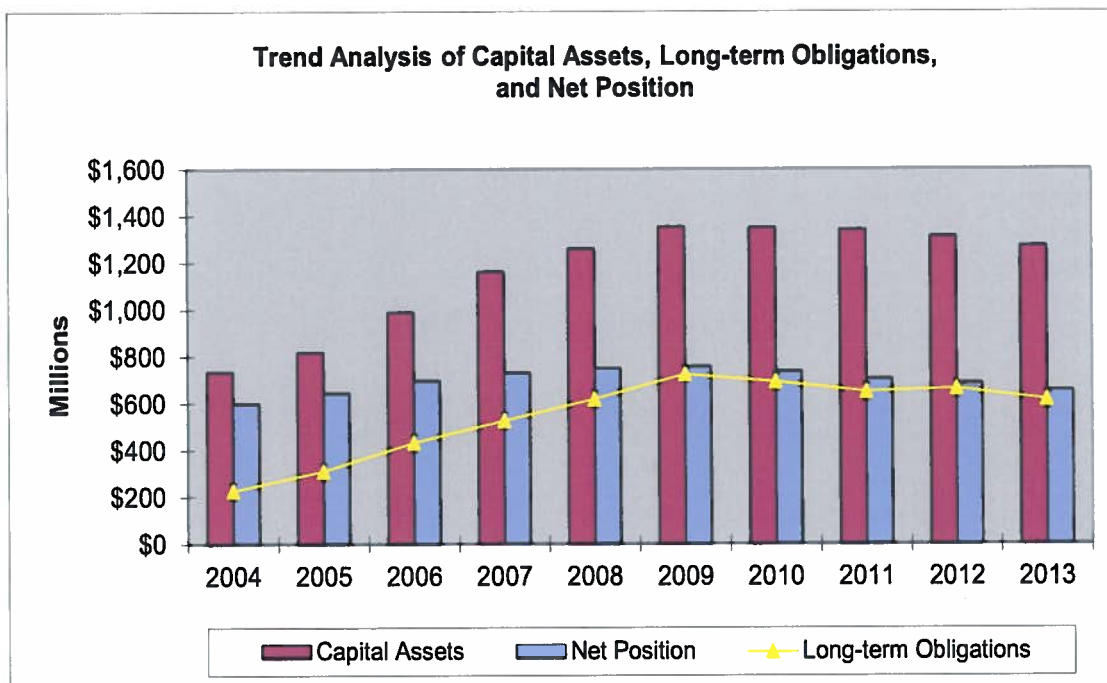
WASTEWATER SYSTEM TOP 10 CUSTOMERS
(fiscal year)

	<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected 2013 Revenue</u>	<u>% of Total Revenue</u>
1.	Kirtland Air Force Base	688,730	\$ 1,150,505	2.02%
2.	University of New Mexico	537,000	806,373	1.41%
3.	Albuquerque Public Schools	167,799	680,831	1.19%
4.	City of Albuquerque	161,725	480,441	0.84%
5.	Sandia Peak Services	84,394	96,422	0.17%
6.	Lovelace Health	83,563	145,383	0.25%
7.	Bernalillo County	54,142	145,082	0.25%
8.	Creamland Dairies	53,845	448,602	0.79%
9.	Four Hills MHP	36,763	65,688	0.12%
10.	Central New Mexico Community College	36,158	110,357	0.19%
	Total		\$ 4,129,684	7.24%
	Total Revenue for System		\$ 57,072,020	



Source: Albuquerque Bernalillo County Water Utility Authority

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
MISCELLANEOUS TREND ANALYSIS
LAST TEN FISCAL YEARS



Source: Albuquerque Bernalillo County Water Utility Authority

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
REVENUE BOND DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Water Utility Authority Revenue Bonds										
Revenues	\$ 185,488	\$ 180,272	\$ 166,652	\$ 158,528	\$ 160,800	\$ 166,580	\$ 162,390	\$ 163,278	\$ 144,074	\$ 150,224
Release of cash from rate reserve fund	4,000	-	7,000	-	-	-	-	-	-	-
Expenses ⁽¹⁾	<u>101,761</u>	<u>94,086</u>	<u>95,790</u>	<u>87,768</u>	<u>83,177</u>	<u>72,541</u>	<u>65,336</u>	<u>61,932</u>	<u>59,005</u>	<u>55,892</u>
Available for debt service	87,727	86,186	77,862	70,760	77,623	94,039	97,054	101,346	85,069	94,332
Debt service	65,462	64,978	70,359	70,983	65,144	61,785	62,027	55,641	52,279	49,179
Debt service coverage ratio	1.34	1.33	1.11	1.00	1.19	1.52	1.56	1.80	1.63	1.92
Ratio required	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33

⁽¹⁾ Not including depreciation, amortization, franchise fees, life insurance premiums and provision for bad debts.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(In thousands of dollars)

Components of Net Position:	2013	2012	2011 ⁽¹⁾	2010	2009	2008	2007	2006	2005	2004
Net investment in capital assets	\$ 617,399	\$ 636,174	\$ 668,171	\$ 692,921	\$ 725,767	\$ 698,063	\$ 666,487	\$ 609,955	\$ 566,451	\$ 517,181
Restricted for debt service	-	-	-	-	-	-	6,003	12,919	11,491	10,393
Restricted for construction	-	-	-	11,072	13,672	10,553	-	5,539	26,621	17,576
Unrestricted	35,952	46,982	33,189	30,875	16,462	40,019	56,465	65,804	37,444	54,949
Total Net Position	\$ 653,351	\$ 683,156	\$ 701,360	\$ 734,868	\$ 755,901	\$ 748,635	\$ 728,955	\$ 694,217	\$ 642,007	\$ 600,099

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
OUTSTANDING DEBT RATIO
LAST TEN FISCAL YEARS

Outstanding Obligations (in 000's)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue bonds, net	\$ 434,114	\$ 460,415	\$ 479,674	\$ 504,063	\$ 532,742	\$ 418,114	\$ 389,871	\$ 289,213	\$ 182,194	\$ 213,188
Loan agreements	210,805	229,644	193,620	206,642	209,584	219,780	152,529	159,712	147,928	26,029
Water rights contract	11,925	12,932	13,910	14,858	15,779	16,672	17,539	18,381	19,197	19,990
Lines of credit	-	-	103	760	3,524	-	-	-	-	-
Total outstanding obligations	\$ 656,844	\$ 702,991	\$ 687,307	\$ 726,323	\$ 761,629	\$ 654,566	\$ 559,939	\$ 467,306	\$ 349,319	\$ 259,207
Number of Customers ⁽²⁾⁽³⁾	203,912	201,884	201,884	200,498	194,087	174,005	172,394	171,130	167,737	162,536
Average debt per customer	\$ 3,221	\$ 3,482	\$ 3,404	\$ 3,623	\$ 3,924	\$ 3,762	\$ 3,248	\$ 2,731	\$ 2,083	\$ 1,595
Estimated population ⁽²⁾	560,454	554,905	554,905	549,411	543,971	538,586	533,253	530,600	525,347	512,288
Per capita debt	\$ 1,172	\$ 1,267	\$ 1,239	\$ 1,322	\$ 1,400	\$ 1,215	\$ 1,050	\$ 881	\$ 665	\$ 506
Per capita income ⁽¹⁾	\$ 35,079	\$ 34,929	\$ 34,929	\$ 34,929	\$ 35,329	\$ 35,608	\$ 34,528	\$ 33,470	\$ 31,724	\$ 30,303

