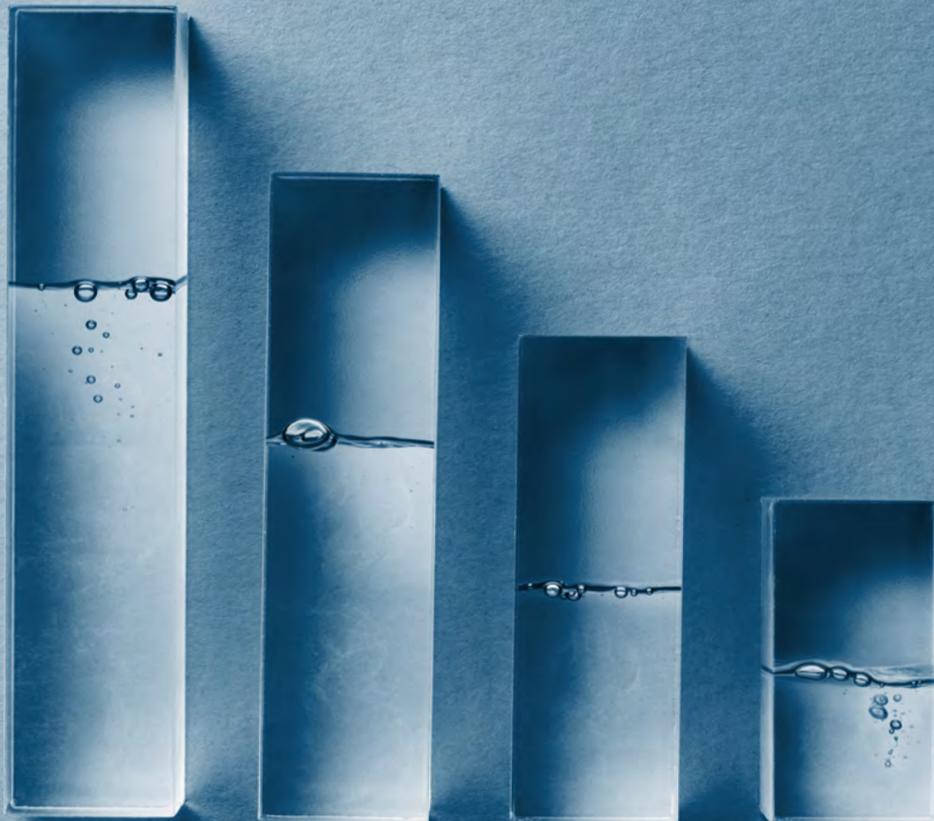


COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2018 & 2017



Albuquerque Bernalillo County
Water Utility Authority



COMPREHENSIVE ANNUAL FINANCIAL REPORT



6/30/2018

Albuquerque Bernalillo County Water Utility Authority

For the Fiscal Years Ended June 30, 2018 and 2017

Albuquerque, New Mexico

PREPARED BY FINANCIAL/BUSINESS SERVICES DIVISION



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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INTRODUCTORY SECTION







LETTER OF TRANSMITTAL

November 21, 2018

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

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Albuquerque Bernalillo County Water Utility Authority ("Water Authority") for the years ended June 30, 2018 and 2017. The Water Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by the Water Authority. Pursuant to NMSA 1978, § 12-6-3, the Water Authority is required to have its financial affairs examined and audited each year and approved by the New Mexico State Auditor's office.

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

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

REDW LLC, Certified Public Accountants, has been retained by the Water Authority to serve as its independent auditors and has issued an unmodified ("clean") opinion on the Water Authority's financial statements for the years ended June 30, 2018 and 2017. The independent auditor's report is located at the front of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter

of transmittal is designed to supplement the MD&A and should be read in conjunction with it. The MD&A is located immediately following the independent auditor's report.

Profile of the Water Authority

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

The Water Authority provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 676,298 residential, commercial, industrial and governmental customers comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the water system.

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

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

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

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

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

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

Summary of Local Economy

Albuquerque is the largest city in New Mexico; is also its economic center; it accounts for nearly half of the state's economic activity. Part of its success can be attributed to a diverse base consisting of government, services, trade, agriculture, tourism, manufacturing, and research and development. Albuquerque is one of the most livable cities in the U.S., averaging more than 310 days of sunshine a year. The city rests at the foot of the Sandia Mountains, which peaks at 10,678 feet. The Rio Grande River runs north to south, dividing the city in to four major quadrants; northeast, northwest, southeast, and southwest.

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

The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has an estimated population of 909,906 residents. Historically, the area has grown at a steady pace of 1-2 percent per year. Despite the growth of the Albuquerque area, commute times are very reasonable, thus enhancing the work/life balance valued by many.

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

As of August 2018, the state's unemployment rate, though still high compared to other states, dipped to 4.8% compared to 3.9% for the United States. The Albuquerque area unemployment rate is 4.7%. Moving forward in 2018, the total employment in the Albuquerque MSA is forecasted to advance 1.2%. The private sector is forecasted to add 1.5% for the year and the government sector, on the other hand, is expected to lose -0.1% in the year. Large contributors of growth include the healthcare and social assistance sector jobs with a 2.9% increase.

The construction sector is forecasted to add 3.9% in 2018 for that sector's sixth consecutive year of expansion. In 2018 employment in this sector is only expected to average about 23,300 persons, which is below the 2006 peak of 32,000 persons. Construction was a sector that was hit harder than the rest, but it is slowly inching upwards.

Accommodation and food services has been one of the consistent sectors since the start of the current recovery. This sector should expand for the eighth consecutive year by 1.8%.

Administrative and waste services is projected to strengthen by 1.6% in 2018 due to call-center activity in the MSA.

Retail trade is projected to add jobs by 0.4%. Like accommodation and food services, this sector has performed well during the recovery, however, retail trade is still projected to be well below its pre-recessionary employment level.

In the public sector, two of the three levels of government are expected to add jobs. The biggest gainer will be federal government, increasing 0.2%. Local government will also be adding jobs, 0.1%, as the new administration begins to fill staffing voids. State government will shed jobs, decreasing -0.4%. In the longer term, through 2023 the Albuquerque MSA economy is forecasted to add 23,940 jobs for 1.3% average annual growth (AAG). Most of the growth over the period will be concentrated in the private sector (1.3%), however, the government sector will also contribute (1.0%).

Total housing permits in the City of Albuquerque are expected to slowly increase throughout the forecast. Total housing permits are expected to number 1,611 in 2018, 1,675 in 2019, 1,937 in 2020, 2,169 in 2021 and 2,188 in 2022. Much of the growth will be due to an improved picture in the single-family market and multifamily will also experience gains. Although permits are expected to reach their highest level since before the recession in 2022, this level will only equate to 38% of the previous peak reached in 2003 (5,716 total permits in that year).

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

Long-Term Financial Planning

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

To plan for the future and to ensure financial stability, an amendment to the Water Authority's Rate Ordinance was approved by the Board which increased rate revenue by 5% in fiscal years 2014, 2015, and 2016 and again in 2018.

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

The Water Authority also develops a Decade Plan every two years that guides the Capital Implementation Program (CIP). The projects included in the plan are identified for near-term and future work and include both rehabilitations need and growth-related activities. The Water Authority's financial planning

considers basic program needs as part of its revenue requirements, and, by policy, requires financing fifty percent of basic program rehabilitation CIP work from water and wastewater rate revenues. The balance of capital funding is obtained through revenue bond or loan financing. Growth-related projects are funded through UEC revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriations to CIP projects. The development of a Decade Plan allows for long-term planning for both initial construction and rehabilitation costs as well as additional operating costs to operate and maintain new water and wastewater facilities.

Major Initiatives

The operational cornerstone of Water 2120 is the San Juan-Chama Drinking Water Project (DWP), which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After nine years of operation, the DWP – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey. A video documenting this success is available for viewing at: <https://www.youtube.com/watch?v=Z6stQZw2L1M&feature=youtu.be>.

Building on accomplishments such as these, Water Authority staff and leadership will continue to pursue new operational efficiencies and improvements in FY19. The Operations groups have completed documentation for shift procedures and standard operating procedures and are implementing and measuring key performance indicators for the water, wastewater and ground water plant facilities. In addition, we will continue to implement mobile technology to document and complete work assignments in the operation groups.

The Water Authority will continue to operate two potable water supply systems, the surface water and the ground water systems. This dual system operation will continue into the future with the primary source of supply being treated surface water from the DWP. The DWP provided 70% of all water distributed to Water Authority customers in calendar year 2017. The Water Authority's goal is to have the DWP supply 70-75% of all customer demand. Flow conditions in the Rio Grande may limit the ability to fully realize this goal on a consistent basis.

The Water Authority began a major renovation of the Southside Water Reclamation Plant (SWRP) in FY10 called the Reclamation Rehabilitation and Asset Management Plan (RRAMP). The RRAMP is a multi-year program to renew the treatment processes at the plant. Several key improvement projects in this program have been completed, including the Preliminary Treatment Facility (PTF), aeration basin and air piping renovations, final clarifier renovations, and major renovations and improvements to the Solids Dewatering Facility (SDF). Improvements will also be made to the Anaerobic Digesters, Primary Clarifiers, Secondary Sludge Thickening Facilities, plant-wide electrical systems, and other SWRP facilities.

Plans are to continue to increase the amount of wastewater bio-solids that are composted and sold while not "over-saturating" the regional market for bio-solids compost and sell at least 30% of the total quantity of bio-solids.

Relevant Financial Policies

Written long-term financial policies are contained in state statute and Water Authority Ordinances that serve as a basic framework for the financial management of the Water Authority. These policies are

intended to assist members of the Water Authority's governing board and Water Authority staff to evaluate current financial activities. These policies are to be reviewed on an annual basis in conjunction with the annual budget.

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2017. This was the fourth year since 2008 that the Water Authority received this prestigious award. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. Staff believes that its current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

The Water Authority received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2018. This is the highest form of recognition in governmental budgeting. To qualify for the Distinguished Budget Presentation Award, the Water Authority's budget document was judged to be proficient in several categories, including presentation as a policy document, financial plan, operations guide and communication device. The Water Authority has been the recipient of this prestigious award since 2005.

Additionally, the Water Authority received the Popular Annual Financial Reporting Award. This award program extracts information from the Comprehensive Annual Financial Report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the public and other interested parties without a background in public finance and to recognize individual governments that are successful in achieving that goal. The Water Authority has been the recipient of this award for the past three years.

The preparation of this report could have not been accomplished without the efficient and dedicated services of the entire staff of the Water Authority's Financial/Business Services Division. We would like to express our appreciation to all members of the Water Authority who assisted and contributed to the

preparation of this report. Due credit also should be given to the Water Authority Board members for their unfailing support for maintaining the highest standards of professionalism in the management of the Water Authority's finances.