⁽¹⁾ Based on information provided by Bureau of Business and Economic Research (BBER),
University of New Mexico

⁽²⁾ Based on calendar year, from Table 2

⁽³⁾ Represents number of billed meters

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REVENUE RATE COMPARISONS

Monthly Wastewater Charges												
		5/8-Inch Meter					2-Inch Meter				4-Inch Meter	8-Inch Meter
City	Effective Date	Non-manuf./ Commercial					Commercial/ Light Industrial 50,000 cf (374,000 gal)	Industrial 1,000,000 cf (7,480,000 gal)	Industrial 1,500,000 cf (11,220,000 gal)			
		Residential 0 cf (0 gal)	Residential 500 cf (3,740 gal)	Residential 1,000 cf (7,480 gal)	Residential 1,500 cf (11,220 gal)	Residential 3,000 cf (22,440 gal)						
Albuquerque, NM	9/1/2010	\$7.49	\$11.60	\$15.71	\$19.82	\$32.15	\$32.69	\$547.15	\$8,580.61	\$16,953.97		
El Paso, TX	3/1/2010	10.11	11.25	15.83	21.54	38.69	43.26	632.60	11,639.66	17,713.61		
Aurora, CO	1/1/2010	2.97	13.18	23.39	33.60	64.23	64.23	1,044.76	20,568.97	30,927.76		
Boise, ID	10/1/2009	4.56	17.51	30.46	43.41	82.26	82.26	302.55	12,950.86	19,424.01		
North Las Vegas, NV	10/1/2009	15.15	18.35	34.55	36.80	36.80	100.44	1,622.69	32,391.67	48,585.87		
Lubbock, TX	4/9/2009	9.80	17.47	25.13	32.80	55.80	55.80	790.37	15,393.98	23,178.40		
Oklahoma City, OK	10/1/2009	1.62	13.74	25.86	37.97	74.33	74.33	1,219.65	24,259.73	36,431.76		
Salt Lake City, UT	7/1/2005	5.28	5.28	8.30	12.45	24.90	39.60	660.00	13,200.00	19,800.00		
Scottsdale, AZ	7/1/2009	14.29	14.29	21.14	31.06	60.82	59.49	1,220.28	19,843.13	29,764.05		
Wichita, KS	7/1/2010	4.32	12.10	16.80	16.80	16.80	51.00	790.38	15,618.57	23,462.26		

Monthly Water Charges										
Albuquerque, NM	9/1/2010	\$11.41	\$18.46	\$25.51	\$32.55	\$59.23	\$54.21	\$851.06	\$19,365.64	\$33,194.79
Austin, TX	11/1/2009	6.70	13.26	23.06	41.94	134.26	110.60	1,753.17	32,090.44	48,858.78
Denver, CO	4/13/2010	4.41	11.55	18.70	26.26	69.12	70.83	1,111.45	22,145.21	33,215.61
El Paso, TX	3/1/2010	10.70	12.15	19.40	28.60	89.89	77.60	1,837.63	20,543.48	32,318.26
North Vas Vegas, NV	10/1/2009	8.67	15.20	22.41	30.65	60.17	80.42	1,150.94	21,898.35	33,178.58
Oklahoma City, OK	10/1/2009	7.37	15.82	24.27	32.73	58.08	58.08	881.13	17,016.38	25,716.41
Phoenix, AZ	3/3/2009	4.64	6.49	8.34	25.99	78.94	78.94	1,742.89	35,305.49	42,179.74
San Antonio, TX	1/1/2009	6.96	16.76	26.56	37.86	85.48	73.19	1,106.28	13,166.58	20,056.86
Tulsa, OK	10/1/2009	4.20	11.31	20.79	30.27	56.34	48.86	770.26	11,040.16	11,653.52
Tucson, AZ	7/5/2010	5.87	14.07	22.27	30.47	118.22	84.37	159.24	24,427.55	36,826.34

Source: Reprinted from 2009 Water and Wastewater Rate Survey, by permission. Copyright © 2010, AWWA & Raffelis Financial Consultants, Inc.

STATE COMPLIANCE AND OPERATIONAL FINDINGS



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. Hector Balderas
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Albuquerque Bernalillo County Water Utility Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 29, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-016, 2009-015, and 2013-002 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and responses as items 2011-001 and 2013-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items 2005-013, 2008-013, 2009-014, 2010-003, and 2011-007.

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

REDW LLC

Albuquerque, New Mexico
April 29, 2014

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013

B. Financial Statement Findings

2008-016 Bank Reconciliation Process (Repeated) (Material Weakness)

Criteria: Bank reconciliations are an important element of internal control, facilitating timely detection of book/bank differences so they can be investigated and resolved. Such reconciliations are consistent with New Mexico statutes, Section 6-6-3 A NMSA 1978, which require that the City “keep all the books, records, and accounts in their respective offices in a form as prescribed by the Local Government Division.”

Condition: While the Authority maintains its own bank accounts, much of its cash balances are maintained in the City’s pooled investment program. Within this program, general ledger cash balances of the common fund, accounts payable, and payroll accounts are adjusted monthly to equal balances derived from adjusting bank balances for the effect of known outstanding items. Adjustments to cash resulting from this process are accumulated throughout the fiscal year and allocated to investment income among various funds at year-end. This process does not result in a true reconciled bank balance, nor does it allow Authority personnel to accurately track and resolve reconciling items on a timely basis. Moreover, the process does not ensure that book/bank differences are identified and resolved.

Cause: Reports that would facilitate reconciliation of general ledger cash balances to the corresponding bank balance are not currently produced by the accounting system. The Authority also uses other systems to track certain cash transactions, which do not interface completely with the Authority’s accounting system.

Effect: Errors in general ledger cash balances, and/or bank errors, may not be detected. Moreover, the current process does not reconcile the general ledger activity and book balances with the corresponding bank activity and bank balances. This can result in potential misstatements and does not facilitate identification and correction of errors on a timely basis.

Auditors’ Recommendations: The Authority should establish and implement procedures to ensure general ledger cash balances are regularly reconciled to corresponding bank balances. Any unreconciled differences identified through this process should be investigated and resolved on a timely basis.

Management’s Response: The Authority concurs with the finding but notes that in fiscal year 2013, the Authority’s accounts payable and payroll processes utilized only the Authority’s own accounts payable and payroll bank accounts. These bank accounts were reconciled to the Authority’s general ledger on a timely basis. The Authority had its cash balances in fiscal year 2013 only in the City’s common fund account.

With the implementation of the SunGard ERP system on July 1, 2013 the Authority fully separated its banking activities from those of the City. At the same time the Authority contracted for treasury management services and requested assistance in moving to following best practices in treasury management. Internal changes have improved the business processes by which customer payments are tracked and deposited and steps have been added to reconcile daily the internal record of deposit to the bank activity. External changes have increased the level of integration among the Authority’s different bank accounts and in being deliberate about what types of transactions are occurring in each bank account. These improved business processes have enhanced the Authority’s ability to do competent and valuable bank reconciliations on every bank account on a timely basis.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2013

B. Financial Statement Findings, continued

2009-015 Timely Closing of General Ledger and Reconciliation of Subsidiary Ledgers (Repeated and Modified) (Material Weakness)

Criteria: Timely reconciliation of subsidiary ledgers supporting asset and liability balances is essential to the detection of errors and/or irregularities and to facilitate timely closing of the general ledger. Procedures should be in place to ensure that timely, accurate reconciliations are prepared, and that differences are investigated and resolved timely.