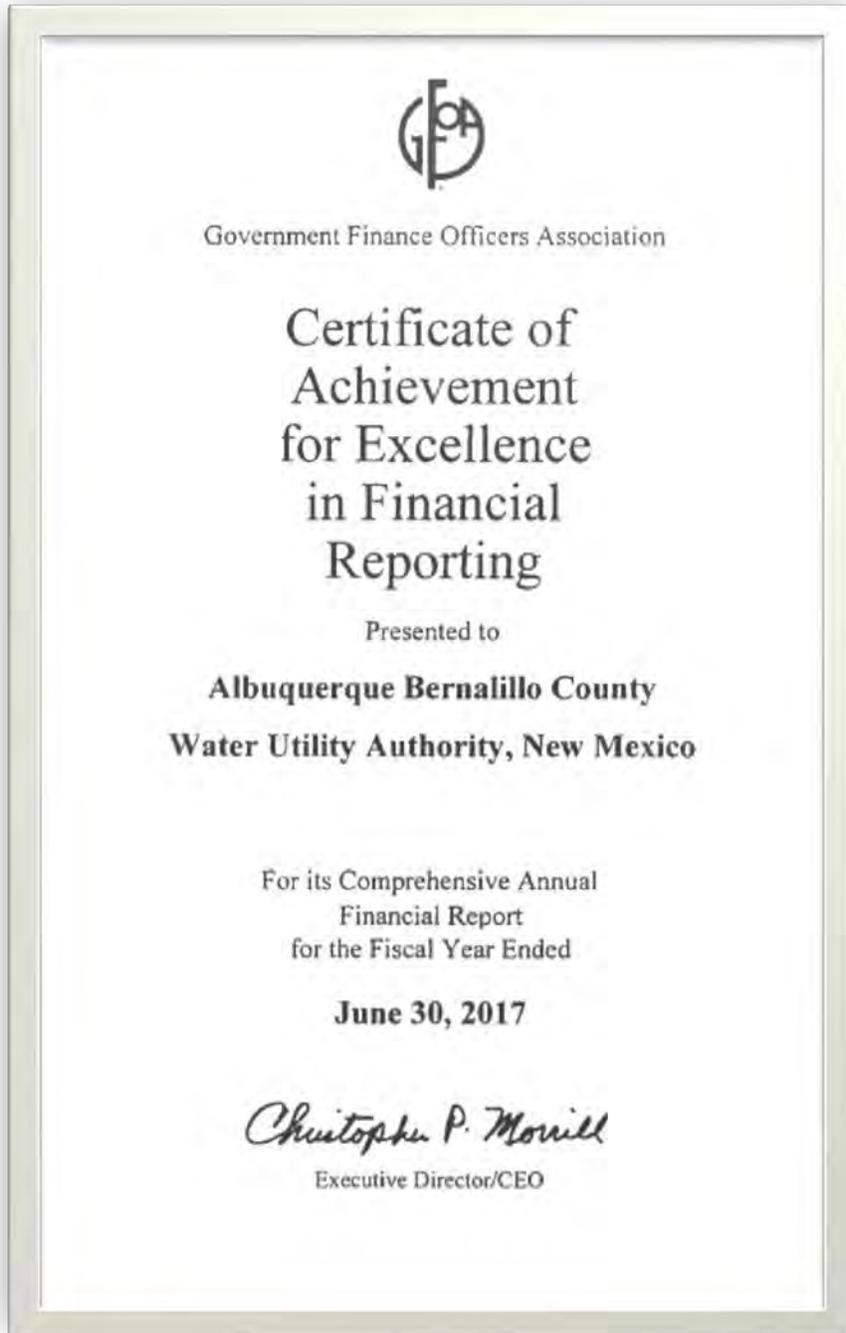
Respectfully submitted,

Mark S. Sanchez
Executive Director

Stanley R. Allred
Chief Financial Officer

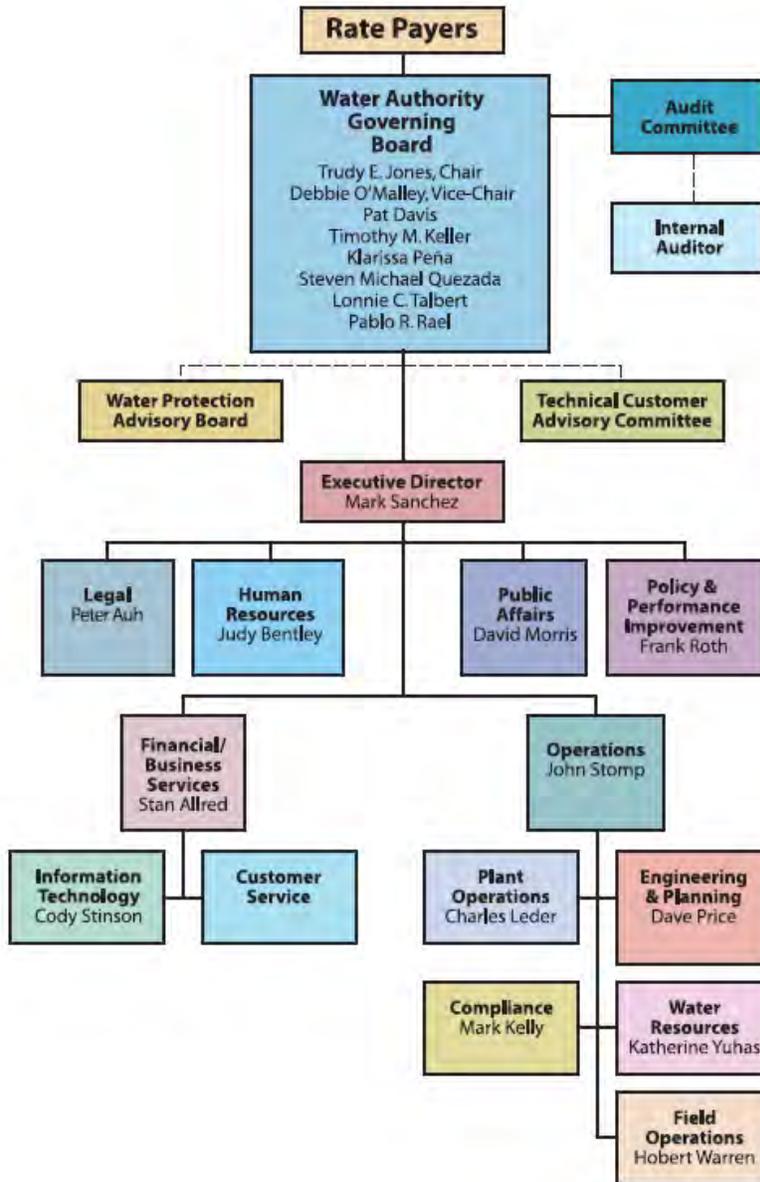
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CERTIFICATE OF ACHIEVEMENT AWARD



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

ORGANIZATIONAL CHART



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SYSTEM OFFICIALS



GOVERNING BOARD MEMBERS

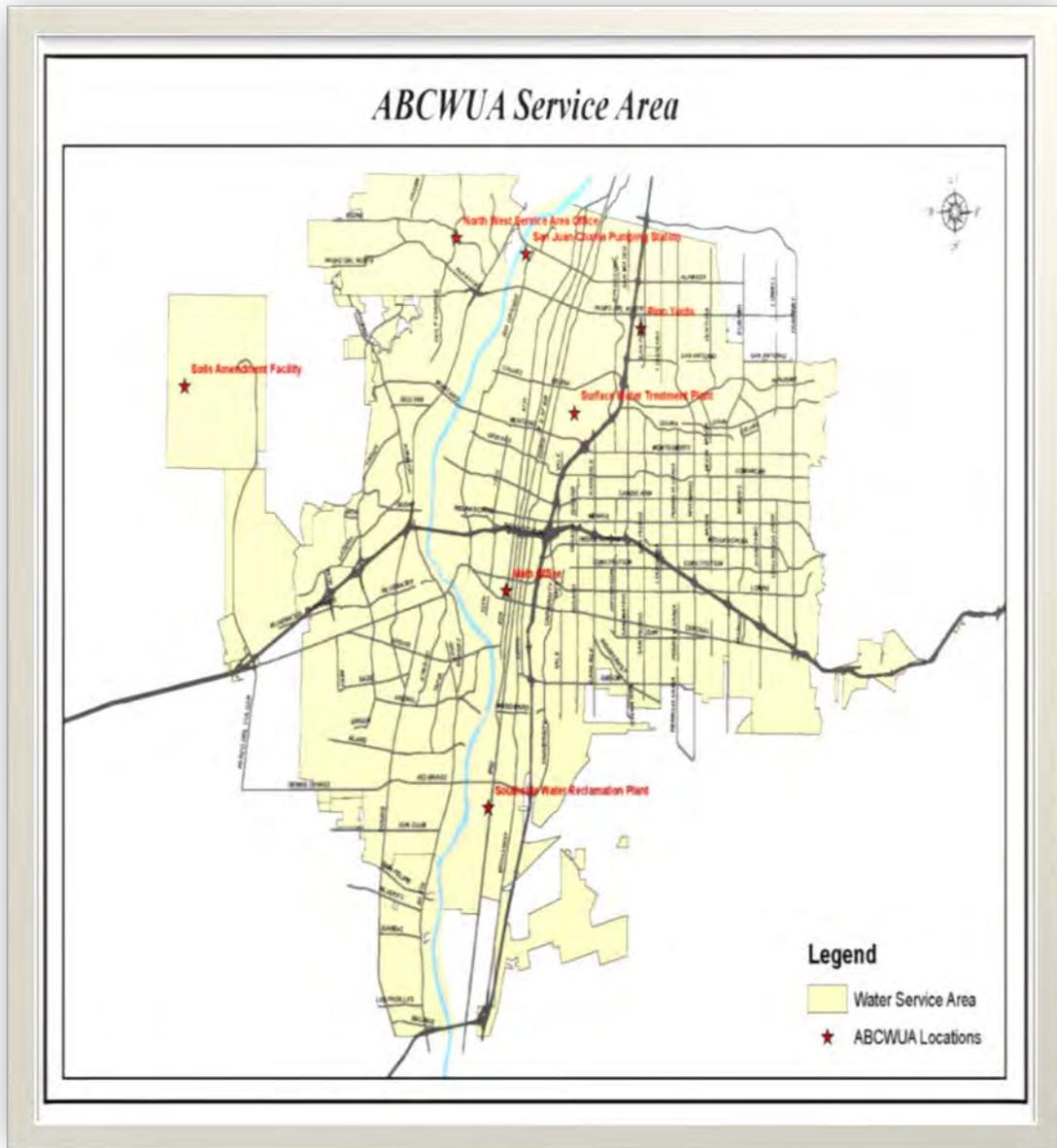
TRUDY E. JONES	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 8	CHAIR
DEBBIE O'MALLEY	BERNALILLO COUNTY COMMISSIONER, DISTRICT 1	VICE CHAIR
PAT DAVIS	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 6	MEMBER
TIMOTHY M. KELLER	CITY OF ALBUQUERQUE, MAYOR	MEMBER
KLARISSA PENA	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 3	MEMBER
STEVEN MICHAEL QUEZADA	BERNALILLO COUNTY COMMISSIONER, DISTRICT 2	MEMBER
LONNIE C. TALBERT	BERNALILLO COUNTY COMMISSIONER, DISTRICT 4	MEMBER
PABLO R. RAEI	VILLAGE OF LOS RANCHOS BOARD TRUSTEE	EX-OFFICIO

EXECUTIVE LEADERSHIP

MARK S. SANCHEZ	EXECUTIVE DIRECTOR
JOHN M. STOMP III, P.E.	CHIEF OPERATING OFFICER
STANLEY R. ALLRED	CHIEF FINANCIAL OFFICER
PETER AUH	GENERAL COUNSEL
JUDY M. BENTLEY	HUMAN RESOURCES MANAGER
FRANK J. ROTH	SENIOR POLICY MANAGER
DAVID R. MORRIS	PUBLIC AFFAIRS MANAGER

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SERVICE AREA MAP





FINANCIAL SECTION







Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Water Authority, as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, presents fairly, in all material respects, the budgetary comparison of the Water Authority for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of the Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico
November 21, 2018



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

As management of the Albuquerque Bernalillo County Water Utility Authority (Water Authority), we offer readers of the Water Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with our audited financial statements and additional information that we have furnished in our letter of transmittal, which can be found on pages 6-12 of this report.

FINANCIAL HIGHLIGHTS

The Water Authority's financial position, measured by the change in net position, increased 4.29 percent during fiscal year 2018, compared to a decrease of 4.91 percent during fiscal year 2017. The decrease in 2017 reflects a restatement for net post-employment benefit obligation liabilities.

- The assets and deferred outflows of resources of the Water Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$616.5 million (net position). The portion of net position that can be used to meet the Water Authority's on-going obligations to customers and creditors, unrestricted net position, is \$51.1 million.
- Operating revenues increased from \$215.2 million in 2017 to \$226.4 million in 2018, largely attributed to a rate revenue increase and a moderate increase in consumption levels.
- Capital contributions were \$6.9 million in 2018 compared to \$3.5 million in 2017, an increase of \$3.4 million.
- Taking advantage of the historically low interest rate environment and the Water Authority's strong credit ratings, the Water Authority issued \$87.9 million in revenue bonds on March 1, 2017.
- Debt service coverage for senior liens increased from 236% to 300% for fiscal year 2018; which continues to remain above the 133% requirement established by the governing board and bond covenants.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

Measurement Focus / Basis of Accounting:

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

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

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

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

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

Basic Financial Statements:

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

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

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

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

Notes to the Financial Statements:

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements, which can be found on pages 42-76 of this report.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) demonstrating the Water Authority's progress in funding its obligation to provide pension and OPEB benefits to its employees. Additional information can be found in the notes to the financial statements in Note III. E. and G. starting on page 59.

FINANCIAL ANALYSIS

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

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

	FY2018	Restated FY2017	FY2016	FY2018 vs FY2017	FY2017 vs FY2016
Assets:					
Current and other assets	\$183,418	\$207,503	\$171,855	\$(24,085)	\$35,648
Capital assets	1,182,008	1,182,433	1,187,301	(425)	(4,868)
Total assets	1,365,426	1,389,936	1,359,156	(24,510)	30,780
Total deferred outflow of resources	33,098	44,166	26,135	(11,068)	18,031
Liabilities:					
Long-term liabilities	681,416	763,691	680,942	(82,275)	82,749
Other liabilities	88,883	78,147	81,583	10,736	(3,436)
Total liabilities	770,299	841,838	762,525	(71,539)	79,313
Total deferred inflow of resources	11,688	1,090	1,096	10,598	(6)
Net position:					
Net investment in capital assets	565,429	560,766	568,245	4,663	(7,479)
Unrestricted	51,108	30,408	53,425	20,700	(23,017)
Total net position	\$616,537	\$591,174	\$621,670	\$25,363	\$(30,496)

As would be expected for a utility, the largest portion of the Water Authority's net position is the net investment in capital assets (91.7 percent). This category reflects the Water Authority's total investment in capital assets (e.g., infrastructure, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. Capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the Water Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- Current and non-current assets in FY2018 decreased \$24.5 million from FY2017, up \$6.2 million from FY2016. The increase was primarily due to an increase in cash, investments and restricted cash from a rate revenue increase, an unpredicted increase in consumption levels, and new capital acquisitions offset by retirements and current year depreciation of \$82.5 million.
- Other current liabilities in FY2018 increased \$10.7 million from FY2017, increased \$7.3 million from FY2016. The increase in FY2018 was primarily related an increase in debt obligation requirements.
- Long-term liabilities in FY2018 decreased \$82.3 million from FY2017 and an increase \$0.5 million from FY2016. The increase in FY2017 was primarily due to the issuance of new long-

term debt obligations and the net changes in the net pension liability and the implementation of GASB Statement No. 75. (See note III.E. for cumulative change and note III.G. for details of GASB Statement No. 75)



Table 2 presents a summarized comparative statement of revenues, expenses, and changes in net position for the last three fiscal years. Certain fiscal year 2017 and 2016 amounts have been reclassified to conform to the fiscal year 2018 presentation.

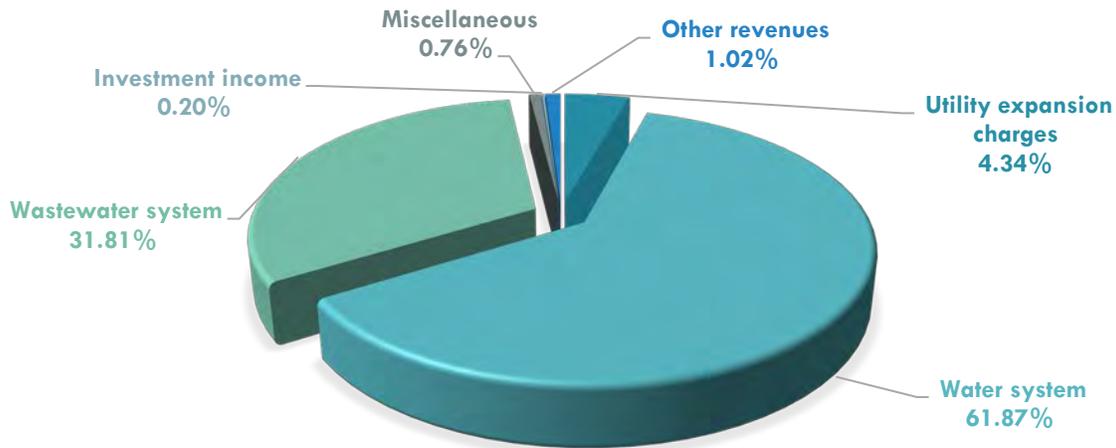
Table 2
Water Authority’s Condensed Changes in Net Position
(In thousands of dollars)