Condition: The Authority is dependent on the City for reconciliation of several of its general ledger balances. For the first nine months of fiscal year 2013, several subsidiary ledgers were not reconciled to the general ledger on a monthly basis. This increases the risk for undetected errors and irregularities.

Cause: There are a number of standalone subsidiary ledgers maintained by individual departments that are not interfaced with the accounting system, which obscures the reconciliation and closing process. The PeopleSoft accounting system was also actively being remediated during fiscal year 2013 to implement different modules in the system. As the City's Accounting Division has become more comfortable with the system, implementation of monthly closing procedures has been easier to implement.

Effect: There is an increased risk that errors and/or irregularities will occur and not be detected and corrected in a timely manner. In addition, the Authority is not able to draft its Comprehensive Annual Financial Report (CAFR) in a timely manner, which could affect the Authority's bond ratings and availability of federal funding. This also affects the Authority's ability to comply with bond covenants and regulatory deadlines, such as the New Mexico State Auditor Rule.

Auditors' Recommendations: The Authority has purchased a separate accounting system, which is tailored more toward business enterprises and utility companies. However, this system was implemented after June 30, 2013. The Authority should implement this system as soon as practical and ensure that general ledger account reconciliation policies and procedures are effectively implemented in order to improve and expedite the monthly and annual closing procedures.

Management's Response: The Authority concurs with this finding. Fiscal year 2013 was the final year for the Authority use of the City's PeopleSoft ERP system. With the Authority's implementation of its SunGard ERP system on July 1, 2013, the Authority has successfully and timely executed month end general ledger closing procedures for the first nine months of fiscal year 2014. The SunGard accounting structure was designed to facilitate timely closings of the general ledger at each month end and at year end and that design structure in practice has proven to work. In addition, the month end closings are being reviewed by the Authority's internal auditors Porch and Company, CPAs.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2013

B. Financial Statement Findings, continued

2011-001 Accounts Payable Controls (Repeated and Modified) (Significant Deficiency)

Criteria: Adequate separation of duties should exist to mitigate the likelihood of errors or fraud in the accounts payable process.

Condition: An employee involved in the check disbursement process within the Authority has the ability to create and disburse check or electronic payments to vendors without review by someone independent of this process. This employee also has access to add vendors to the accounting system.

Cause: The Authority has been operating with limited resources and did not have adequate staffing to enable proper segregation of duties in the accounts payable process.

Effect: Payments could be made to fictitious or inappropriate vendors.

Auditors' Recommendations: The Authority should ensure that all payments to vendors are reviewed and approved by another individual prior to being sent to vendors.

Management's Response: The Authority concurs with this finding but notes that are controls in place whereby wire transfers do require approval by someone other than the person initiating the wire. The Authority uses wire transfers to make debt service payments and to move funds between bank accounts. Funds are moved immediately with a wire transfer whereas an ACH payment is done through the ACH network and these usually settle the next business day which does give some time for any questions about a particular ACH payment to be resolved before payment is actually made.

The Authority questions the practicality of a review of ACH payments to vendors in the normal course of business prior to the initiation of the ACH given the limited staff that would be available to do this review. ACH payments are no different than checks in this regard. The review would have to be for checks and ACH payments that would be a large task. The Authority's business practice is to make timely payments to vendors a priority. It is the volume of transactions and the deadlines imposed by financial institutions for submission of ACH payments that has led the Authority to not require a review of ACH payments prior to initiation.

With that said, the Authority has taken steps to limit its exposure to fraudulent payments being made. The SunGard financial system contains electronic workflow which imposes a discipline on the remittance of payments to vendors.

The number of employees who can pay invoices is three and only one of those has access to the vendor file. The system will not allow a payment to be made to a vendor not in the vendor file. The practice followed by the three individuals who can initiate payments to vendors is to run a proof of a set of payments before the payments go out. The printed set proof is checked by the person who created the set for accuracy of invoice number, vendor, vendor address and dollar amount of payment. The person reviewing the set proof is the person who created the set because only the person who created the set can make corrections. The purpose of the set proof review is to ensure accuracy in the payment which was not being done prior to SunGard ERP.

The Authority's internal auditor, Porch and Company CPAs, is continually reviewing procedures and vendor payments as part of their monthly work.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2013

B. Financial Statement Findings, continued

2013-001 New Mexico State Public Money Law Requirements (Significant Deficiency)

Criteria: The New Mexico Statutes, Section 6-10-3 NMSA 1978, requires all public money to be deposited before the close of the next succeeding business day after the receipt of the money. In addition, deposits should be supported by system reports and be approved by someone independent of the cash receipting process.

Condition: We reviewed a sample of 25 cash receipts transactions occurring during fiscal year 2013 totaling \$403,774. Three cash receipts tested totaling \$305,657 were not deposited before the close of the next succeeding business day after the receipt of the money. We also identified two other instances where there was lack of approval for the amount deposited, and one instance where the amount deposited does not agree to the deposit slip or the daily cash receipts report produced by the cash receipts system.

Cause: Cash handling procedures are not being followed.

Effect: The Authority did not comply with the state statutes regarding timely deposit of public money. In addition, lack of review of deposits could result in incorrect amounts being deposited.

Auditors' Recommendations: The Authority should enforce its cash handling procedures to ensure that all cash receipts are deposited within one business day after the receipt of the money. The Authority should also ensure that deposits are reviewed by someone other than the preparer of the deposit before the money is deposited to the bank.

Management's Response: The Authority concurs with this finding but notes that none of the exception items and in fact none of the sample items were Authority deposits. This observation is made because taking customer payments and making deposits was one of the business processes the Authority took ownership of during fiscal year 2013. Described below is the business process currently in place which is intended to mitigate the occurrence of these types of errors going forward.

1. All payments received at WUA-Customer Service sites are deposited and delivered next business day via armored car courier.
2. Each cashier reconciles cash, check, and credit card totals to ensure monies match to what is reported in the Authority's CC&B billing system for that business day. Any over/shortages are documented.
3. Next, the vault supervisor dual verifies all monies for all cashiers and prepares and signs deposit slip.
4. A second supervisory staff member conducts a third count of all monies and signs off on the deposit slip and places cash and checks in a numbered tamper-proof bag.
5. Armored car driver and Customer Service Department (CSD) supervisor sign log when the tamper-proof deposit bag is collected.
6. The next day, a member of the Finance Division reconciles CSD deposits to what was received by the bank.
7. If any discrepancies are discovered, Finance Division contacts CSD to review and make appropriate corrections to bring the item into balance.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2013

B. Financial Statement Findings, continued

2013-002 Workers Compensation Claims Tracking (Material Weakness)

Criteria: According to Government Accounting Standards Board Statement No. 10, *Accounting and Reporting for Risk Financing and Related Insurance Issues*, a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported (IBNR) claims, should be accrued when insured events occur. The liability should be based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience.

Condition: The Authority participates in the City's Risk Management Fund to account for and finance its uninsured risks of loss. The City's liability for workers compensation claims is based on the estimated cost of settling claims outstanding as of June 30, 2013. However, audit testwork identified a total of five claims occurring in 2009 and earlier that are considered to be settled claims. The City's estimated cost of settling these five claims approximated \$142,000, which should not be reported as a liability at June 30, 2013.