	FY2018	Restated FY2017	FY2016	FY2018 vs FY2017	FY2017 vs FY2016
Revenues:					
Water system revenue	\$148,315	\$144,343	\$140,551	\$3,972	\$3,792
Wastewater system revenue	76,253	69,101	68,166	7,152	935
Miscellaneous revenue	1,828	1,750	1,339	78	411
Non-operating revenue	13,333	11,549	15,240	1,784	(3,691)
Total revenues	239,729	226,743	225,296	12,986	1,447
Expenses:					
Operating	202,992	198,770	191,540	4,222	7,230
Non-operating	18,295	19,159	18,034	(864)	1,125
Total expenses	221,287	217,929	209,574	3,358	8,355
Income before capital contributions	18,442	8,814	15,722	9,628	(6,908)
Capital contributions	6,921	3,522	5,504	3,399	(1,982)
Change in net position	25,363	12,336	21,226	13,027	(8,890)
Net position, beginning of year restated	591,174	578,838	600,442	12,336	(21,604)
Net position, end of year	\$616,537	\$591,174	\$621,668	\$25,363	\$(30,494)

While the statement of net position displays the Water Authority’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end, the statement of revenues, expenses, and changes in net position provide information on the sources of the change in net position during the year. As shown in Table 2, Income before Capital Contributions was \$18.4 million, an increase of \$9.6 million from FY2017 and an increase of \$2.7 million from FY2016.

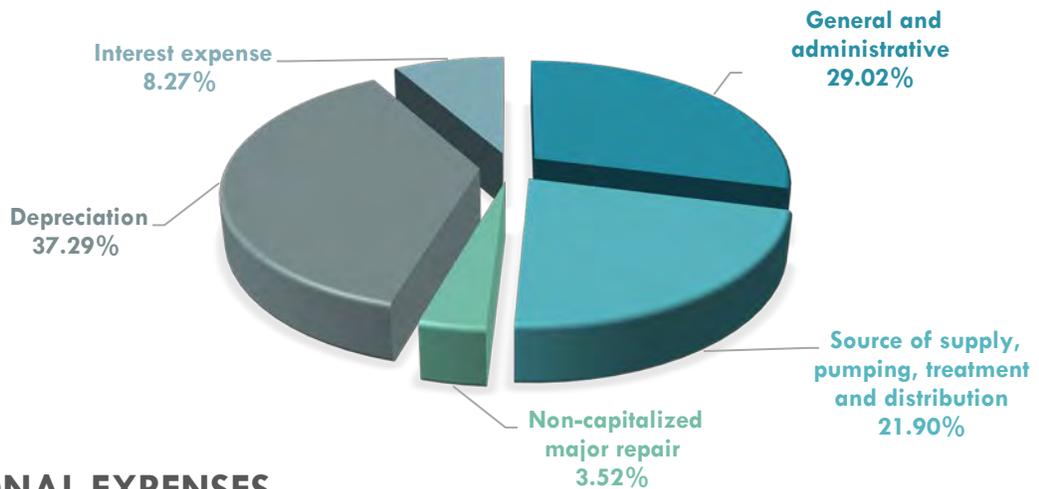
GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), is in effect as of June 30, 2018. This new standard requires the Water Authority to recognize a liability for its proportionate share of the New Mexico Retiree Health Care Authority and Water Authority Life Insurance Plans net OPEB liability, to recognize OPEB expense, and to report deferred outflows and inflows of resources related to OPEB. The beginning net position for FY2018 demonstrates a \$42.8 million variance from FY2017 for this implementation. More information of the OPEB plans are detailed in note III.G.

Table 2 shows operating revenues increased \$11.2 million from FY2017 and \$16.3 million from FY2016; primarily related to the implementation of a 5.0 % rate revenue increase on July 1, 2017. Changes in water consumption from year to year are generally directly related to changes in temperature, and inversely related to changes in precipitation. Longer term changes in consumption are the result of changes in conservation habits on the part of customers and the customer base.



SOURCE OF REVENUES

FY2018 operating expenses (exclusive of depreciation) increased by \$3.4 million from FY2017 and increased \$11.5 million from FY2016. The primary factors are related to an annual 2.0% cost of living adjustment for employees, adjustments to pension and OPEB expense, and savings in utility expense from a reduced capacity in surface water plant operations. Non-capitalized major repairs increased primarily due to an increase in meters and information technology professional services valued under the capitalization threshold.



FUNCTIONAL EXPENSES

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

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

The blueprint for the Water Authority’s Basic Program is its Decade Plan, a ten-year capital plan required to be updated biennially in even numbered fiscal years with two, four, six, eight and ten-year planning elements. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. This ensures there is always an approved two-year planning element in place for every approved annual Basic Program budget. Fiscal Year 2018 is the first year of the two-year planning element included in the 2018-2027 Decade Plan approved by the Board in April 2017.

Table 3 presents the Water Authority’s capital assets at June 30, 2018 and 2017.

Table 3
Condensed Capital Assets
(In thousands of dollars)

	FY2018	FY2017	FY2016	FY2018 vs FY2017	FY2017 vs FY2016
Capital assets not being depreciated:					
Land	\$25,204	\$25,170	\$25,170	\$34	-
Construction work in progress	32,261	22,764	3,792	9,497	18,972
Purchased water rights	49,251	49,251	48,863	-	388
Total capital assets not being depreciated	106,716	97,185	77,825	9,531	19,360
Capital assets being depreciated(net):					
Buildings and other improvements	1,063,123	1,075,562	1,099,795	(12,439)	(24,233)
Machinery and equipment	12,169	9,685	9,681	2,484	4
Total capital assets being depreciated (net)	1,075,292	1,085,247	1,109,476	(9,955)	(24,229)
Total capital assets	\$1,182,008	\$1,182,432	\$1,187,301	\$(424)	\$(4,869)

Major capital asset additions for the current fiscal year included:

- \$34.1 million – Southside Water Reclamation Plant and collection system improvements
- \$10.5 million – Sanitary wastewater pipeline renewal
- \$7.4 million – Drinking water pipeline renewal
- \$4.9 million – Drinking water plant treatment systems renewal
- \$6.9 million – Private developer and grant funded infrastructure improvements

The Water Authority’s capital assets as of June 30, 2018 total \$1.182 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings, water and wastewater distribution systems, furniture and fixtures and vehicles. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Water Authority’s on-call contractors for small diameter water and wastewater line repair and the repair of a large diameter wastewater line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations

that control the surface and groundwater pumping and treatment systems, and making improvements at the Surface Water Treatment Plant.

More capital asset detailed information can be found in Note III.C. on page 53.

LONG-TERM DEBT

At June 30, 2018, the Water Authority had \$741.7 million in long-term debt liabilities outstanding, a net decrease of \$69.6 million, or 8.6 percent from the prior year. Long-term debt liabilities consist of bonds payable, loans payable, water rights contract payable, net pension liability, claims payable, post-employment life insurance benefit, and accrued compensated absences. The amount of debt due within one year totaled \$60.2 million.

Table 4 presents a summary of the Water Authority’s outstanding long-term liabilities at June 30, 2018, 2017, and 2016.

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

	FY2018	Restated FY2017	FY2016	FY2018 vs FY2017	FY2017 vs FY2016
Claims payable	\$3,490	\$2,952	\$2,423	\$538	\$529
Compensated absences	4,096	3,746	3,387	350	359
Loan agreements	41,323	46,221	57,789	(4,898)	(11,568)
Net pension liability	51,278	59,008	38,165	(7,730)	20,843
Net OPEB liability*	36,642	43,900	390	(7,258)	43,510
Revenue bonds	598,441	647,913	622,197	(49,472)	25,716
Water rights contract	6,409	7,579	8,715	(1,170)	(1,136)
Total	\$741,679	\$811,319	\$733,066	\$(69,640)	\$78,253

*FY2016 represents only the Water Authority Life Insurance Plan in accordance with GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).

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

Rating Agency:
 Standard & Poor’s.....AAA Rating reflects Extremely Strong Capacity to Meet Financial Commitments
 Moody’sAa2 Rating reflects Excellent Financial Position; Bonds Maintain Positive Investment Qualities

FitchAA Rating reflects Strong Financial Performance; Strong Capacity to Meet Financial Commitments; Significant Capital Reserves

More information about the Water Authority's long-term liabilities is presented in Note III.D. on page 54.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic outlook for both the City of Albuquerque and Bernalillo County continues to show positive trends in several areas. As evidenced by the increase in revenue received by the Water Authority from the prior year, both are showing increased developer activity, which coincides with economic growth. However, employment growth is projected to increase moderately at 1.2% for the remainder of the year.

These positive economic indicators promote the financial health and sustainability of the Water Authority. The Water Authority is committed to fiscal responsibility, which is our assurance we will judiciously spend, earn and generate funds without placing undue hardship on our ratepayers. The adopted fiscal year 2019 budget identifies resources to provide quality water in sufficient quantity, to collect and treat wastewater to acceptable standards, to provide professional utility engineering services, and to provide utility customer services. The budget also establishes the Water Authority's financial plan and uses the Goals, Objectives, and Performance Plan as guides for the appropriation of funds.

Most recently, the Water Authority's governing board approved the latest in a series of planned rate increases aimed at increasing the Water Authority's investment in infrastructure renewal. The net effect of this increase, for most Water Authority customers, is \$3 dollars per month (defined as 8 units per month residential water usage). All calculations are dependent upon a customer's service size and consumption.

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

Helping to guide the Water Authority's efforts is *Water 2120*, the Water Authority's 100-year water resources management strategy, which went into effect during fiscal year 2017. *Water 2120* incorporates the latest science regarding the effect of climate change on the availability of surface water supplies. Using climatic hydrologic simulation models from the Office of the State Engineer, Sandia National Laboratories and the U.S. Bureau of Reclamation and Geological Survey, among other agencies, it takes climate variability into account and for the first time looks at a 100-year time horizon for the greater Albuquerque area. Three different demand scenarios along with three supply alternatives are used to examine the need for new supplies while maintaining a ground water resource for future generations. A portfolio of supply options is used to fill the gaps to meet future demand over the next 100 years.

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

REQUESTS FOR INFORMATION

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

ASSETS	2018	Restated 2017
CURRENT ASSETS:		
Cash	\$112,342,356	\$125,990,458
Investments	36,472,109	-
Accounts receivable, net of allowance for uncollectible accounts	19,518,630	19,607,343
Notes receivable, current portion	741,487	715,219
Due from other governments	-	1,295
Prepaid items	27,705	57,380
Total current assets	<u>169,102,287</u>	<u>146,371,695</u>
NONCURRENT ASSETS:		
Long-term notes receivable	4,863,339	4,174,174
Restricted assets:		
Cash	9,451,333	56,956,621
Total other noncurrent assets	<u>14,314,672</u>	<u>61,130,795</u>
Capital assets, net of accumulated depreciation:		
Buildings and other improvements	1,063,122,500	1,075,561,839
Machinery and equipment	12,168,692	9,684,964
Net depreciable capital assets	<u>1,075,291,192</u>	<u>1,085,246,803</u>
Capital assets, not being depreciated:		
Land	25,204,444	25,170,378
Purchased water rights	49,251,368	49,251,368
Construction work in progress	32,261,354	22,764,278
Total capital assets	<u>1,182,008,358</u>	<u>1,182,432,827</u>
Total noncurrent assets	<u>1,196,323,030</u>	<u>1,243,563,622</u>
TOTAL ASSETS	<u>1,365,425,317</u>	<u>1,389,935,317</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to other post-employment benefits	851,337	681,245
Deferred amounts related to pensions	12,103,929	20,395,732
Deferred amounts on refunding	20,142,951	23,089,446
Total deferred outflows of resources	<u>33,098,217</u>	<u>44,166,423</u>

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION CONTINUED
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

LIABILITIES	2018	Restated 2017
CURRENT LIABILITIES:		
Accounts payable	\$14,242,259	\$15,530,540
Accrued payroll	1,663,520	1,495,559
Claims payable, current portion	1,411,264	671,543
Accrued compensated absences, current portion	3,955,443	3,569,503
Deposits	818,630	766,608
Debt obligations, current portion:		
Revenue bonds	49,210,000	37,930,000
Loan agreements	4,481,483	4,285,917
Water rights contract	1,206,021	1,170,372
Accrued interest for debt obligations	11,894,018	12,726,908
Total current liabilities	88,882,638	78,146,950
NONCURRENT LIABILITIES:		
Debt obligations, net of current portion:		
Revenue bonds	549,231,176	609,982,924
Loan agreements	36,841,939	41,934,953
Water rights contract	5,202,796	6,408,817
Total long-term debt obligations	591,275,911	658,326,694
Other non-current liabilities:		
Claims payable, net of current portion	2,078,628	2,280,290
Net pension liability	51,278,088	59,008,103
Net post-employment benefit obligations liability	36,642,124	43,899,545
Accrued compensated absences, net of current portion	140,834	176,298
Total other noncurrent liabilities	90,139,674	105,364,236
Total noncurrent liabilities	681,415,585	763,690,930
TOTAL LIABILITIES	770,298,223	841,837,880
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to other post-employment benefits	8,204,942	-
Deferred amounts related to pensions	3,483,273	1,089,646
Total deferred inflows of resources	11,688,215	1,089,646
NET POSITION		
Net investment in capital assets	565,429,227	560,765,911
Unrestricted	51,107,869	30,408,303
TOTAL NET POSITION	\$616,537,096	\$591,174,214