Cause: The City has not adequately reviewed the status of older workers compensation claims for validity and accuracy.

Effect: The reported liability balances for claims and judgments in the annual financial statements may be incorrect.

Auditors' Recommendations: The City should implement a process to regularly review its workers compensation claims database to ensure that all claims exist and represent outstanding claims against the City. Any claims that are identified as being closed or settled should be removed from the claims database or written down to zero.

Management's Response: The Authority concurs with this finding. As the finding states, the City provided risk management services to the Authority in fiscal year 2013. Risk management was one of the business processes which the Authority took ownership of at the start of fiscal year 2014. On July 1, 2013, the Authority moved its Workers' Compensation coverage from the City of Albuquerque to a separate, self-insured program with excess insurance (any claim above \$750,000) provided by Safety National Casualty Corporation. The City agreed to pay all claims outstanding as of June 30, 2013. The Authority then contracted with a Third Party Administrator (TPA) to handle all Workers' Compensation claims that occur after June 30, 2013. This TPA regularly reviews claims and sets reserves accordingly. As claims are closed, reserves are adjusted. The Authority plans to establish a loss fund to hold and protect the necessary reserves to pay future Workers' Compensation claims, and will contract with an actuary to review all Workers' Compensation claims every two years.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2013

C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978

2005-013 Audit Report Due Date (Repeated) (Other)

Criteria: Section 2.2.2.9A (1) (d) of NMAC Audit Rule 2013, Requirements for Contracting and Conducting Audits of Agencies, requires that annual audit reports be received in the Office of the State Auditor on or before December 1st.

Condition: The fiscal year 2013 Comprehensive Annual Financial Report for the Authority was not submitted to the New Mexico Office of the State Auditor by the December 1, 2013 submission deadline.

Cause: The Authority is dependent on the City for reconciliation of several of its general ledger balances. In fiscal year 2013, the Albuquerque Housing Authority (AHA) converted their accounting records to a new public housing and accounting software system. Since AHA is reported as a nonmajor enterprise fund of the City, this conversion significantly delayed the reconciliation of the City's general ledger.

Effect: The Authority is not in compliance with the New Mexico State Auditor Rule.

Auditors' Recommendations: The Authority has purchased a separate accounting system, which is tailored more toward business enterprises and utility companies. However, this system was implemented after June 30, 2013. The Authority should implement this system as soon as practical and ensure that general ledger account reconciliation policies and procedures are effectively implemented in order to improve and expedite the monthly and annual closing procedures.

Management's Response: The Authority concurs with this finding. Fiscal year 2013 was the final year for the Authority use of the City's PeopleSoft ERP system. With the Authority's implementation of its SunGard ERP system on July 1, 2013, the Authority has successfully and timely executed month end general ledger closing procedures for the first nine months of fiscal year 2014. The SunGard accounting structure was designed to facilitate timely closings of the general ledger at each month end and at year end and that design structure in practice has proven to work. In addition, the month end closings are being reviewed by internal auditors Porch and Company, CPAs. Each of these steps will greatly improve the Authority's ability to timely file its fiscal year 2014 CAFR which the Authority expects to do. The Authority recognizes that a key factor in meeting the December 1st due date is whether the auditors are able to begin documenting and testing the new business processes and internal controls prior to fiscal year end.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2013

C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978, continued

2008-013 Controls Over Equipment Tagging (Repeated) (Other)

Criteria: The Authority's policies and procedures require the Authority to mark capitalized equipment with an asset number or other identifying characteristic that will allow it to be traced from the equipment records to the physical asset.

Condition: Machinery and equipment additions in the current year were assigned tag numbers in the capital asset records. However, audit procedures revealed that none of the tag numbers for current year machinery and equipment additions were attached to the assets.

Cause: Control procedures have not been implemented to ensure that all machinery and equipment additions meeting the criteria for capitalization are tagged with an asset number or other identifying characteristic.

Effect: Without tagging equipment additions, reconciliation from accounting records to the physical assets is not feasible, which could result in inaccurate accounting records.

Auditors' Recommendations: The Authority should enforce current policies and procedures and ensure that all machinery and equipment tags are attached to the assets.

Management's Response: The Authority agrees with this finding of fact but does not believe that the tag numbers sent out by City Financial Reporting represents the answer to maintaining a formal and universal control process. Most of this perceived lack of value relates to the documented deficiencies in the current City fixed asset system and to a tag numbering system that does not enhance the Authority's ability to track its assets. With the Authority's implementation of its SunGard ERP system on July 1, 2013, the Authority moved entirely off of the City's fixed asset system.

One of the business process changes the Authority has implemented in fiscal year 2014 is the creation of a Fleet Manager position. The Fleet Manager was responsible for the fleet physical inventory done for the fiscal year 2013 year end. The fleet assets are being identified with a "tag" number. Although a comprehensive listing of the Authority's non-fleet assets is being maintained between its Maximo work order system and its asset management system, there is not a process to "tag" those assets. That process will necessarily involve a technological solution that the Authority currently does not possess.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2013

C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978, continued

2009-014 Accurate and Timely Budget to Actual Information and Budget Overspending (Repeated and Modified) (Other)

Criteria: According to the Authority's Budget Policies and Procedures Ordinance, Section 2-1-6, the Authority shall not expend any enterprise funds unless the expense is authorized in the budget and is made or encumbered in the fiscal year covered by the budget.

Condition: Procedures were not in place to ensure that expenses did not exceed budgets. As a result, expenses of the Authority exceeded budget amounts by \$2,774,002.

Cause: Budget to actual reports were not produced timely due to delays in the general ledger account reconciliation process.

Effect: Budgets were overspent in violation of the Authority's ordinance.

Auditors' Recommendations: The Authority should continue to implement processes to ensure that timely budget to actual reports are available to facilitate timely monitoring of budgetary compliance.

Management's Response: The Authority concurs with this finding. Fiscal year 2013 was the final year for the Authority use of the City's PeopleSoft ERP system. With the Authority's implementation of its SunGard ERP system on July 1, 2013, the Authority has successfully and timely executed month end general ledger closing procedures for the first nine months of fiscal year 2014. The SunGard accounting structure was designed to facilitate timely closings of the general ledger at each month end and at year end and that design structure in practice has proven to work. In addition, the month end closings are being reviewed by internal auditors Porch and Company, CPAs. Each of these steps will facilitate timely review of budget to actual information.

Numerous SunGard reports have been developed to allow the Authority's finance office to work in collaboration with the responsible departmental staff and monitor real time budget versus actual information and outstanding encumbrances. Payroll data ties into these reports. The full implementation of the SunGard HR system in the latter half of fiscal year 2014 has made tracking the movement of employees between job descriptions with differing pay scales much easier which increases the ability to forecast salary and benefit costs. Keeping spending within the operation budget is one facet of budget management. The other facet is managing expenditures with projected revenue levels. The Authority will continue to do both tasks.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2013

C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978, continued

2010-003 Reporting Unclaimed Property (Repeated and Modified) (Other)

Criteria: The Uniform Unclaimed Property Act (1995) Article SA states that property held by a court, government, governmental subdivision, or agency is assumed abandoned if it is unclaimed by the apparent owner one year after the property becomes distributable. Such funds must be escheated to the State of New Mexico.

Condition: The Authority did not report unclaimed customer deposits to the State as required by the Uniform Unclaimed Property Act (1995).

Cause: Procedures are not in place to ensure that unclaimed customer deposits are reported to the State on an annual basis.