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



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>Restated 2017</u>
OPERATING REVENUES:		
Charges for services:		
Water system	\$148,315,450	\$144,342,932
Wastewater system	76,253,042	69,101,050
Miscellaneous	1,828,000	1,750,000
Total operating revenues	<u>226,396,492</u>	<u>215,193,982</u>
OPERATING EXPENSES:		
General and administrative	64,227,419	63,307,749
Source of supply, pumping, treatment and distribution	48,470,479	48,017,762
Non-capitalized major repair	7,784,840	5,795,924
Depreciation	82,508,932	81,648,334
Total operating expenses	<u>202,991,670</u>	<u>198,769,769</u>
OPERATING INCOME	<u>23,404,822</u>	<u>16,424,213</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	483,793	86,073
Interest expense	(18,294,865)	(18,448,939)
Utility expansion charges	10,397,749	8,545,978
Debt issuances costs	-	(710,270)
Lease of stored water income	78,537	1,181,658
Other revenues	2,372,131	1,735,797
Total non-operating revenues (expenses), net	<u>(4,962,655)</u>	<u>(7,609,703)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	18,442,167	8,814,510
Developer contributions	5,897,925	3,242,286
Other contributions	1,022,790	279,958
Total capital contributions	<u>6,920,715</u>	<u>3,522,244</u>
CHANGE IN NET POSITION	25,362,882	12,336,754
NET POSITION:		
Net position, beginning of year	591,174,214	621,669,886
Cumulative effect of GASB Statement No. 75 implementation		(42,832,426)
Net position, beginning of year, as restated (Note I. C. 11)		<u>578,837,460</u>
Net position, end of year	<u>\$616,537,096</u>	<u>\$591,174,214</u>

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>Restated 2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$226,485,205	\$214,568,381
Cash payments for employee wages and benefits	(54,131,566)	(54,560,327)
Cash payments to suppliers for goods and services	(62,768,419)	(56,661,329)
Other operating income	2,665,177	2,937,949
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$112,250,397</u>	<u>106,284,674</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets, net	(76,401,047)	(73,558,663)
Principal payments of long-term debt obligations	(44,055,838)	(49,206,767)
Proceeds from loan agreements	669,550	-
Proceeds from refunding revenue bonds	-	101,711,170
Defeasance of revenue bonds	-	(30,006,552)
Interest paid on debt obligations	(28,334,537)	(28,460,944)
Payment of debt issuance costs	-	(710,270)
Capital grants, net	1,024,085	726,632
Utility expansion charges	9,682,316	8,355,821
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(137,415,471)</u>	<u>(71,149,573)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	483,793	86,073
Purchase of investments	(36,472,109)	-
NET CASH PROVIDED (USED) FOR INVESTING ACTIVITIES	<u>(35,988,316)</u>	<u>86,073</u>
NET INCREASE (DECREASE) IN CASH	(61,153,390)	35,221,174
CASH, BEGINNING OF YEAR	<u>182,947,079</u>	<u>147,725,905</u>
CASH, END OF YEAR	<u>\$121,793,689</u>	<u>\$182,947,079</u>
FINANCIAL STATEMENT PRESENTATION:		
Cash	\$112,342,356	\$125,990,458
Restricted cash	9,451,333	56,956,621
	<u>\$121,793,689</u>	<u>\$182,947,079</u>

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>Restated 2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$23,404,822	\$16,424,213
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	82,508,932	81,648,334
Other non-operating income (expenses), net	2,665,177	2,937,949
Changes in assets and liabilities:		
Increase (decrease) in accounts receivable	88,713	(625,601)
Increase (decrease) in deposits	52,022	78,751
Increase (decrease) in accounts payable	(1,288,281)	2,620,312
Increase (decrease) in accrued payroll, employee benefits, and deferred amounts related to pensions and other post-employment benefits	4,468,536	2,842,173
Increase (decrease) in compensated absences payable	350,476	358,543
TOTAL ADJUSTMENTS	<u>88,845,575</u>	<u>89,860,461</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$112,250,397</u>	<u>\$106,284,674</u>
DISCLOSURE ON NON-CASH TRANSACTIONS:		
Amortization of deferred amounts on refunding	(\$2,946,496)	(\$2,946,496)
Amortization of premium on revenue bonds	12,153,279	12,406,521
Capital contributions received from private developers	5,897,925	3,242,286
Gain (Loss) on capital assets	(214,509)	-

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



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

I. Summary of Significant Accounting Policies

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

The accompanying financial statements present the financial position of the Water Authority at June 30, 2018 and 2017, and the results of its operations for the years ended June 30, 2018 and 2017 in conformity with accounting principles generally accepted in the United States of America.

The Water Authority has a minimal relationship with the City under the current Memorandum of Understanding (MOU), dated July 1, 2013, by and between the Water Authority and the City, which expired in 2018 but has been extended for one year by mutual agreement of the parties. These ties include 1) administration of the Water Authority's group employment insurance program, and 2) administration of the joint OPEB life insurance trust established during fiscal year 2014. In addition, the City leases space of City owned buildings to the Water Authority. Other than these limited connections, the Water Authority operates independently of the City and Bernalillo County, New Mexico (County).

A. Reporting entity

As a political subdivision of the state, the Water Authority is governed by an eight-member board consisting of three Albuquerque City Councilors, three Bernalillo County Commissioners, the Mayor of Albuquerque, and a non-voting member from the Village of Los Ranchos. The Water Authority has the primary accountability for fiscal matters, therefore the Water Authority is a reporting entity as defined by GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61. As of June 30, 2018, the Water Authority does not have any component units.

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

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

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

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

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

C. Assets, liabilities, and net position

1. Cash, deposits, and investments

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

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

The Water Authority also reports investments under the provisions of GASB Statement No. 72, Fair Value Measurement and Application. Fair value is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction

between market participants at the measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures.

2. Prepaid items

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

3. Accounts receivable

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

4. Capital assets

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

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

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

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

In accordance with GASB Statement No. 89, interest cost is not capitalized as part of the historical cost of a capital asset. Rather recognized as an expense on a basis consistent with GAAP.

5. Accounts payable

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

6. Accrued compensated absences

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

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

7. Long-term obligations

Long-term obligation proceeds are used to finance capital improvements, construction activities, expansions, renovations, and other costs as specified in bond indenture and loan agreements. The long-term obligations are payable from the Water Authority's revenues and are recorded in the Water Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method by CUSIP number. Bonds payable are reported net of the applicable bond premium or discount. Amortization expense during fiscal years 2018 and 2017 was \$12,153,280 and \$12,406,521, respectively. Bond issuance costs are expensed as incurred.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Water Authority has three items that qualify for reporting in this category. The first is a deferred loss on refunding which resulted from the difference in the carrying

value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two deferred outflow of resources are related to pensions and other post-employment benefits.

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

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

9. Net position

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

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

Restricted net position - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

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

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

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

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

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

10. Estimated amounts reported in financial statements

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

11. New accounting pronouncements

In 2018, the Water Authority implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and restated the 2017 financial statements. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

This new standard requires the Water Authority to recognize a liability for the its proportionate share of the New Mexico Retiree Health Care Authority (NMRHCA) and the Water Authority Life Insurance Plan net OPEB liability, to recognize OPEB expense, and to report deferred outflows and inflows of resources related to OPEB.

The primary effect was to record the Water Authority's net OPEB liability of \$36.6 million and \$44.0 million on the Statements of Net Position as of June 30, 2018 and 2017, respectively. The cumulative effect of applying these statements was reported as a

restatement of beginning 2017 net position in the amount of \$42.8 million. See Note III. G. Post-employment benefits obligations.

Below is a reconciliation of the restated net position for the implementation of GASB Statement No. 75.