Effect: The Authority has not complied with the Uniform Unclaimed Property Act (1995) Article SA.

Auditors' Recommendations: Policies and procedures should be implemented to ensure compliance with the Uniform Unclaimed Property Act (1995) Article SA. The Authority should evaluate all unclaimed property and exercise due diligence in reporting unclaimed property to the State.

Management's Response: The Authority concurs with this finding. The Authority in fiscal year 2014 has started the process of identifying unclaimed property, including unclaimed customer deposits and outstanding checks, and gathering the identifying data that must accompany any escheatment to the State of New Mexico. The Authority is establishing an internal workflow for the steps that must legally be taken to establish that property is unclaimed and is setting guidelines for when that property is reported and escheated on an annual basis. The effort underway involves only outstanding payroll and accounts payable checks. Unclaimed customer deposits will be phase two of this effort.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES, continued
Year Ended June 30, 2013

C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978, continued

2011-007 Capital Assets Inventory (Repeated and Modified) (Other)

Criteria: According to Section 12-6-10(A) NMSA 1978, each agency shall conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory is performed. This certification should be provided to the agency's auditors.

Condition: During fiscal year 2013, the Authority performed a physical inventory of its fleet vehicles, but a physical inventory was not performed for all machinery and equipment items. In addition, the results of the physical inventory performed were not reconciled to the detailed capital listing.

Cause: The Authority is not performing annual physical inventory counts of all of its capital assets to ensure compliance with state statutes.

Effect: The Authority's capital assets listing for machinery and equipment may be incorrect.

Auditors' Recommendations: Management should complete a physical inventory of capital assets every year in compliance with Section 12-6-10(A) NMSA 1978. Results from this physical inventory should be reconciled to the Authority's detailed capital assets listing for machinery and equipment.

Management's Response: The Authority concurs with this finding and recognizes that an annual physical inventory is required by State Statute. In preparation for the assumption by the Authority of virtually all business process including risk management services previously done by the City on the Authority's behalf as of July 1, 2013, the Authority during the latter half of fiscal year 2013 started the process of moving the title and registration of the Authority's vehicles from the City to the Authority. This was necessary for the Authority to have an insurable interest in the vehicles. The title transfer process required in essence an inventory of the Authority vehicles and this effort was led by the Authority's newly created Fleet Manager.

The Authority maintains a comprehensive listing of its non-fleet assets within the asset management system and the Maximo work order system which is integrated with its Geographical Information System (GIS). As these resources are developed and new technology is acquired which can be paired with the SunGard financial system, the Authority expects it will be able to do an annual physical inventory of all inventory items and be in compliance with State Statutes.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
STATUS OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2013

<u>Prior Audit Findings</u>	<u>Current Status</u>
Financial Statement Findings	
08-02 -- Manual Payroll Checks Handling	Resolved
08-16 -- Bank Reconciliation Process	Repeated, see 2008-016
09-15 -- Timely Closing of General Ledger and Reconciliation of Subsidiary Ledgers	Repeated, see 2009-015
11-01 -- Accounts Payable Controls	Repeated, see 2011-001
Federal Awards Findings	
12-01 -- Davis Bacon Act	Resolved
Other Findings	
05-13 -- Audit Report Due Date	Repeated, see 2005-013
08-13 -- Controls over Equipment Tagging	Repeated, see 2008-003
09-14 -- Accurate and Timely Budget to Actual Information	Repeated, see 2009-014
10-01 -- Business Continuity and Disaster Recovery Plan	Resolved
10-03 -- Reporting Unclaimed Property	Repeated, see 2010-003
11-01 -- Information Technology (IT) Policies and Procedures	Resolved
11-05 -- PeopleSoft Implementation	Resolved
11-06 -- Lack of Backup for Key IT Personnel	Resolved
11-07 -- Capital Assets Inventory	Repeated, see 2011-007
12-02 -- P-Card Transactions	Resolved

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF DEPOSITS AND INVESTMENTS BY FINANCIAL INSTITUTION
June 30, 2013

As stated in Note I.C.1 , the Authority participates in the City's pooled investment program. This schedule only reflects the deposits and investments by financial institution for those accounts in which the Authority is a participant.

Financial Institution: Account name	Type of Account	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Deposits:				
Bank of Albuquerque				
Common Fund	Checking	\$ 110,026	\$ -	\$ 110,026
Water Utility Authority Lockbox	Checking	1,449,835	554,348	2,004,183
		<u>1,559,861</u>	<u>554,348</u>	<u>2,114,209</u>
Bank of America				
Common Fund	Checking	198,553,234	(2,267,077)	196,286,157
Water Utility Authority Payroll	Checking	-	(4,614)	(4,614)
Water Utility Authority Accounts Payable	Checking	-	(685,025)	(685,025)
Water Utility Authority Depository	Checking	-	-	-
		<u>198,553,234</u>	<u>(2,956,716)</u>	<u>195,596,518</u>
Bank of the West				
Money Market Account	Checking	252,261,096	(261,096)	252,000,000
Total cash deposit accounts		<u>452,374,191</u>	<u>(2,663,464)</u>	<u>449,710,727</u>
Investments:				
Bank of America				
Working Capital Account	Investment	341,786,913	25,897	341,812,810
Short-Term Investment Account (Repurchase Agreement)	Investment	20,000,000	-	20,000,000
		<u>361,786,913</u>	<u>25,897</u>	<u>361,812,810</u>
City of Rio Rancho Bond				
	Investment	<u>1,715,000</u>	<u>-</u>	<u>1,715,000</u>
Total investments		<u>363,501,913</u>	<u>25,897</u>	<u>363,527,810</u>
Total cash and investments		<u>\$ 815,876,104</u>	<u>\$ (2,637,567)</u>	<u>\$ 813,238,537</u>
Pooled Cash and Investments in the Statement of Net Position of the Authority				\$ 40,321,129
Non-Pooled Cash and Investments in the Statement of Net Position of the Authority				1,317,744
Other Pooled Cash and Investments of the City				771,599,664
				<u>\$ 813,238,537</u>

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION
June 30, 2013

This schedule only reflects the collateral by financial institution for those accounts in which the Authority is a participant.

The collateral for deposit accounts is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Bank of America					
FMAC Gold PC	\$ 534,753	\$ 412,322	\$ 458,877	06/01/2041	5.00%
FMAC Gold PC	1,000	68	71	02/01/2018	4.50%
FMAC Gold PC	4,798,601	3,972,472	4,142,247	02/01/2042	4.00%
FNMA backed security	8,074,717	463,681	494,901	01/01/2018	5.00%
FNMA backed security	8,876,254	7,897,618	8,276,301	02/01/2042	4.00%
FNMA backed security	46,391,900	39,410,565	42,523,763	04/01/2041	4.50%
FNMA backed security	1,584,513	688,782	753,840	10/01/2038	5.50%
FNMA backed security	43,567,736	15,309,399	16,603,947	05/01/2040	5.50%
FNMA backed security	1,786,158	1,738,516	1,767,207	12/01/2042	3.50%
FNMA backed security	1,000	11	12	04/01/2017	6.00%
FNMA backed security	2,000	39	41	04/01/2017	6.00%
FNMA backed security	2,000	52	55	04/01/2017	6.00%
FNMA backed security	1,000	56	60	11/01/2017	5.00%
FNMA backed security	1,000	49	53	01/01/2018	5.00%
FNMA backed security	4,000	197	211	02/01/2018	5.00%
FNMA backed security	1,000	36	39	03/01/2033	5.50%
FNMA backed security	1,000	53	57	06/01/2028	5.50%
FNMA backed security	1,000	58	63	10/01/2028	5.50%
FNMA backed security	1,000	81	88	06/01/2028	5.00%
FNMA backed security	3,000	207	227	06/01/2028	5.50%
FNMA backed security	4,841,908	331,890	363,238	06/01/2033	5.50%
FNMA backed security	661,381	31,741	34,930	05/01/2033	6.00%
FNMA backed security	5,404,799	945,080	1,035,573	10/01/2028	5.50%
FNMA backed security	1,489,143	101,433	111,158	01/01/2033	5.50%
FNMA backed security	297,719	18,922	21,157	08/01/2032	6.50%
FNMA backed security	3,000	184	199	06/01/2033	5.00%
FNMA backed security	8,122,944	741,026	811,019	06/01/2033	5.50%
FNMA backed security	2,614,991	275,015	308,866	12/01/2032	6.50%
FNMA backed security	1,524,040	198,830	217,611	10/01/2033	5.50%
FNMA backed security	3,412	493	568	10/01/2032	6.50%
FNMA backed security	11,459,988	2,109,448	2,300,619	03/01/2037	5.50%
FNMA backed security	12,039,400	3,208,052	3,517,328	10/01/2035	5.50%
FNMA backed security	32,687,761	7,390,859	8,060,663	02/01/2038	5.50%
FNMA backed security	24,949,387	3,789,753	4,123,971	09/01/2037	6.00%
FNMA backed security	90,165	23,335	25,124	05/01/2038	5.00%
FNMA backed security	5,348,682	2,730,608	2,846,080	10/01/2040	4.00%
FNMA backed security	18,684,515	13,659,729	13,885,155	12/01/2041	3.50%
FNMA backed security	9,854,380	9,337,515	9,137,216	08/01/2042	3.00%
FNMA backed security	12,082,582	1,620,577	1,710,482	03/01/2037	5.50%
FNMA backed security	20,006,770	4,339,163	4,455,878	05/01/2034	4.50%
FNMA backed security	4,973,683	3,531,980	3,820,885	12/01/2040	4.50%
GNMA I Single Family Loan Pool 15-30 Yr	82,928,564	62,169,819	65,701,686	10/15/2040	4.00%

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION
June 30, 2013

This schedule only reflects the collateral by financial institution for those accounts in which the Authority is a participant.

The collateral for deposit accounts is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Bank of America					
GNMA I Single Family Loan Pool 15-30 Yr	29,975,000	291,535	328,947	01/15/2029	6.50%
GNMA I Single Family Platinum Pool 30 Yr	<u>29,412,622</u>	<u>427,433</u>	<u>465,872</u>	01/15/2025	7.00%
	<u>\$ 435,090,468</u>	<u>\$ 187,168,682</u>	<u>\$ 198,306,285</u>		
Location of collateral:	Federal Reserve Bank, Richmond, VA				
Bank of Albuquerque					
FHR 4028 U	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	05/15/2026	2.00%
Location of collateral:	Federal Home Loan Bank, Topeka KS				
Bank of the West					
Southern Sandoval County	\$ 350,000	\$ 350,000	\$ 363,741	08/01/2019	3.90%
Southern Sandoval County	350,000	350,000	363,584	08/01/2014	4.00%
GNMA2 Single Family 30 Yr	1,000,000	696,417	734,705	11/20/2040	4.00%
FNMA Conv 30 Yr SF	1,000,000	954,813	934,363	09/01/2042	3.00%
GNMA2 Single Family 30 Yr	2,800,000	2,642,838	2,619,080	06/20/2042	3.00%
US Treasury	1,000,000	1,000,000	1,041,250	02/29/2016	2.13%
GNMA1 Single Family 30 Yr	225,000	156,190	164,104	09/15/2041	4.00%
Southern Sandoval County	150,000	150,000	160,497	08/01/2015	4.00%
FNMA Conv 30 Yr SF	50,000	48,297	47,262	09/01/2042	3.00%
GNMA2 Single Family 30 Yr	40,000,000	32,592,111	33,518,455	10/20/2041	3.50%
FN 1339C MP Pac Fix	1,000,000	987,929	974,606	05/25/2028	1.75%
FN 1339C MP Pac Fix	5,500,000	5,433,607	5,360,334	05/25/2028	1.75%
FNMA Conv 30 Yr SF	1,300,000	1,241,257	1,214,672	09/01/2042	3.00%
FHLMC Gold 30 Yr	1,300,000	1,258,026	1,227,944	10/01/2042	3.00%
GNMA1 Single Family 30 Yr	1,600,000	1,110,684	1,166,965	09/15/2041	4.00%
GNMA1 Single Family 15 Yr	1,960,000	1,456,871	1,538,331	11/15/2026	3.50%
GNMA2 Single Family 30 Yr	2,000,000	1,398,865	1,479,051	12/20/2040	4.00%
GNMA2 Single Family 30 Yr	52,500,000	42,777,146	43,992,972	10/20/2041	3.50%
FHLMC Gold 30 Yr	2,000,000	1,845,338	1,801,213	08/01/2042	3.00%
FNMA Conv 30 Yr SF	4,500,000	4,278,424	4,186,788	09/01/2042	3.00%
GNMA1 Single Family 30 Yr	1,300,000	1,042,552	1,071,785	12/15/2040	3.50%
GNMA2 Single Family 30 Yr	5,066,000	3,517,018	3,731,811	02/20/2041	4.00%
FNMA Conv 10 Yr SF	3,000,000	1,560,097	1,646,841	02/01/2021	3.50%
GNMA1 Single Family 30 Yr	22,721,176	22,288,323	20,816,829	11/15/2042	2.50%
FN 1339C MP Pac Fix	25,000,000	24,698,214	24,365,154	05/25/2028	1.75%
FHLMC Gold 30 Yr	25,500,000	23,528,063	22,965,466	08/01/2042	3.00%
FNMA Conv 30 Yr SF	26,379,320	23,458,847	22,956,402	08/01/2042	3.00%
GNMA2 Single Family 30 Yr	30,350,787	24,729,906	25,432,787	10/20/2041	3.50%
GNMA2 Single Family 30 Yr	35,000,000	30,013,205	30,866,250	04/20/2042	3.50%
GNMA1 Single Family 30 Yr	35,500,000	24,643,297	25,892,031	09/15/2041	4.00%

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION
June 30, 2013

This schedule only reflects the collateral by financial institution for those accounts in which the Authority is a participant.

The collateral for deposit accounts is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Bank of the West					
GNMA2 Single Family 30 Yr	37,000,000	36,428,014	34,023,007	12/20/2042	2.50%
FNMA Conv 30 Yr SF	2,000,000	1,945,223	1,903,560	10/01/2042	3.00%
GNMA1 Single Family 30 Yr	51,000,000	37,904,512	39,825,224	07/15/2041	4.00%
FNMA Conv 30 Yr SF	5,000,000	4,446,447	4,351,212	08/01/2042	3.00%
	<u>\$ 425,402,283</u>	<u>\$ 360,932,531</u>	<u>\$ 362,738,276</u>		

Location of collateral: Bank of the West, Walnut Creek, CA

The collateral for repurchase agreements is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Bank of America					
FNMS	<u>\$ 20,322,165</u>	<u>\$ 20,000,417</u>	<u>\$ 20,400,426</u>	04/30/2017	0.88%
102% collateral requirement			<u>20,400,000</u>		
Collateral in excess (deficit) of requirement			<u>\$ 426</u>		

Location of collateral: Bank of New York Mellon, New York, N.Y.

The market value shown of the pledged collateral for the common fund repurchase agreement is as of the time of purchase on 6/30/2013.

All pledged collateral is held in the City's name at each financial institution.

Directed trades (portfolio investment purchases) are held at the Federal Reserve Bank, Richmond, Virginia in an account separate from the account where the collateral for the common fund repurchase agreement is held.

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,
AND OTHER AGREEMENTS
June 30, 2013

The responsible parties in all agreements are all of the participants.

Joint Powers Agreements -

<u>Contract Control Number (CCN)</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
Eminent domain powers CCN 2004-0692	City of Albuquerque/Bernalillo County	City, County & Authority have right-of-way eminent domain powers.
CCN 2002-0350	New Mexico Interstate Stream Commission, City of Albuquerque Bio Park	Provide support for the Rio Grande silvery minnow naturalized refugium at the Albuquerque Bio Park.

Memorandums of Understanding & Other Agreements

<u>Contract Control Number (CCN)</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2014-0038	Mid Region Council of Governments (MRCOG)	Cooperative effort for acquisition and production of high resolution natural color digital orthophotography for several counties in central New Mexico as a cooperator in the MRCOG 2014 Regional Digital Orthophotography Project.
2014-0035	City of Albuquerque	Full scope of the understanding between the Authority and the City in recognition that although each party is a fully independent entity it is mutually beneficial to continue the provision of shared services between the parties.
2014-0014	City of Albuquerque	Terms and conditions by which the Authority will participate in the City group benefits program and will be entitled to the same plan of benefits and the same monthly premium structure available to the City.
2013-0144	United States Geological Survey of the United States Department of the Interior	Joint funding of continuing geohydrologic investigations in the Albuquerque Basin.
2013-0133	New Mexico Taxation and Revenue Department Motor Vehicle Division	To facilitate the disclosure of "personal information and "highly restricted personal information" as defined by the federal Drivers Protection Act (DPPA) by the Motor Vehicle Division to the Authority.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
September 22, 2004	Indefinite	Not specified	Unknown	All Parties
October 5, 2001	Indefinite	Not specified	\$110,000	All Parties

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
October 15, 2013	Upon the completion of the project, deliverables to the Authority and the payment of the fee to MRCOG by the Authority whichever event occurs last.	\$10,000	None as of June 30, 2013	All Parties
July 1, 2013	June 30, 2018	NA	NA	All Parties
July 1, 2013	June 30, 2014 with automatic renewal every year unless terminated by either party with 90 days written notice.	NA	NA	All Parties
July 1, 2013	June 30, 2017	\$1,536,378	None as of June 30, 2013	All Parties
June 11, 2013	Indefinite but either party can terminate without cause with 30 days notice.	NA	NA	All Parties

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,
AND OTHER AGREEMENTS
JUNE 30, 2013

<u>Memorandums of Understanding & Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2013-0128	New Mexico Interstate Stream Commission	To further development and calibration of the New Mexico Interstate Stream Commission groundwater model and provide technical and economic evaluation of brackish water appropriation and use by the Authority.
2013-0070	Bernalillo County	Bernalillo County owns and maintains Rio Bravo Park at 3902 Isleta Blvd SW adjacent to a pump station operated by the Authority. The Authority and Bernalillo County agree to place a transportable mural on the block wall separating the two properties. The County is responsible for major maintenance and the County and the Authority are responsible for daily maintenance.
2013-0069	Kirtland AFB	Replaces and expands the terms and conditions of 2012-0064. The Authority and KAFB will jointly support the development of contingency plans for maintaining the safety of drinking water supplies potentially placed at risk by groundwater contamination associated with the Kirtland Bulk Fuels site.
2013-0030	Bernalillo County	Pilot loan program to connect County residents to available water services. The loan based program is called CONNECT. This program will be run parallel and in conjunction with the PIPE program with the County.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
May 8, 2013	June 30, 2014	\$5,000	None as of June 30, 2013	All Parties
December 17, 2012	Indefinite until either party decides to remove the mural.	NA	NA	All Parties
December 1, 2012	November 30, 2013	NA	NA	All Parties
September 4, 2012	September 4, 2016	NA	NA	All Parties

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,
AND OTHER AGREEMENTS
JUNE 30, 2013

<u>Memorandums of Understanding & Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2012-0064, Replaced by 2013-0069 above	Kirtland AFB	In substance extended term of original agreement by one year, provided for a review of the status of the investigation by July 31, 2012 for the purpose of determining whether to renew the agreement and set a maximum reimbursement of \$53,000.
2012-0020	City of Albuquerque	Requires the City Fire Department and the Authority to perform various inspection and maintenance services on public fire hydrants and the Authority will map in its GIS system all public and private fire hydrants.
2012-0015	Nob Hill Main Street, a New Mexico non-profit corporation, Robert Strell, City of Albuquerque	Operation and maintenance of a community garden free of charge for Nob Hill residents on property owned by Robert Strell whereby Nob Hill Main Street will make all improvements and pay the ongoing utilities, the City of Albuquerque will pay the UEC charge and the Authority will establish an irrigation only account and will establish an annual irrigation water budget that Nob Hill Main Street and Robert Strell agree to comply with.
2012-0006	Kirtland AFB	Kirtland agrees to provide chipped clean green waste to the Soil Amendment Facility in exchange for screened biosolids compost material. The rate will be 3 tons of green waste from Kirtland for 1 ton of compost material from the Authority.
2011-0137, First Amendment	City of Albuquerque	Extension of time only, no change in scope of services.
2011-0137	City of Albuquerque	Conditions and terms for the Authority requesting barricade and excavation permits and the fees to be charged for such permits by the City.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
October 1, 2011	September 30, 2012	NA	NA	All Parties
August 10, 2011	August 10, 2016	NA	NA	All Parties
July 19, 2011	Year to year unless terminated by any party, Nob Hill Main Street can terminate without cause at any time with 30 days written notice and Robert Strell can terminate without cause with 30 days written notice but only between November 1 of any year and the following April 1.	NA	NA	All Parties
September 7, 2011	July 31, 2016	NA	NA	All Parties
July 1, 2012	June 30, 2014	NA	NA	All Parties
April 12, 2011	June 30, 2012	NA	NA	All Parties

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,
AND OTHER AGREEMENTS
JUNE 30, 2013

<u>Memorandums of Understanding & Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2011-0137, First Amendment	City of Albuquerque	Extension of time only, no change in scope of services.
2011-0137	City of Albuquerque	Conditions and terms for the Authority requesting barricade and excavation permits and the fees to be charged for such permits by the City.
2010-0117	City of Albuquerque Parks and Recreation Department, Black Cattle Ranch LLC, Quail Ranch	Biosolids assisted sustainable grazing study on City of Albuquerque Open Space land and on land leased by Black Cattle Ranch LLC from Quail Ranch.
2011-0111	City of Albuquerque Solid Waste Department	Use of non-potable water from storage tank at the Metropolitan Detention Center for dust control at the Cerro Colorado landfill operated by the City Solid Waste Department.
2011-0065	Bernalillo County	Joint funding of a staff person (to be hired as an Authority employee) and operating budget to support the Water Protection Advisory Board.
2011-0060	Village of Tijeras	The Authority may at its sole discretion grant return flow credits approved by the State Engineer to the Village and the Village agrees to undertake efforts to ensure that there are no unauthorized connections to the Authority's wastewater collection system by Village water customers.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
July 1, 2012	June 30, 2014	NA	NA	All Parties
April 12, 2011	June 30, 2012	NA	NA	All Parties
March 16, 2010	2/28/2013, was not extended	NA	NA	All Parties
May 2, 2011	December 31, 2060	NA	NA	All Parties
December 16, 2010	Until terminated by both parties.	\$50,000 per year	\$50,000	All Parties
December 13, 2010	By the Authority at the end of any fiscal year with 90 days advance written notice to the Village.	NA	NA	All Parties

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,
AND OTHER AGREEMENTS
JUNE 30, 2013

<u>Memorandums of Understanding & Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2010-0151.1 First Amendment	Pajarito Mesa Mutual Domestic Water Consumer Association	The Authority has constructed a drinking water fill station and agrees to charge PMDWCA the wholesale water rate and PMDWC agrees to be responsible for billing its customers and making remittance to the Authority and operate and maintain the water filling station.
2010-0090.1	Bernalillo County	Allows for the design and construction of an additional water transmission line from the new Cordero reservoir to the existing reservoir serving the Metropolitan Detention Center for which the County agrees to pay all costs and stipulates this new line shall not be used to provide service for existing or future development.
2010-0090	Bernalillo County	Expansion of water capacity in Cordero Mesa Business Park through County managed and paid for facility construction and for which the Authority agrees to extend the water system to the project area and connect to the system.
2009-0141	Bernalillo County	Long term extension of the jointly funded Partners in Improving and Protecting the Environment (PIPE) program which provides low and moderate income water and sewer connection assistance within the Authority service area.
2009-0132	City of Albuquerque	The Authority agrees to reimburse the City for low flow toilets and urinals purchased, retrofitted and installed by the City in City facilities.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
January 5, 2010	June 30, 2019 unless terminated by both parties and it may be extended by mutual agreement of both parties.	NA	NA	All Parties
September 30, 2010	Until terminated by both parties.	NA	NA	All Parties
December 3, 2009	Until terminated by both parties.	NA	NA	All Parties
June 9, 2009	June 30, 2050	Not Specified	\$184,133	All Parties
April 1, 2009	April 1, 2013, was not renewed	\$156,825	0	All Parties

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,
AND OTHER AGREEMENTS
JUNE 30, 2013

<u>Memorandums of Understanding & Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2009-0106	NMWARN members	Participation in the New Mexico Mutual Aid and Assistance Agreement Water/Wastewater Agency Response Network (NMWARN) whereby mutual aid and assistance activities are conducted under the New Mexico Intrastate Mutual Aid and Assistance Program and the Interstate Emergency Management Assistance Compact.
2009-0043, Replaced by 2013-0144 above effective 7/1/2013	United States Geological Survey of the United States Department of the Interior	Joint funding of continuing geohydrologic investigations in the Albuquerque Basin.
2009-0018	City of Rio Rancho	Authority agrees to provide water and wastewater services to the 11,000 acres within Bernalillo County annexed by the City of Rio Rancho and the City of Rio Rancho agrees not to extend its own water and wastewater services to this area, which was done in contemplation of a successful condemnation of New Mexico Utilities Inc. (NMUI) by the Authority which in fact was accomplished by the Authority's acquisition of NMUI.
2008-0151	City of Albuquerque Office of Emergency Management	Allows the use of the Authority's facilities at Pino Yards on a no notice basis as an alternate emergency operations facility in the event the primary emergency operations facility is unavailable.
2008-0105 Second Amendment	Bernalillo County	County agrees to provide the services of its grinder to pulverize brush and tree trimmings in accordance with an equipment lease agreement.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
March 10, 2009	December 31, 2050	NA	NA	All Parties
July 1, 2008	June 30, 2013	\$1,250,000	Unknown	All Parties
September 5, 2008	In Perpetuity	NA	NA	All Parties
April 30, 2008	December 31, 2050	NA	NA	All Parties
January 22, 2008	August 29, 2015	\$10,000	Unknown	All Parties

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,
AND OTHER AGREEMENTS
JUNE 30, 2013

<u>Memorandums of Understanding & Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2008-0105	Bernalillo County	The Authority agrees to accept and the County agrees to provide yard trimmings, brush and tree trimmings and horse stable bedding for the purpose of beneficial reuse of these materials at the Authority's Soil Amendment Facility.
2008-0076	City of Albuquerque Parks and Recreation Department	Landscaping and irrigation system improvements to be made by the Authority along Campbell Road and the Rio Grande Compound made necessary by damages from the San Juan Chama drinking water project and the Parks and Recreation Department agreement to provide yearly maintenance of such improvements.
2008-0046	City of Albuquerque Fire Department	The City will paint up to 3,187 fire hydrants per year at a cost of \$8 per hydrant for an annual cost to the Authority not to exceed \$25,500.
2008-0045 Extension of Time, Replaced effective July 1, 2013 with 2014-0035 above	City of Albuquerque	Extension of time only, no change in scope of services.
2008-0045 Third Amendment	City of Albuquerque	Provide a practical mechanism for the review and identification of real property transferred to the Authority by operation of law so that the City can convey record title to the Authority.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
August 29, 2007	August 29, 2015	NA	NA	All Parties
December 6, 2007	December 31, 2050	\$103,530	Unknown	All Parties
August 10, 2007	Terminated by either party with a six month written notice.	\$25,500 per year	Unknown	All Parties
July 1, 2012	June 30, 2013	NA	NA	All Parties
September 16, 2008	June 30, 2012	NA	NA	All Parties

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,
AND OTHER AGREEMENTS
JUNE 30, 2013

<u>Memorandums of Understanding & Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2008-0045 First Amendment	City of Albuquerque	Provides the City's Solid Waste Department or other City agency with the use of the Authority's billing and collection system based upon a mutually agreed cost.
2008-0045	City of Albuquerque	Full scope of the understanding between the Authority and the City, including the services to be provided by each party upon the Authority acquiring all the powers necessary to operate a public water and wastewater utility.
None	Albuquerque Public Schools, University of New Mexico, City of Albuquerque Parks and Recreation Department, City of Albuquerque Zoo, City of Albuquerque Solid Waste Department, Village of Los Ranchos, Ciudad Soil and Conservation District	Each participating agency provides shredded green waste and discarded animal bedding to the Authority's Soil Amendment Facility where the materials are blended with the solids from the Authority's water reclamation facility to provide an enhanced compost material. The enhanced compost is then returned to the participating agencies for beneficial re-use on green and open space areas.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
July 1, 2007	June 30, 2012	NA	NA	All Parties
July 1, 2007	June 30, 2012	NA	NA	All Parties
Fiscal year 1992	Indefinite	NA	NA	All Parties

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
EXIT CONFERENCE
June 30, 2013

An exit conference was held on April 28, 2014, and attended by the following:

AUTHORITY PERSONNEL:

Klarissa J. Peña
Chair, Water Authority Board

Mark Sanchez
Executive Director

Stanley Allred
Chief Financial Officer

Cliff Wintrobe
Accounting Officer

Barbara Houston
Executive Assistant

REDW LLC:

James Montoya
Principal

Joshua Trujillo
Senior Manager