Beginning 2017 net position as previously reported		\$621,669,886
Net OPEB liability measured as of 06/30/2017 (NMRHCA)	(43,391,914)	
Net OPEB liability measured as of 06/30/2017 (Life Insurance)	(507,631)	
Write off OPEB liability under GASB Statement No. 45 (Life Insurance)	385,874	
Deferred outflows of resources for contributions after measurement date	<u>681,245</u>	
Cumulative effect of GASB Statement No. 75 implementation		<u>(42,832,426)</u>
Restated 2017 beginning net position		578,837,460
Change in net position		<u>12,336,754</u>
2017 restated ending net position		<u>\$591,174,214</u>

The following GASB pronouncements, which may have a future impact on the Water Authority, have been issued, but are not yet effective, at June 30, 2018.

- GASB Statement No. 83, Certain Asset Retirement Obligations
- GASB Statement No. 84, Fiduciary Activities
- GASB Statement No. 87, Leases
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- GASB Statement No. 90, Majority Equity Interests – an amendment of GASB Statement No. 14 and Statement No. 61

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

II. Stewardship, Compliance and Accountability

The budgetary data is prepared consistent with the basis of accounting described in Note I.B with these exceptions; debt service principal payments, certain cash transfers, capital contributions and capital outlay. The annual budget is formulated by the Water Authority's Management and submitted to the Water Authority Board 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 and is subject to approval by the New Mexico Department of Finance and Administration (DFA). Once approved notification is received from DFA, a formal appropriation and encumbrance system to control expenditures is maintained by the Water Authority's financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Water Authority's budget by program. For fiscal year 2018, expenses may not exceed budgetary appropriations at the general ledger fund level. The Water Authority uses general ledger funds for internal accounting purposes. However, since the Water Authority is accounted for like an enterprise fund, it does not include in its financial statements' financial information for individual general ledger funds.

III. Detailed Notes

A. Cash and investments

At June 30, 2018, the carrying amount of the Water Authority's deposits and investments was \$158,265,798 and the bank balance was \$159,479,812. The difference represents outstanding checks, deposits, and other reconciling items. In addition, the Water Authority has \$4,450 cash on hand. Cash and investments for both restricted and unrestricted balances, were comprised of the following at June 30, 2018 and 2017:

Cash and investments:	June 30, 2018	June 30, 2017
Restricted	\$9,451,333	\$56,956,621
Unrestricted:		
Cash	112,342,356	125,990,458
Investments	36,472,109	-
Total cash and investments reported in statements of net position	\$158,265,798	\$182,947,079

1. Custodial credit risk

Deposits. Custodial credit risk is the risk that in the event of the bank failure, the Water Authority's deposits may not be recovered. The Water Authority is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account (Section 6-10-17 NMSA 1978). Furthermore, the Water Authority Investment Policy requires all deposits with financial institutions to be collateralized in an amount not less than 102% of the uninsured balance in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). Such collateral is held by an independent third-party financial institution acceptable to the Water Authority. At June 30, 2018, \$122,258,611 of the Water Authority's bank balance was exposed to custodial credit risk as uninsured but collateralized with securities held by the

pledging financial institution’s trust department. Pledged collateral at June 30, 2018 consisted of the following:

	Rio Grande Credit Union	Wells Fargo Bank	Bank of Albuquerque
Total amount on deposit	\$249,092	\$87,569,199	\$35,189,412
Less: FDIC coverage	(250,000)	(250,000)	(250,000)
Total uninsured public funds	-	87,319,199	34,939,412
50% collateral requirement	-	43,659,600	17,469,706
Pledged securities, fair value	-	100,013,397	39,089,620
Pledged in excess of requirement	-	\$56,353,797	\$21,619,914

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

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

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

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. Following are the Water Authority’s investment balances at June 30, 2018:

Investment Type	Fair Value	Weighted Average Maturity	Category
U S Treasury Bills (U S Government obligations)	\$36,472,109	0.266	Level 1

2. Credit risk

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

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

3. Concentration of credit risk

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

4. Interest rate risk

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

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

As of June 30, 2018, the Water Authority's portfolio has no investment that matured beyond 24 months, and the weighted average maturity of the total portfolio was 0.266 years.

5. Pledged collateral by bank

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

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

Accounts receivable are primarily revenues earned from the Water Authority's water and wastewater utility billing system. These are considered 100 percent collectible since a lien can be placed on the customer's property. They also include some miscellaneous receivables for other services. Accounts receivable at June 30, 2018, and 2017 were \$19,518,630 and \$19,607,343, respectively, net of an allowance for uncollectible accounts of \$609,105 and \$680,552.

Notes receivable are for utility expansion charges. The borrower can pay the Water Authority for the extension of water and wastewater lines over a ten-year period at 7 percent interest. Notes receivable at June 30, 2018, and 2017 were \$5,604,826 and \$4,889,393, respectively.

Due from other governments are primarily Federal and State grants that related to capital improvement projects and the Water Authority also has various miscellaneous receivables. Due from other governments as of June 30, 2018, and 2017 were \$0 and \$1,295, respectively.

C. Capital assets

Capital asset activity of the Water Authority for the years ended June 30, 2018 and 2017, are as follows:

	Balances at June 30, 2017	Additions	Transfers/ Deletions	Balances at June 30, 2018
Capital assets not being depreciated:				
Land	\$25,170,378	\$34,066	-	\$25,204,444
Construction work in progress	22,764,278	23,767,818	(14,270,742)	32,261,354
Purchased water rights	49,251,368	-	-	49,251,368
Total capital assets not being depreciated	97,186,024	23,801,884	(14,270,742)	106,717,166
Capital assets being depreciated:				
Buildings and other improvements	2,289,257,450	53,017,776	17,454,392	2,359,729,618
Machinery and equipment	40,462,511	5,479,312	(5,942,567)	39,999,256
Total capital assets being depreciated	2,329,719,961	58,497,088	11,511,825	2,399,728,874
Less accumulated depreciation:				
Buildings and other improvements	(1,213,695,611)	(79,736,134)	(3,175,373)	(1,296,607,118)
Machinery and equipment	(30,777,547)	(2,772,798)	5,719,781	(27,830,564)
Total accumulated depreciation	(1,244,473,158)	(82,508,932)	2,544,408	(1,324,437,682)
Total capital assets being depreciated, net	1,085,246,803	(24,011,844)	14,056,233	1,075,291,192
Total capital assets, net	\$1,182,432,827	\$(209,960)	\$(214,509)	\$1,182,008,358

	Balances at June 30, 2016	Additions	Transfers/ Deletions	Balances at June 30, 2017
Capital assets not being depreciated:				
Land	\$25,170,378	-	-	\$25,170,378
Construction work in progress	3,791,893	19,656,503	(684,118)	22,764,278
Purchased water rights	48,862,906	388,462	-	49,251,368
Total capital assets not being depreciated	77,825,177	20,044,965	(684,118)	97,186,024
Capital assets being depreciated:				
Buildings and other improvements	2,226,929,800	54,486,359	7,841,291	2,289,257,450
Machinery and equipment	48,415,367	2,269,625	(10,222,481)	40,462,511
Total capital assets being depreciated	2,275,345,167	56,755,984	(2,381,190)	2,329,719,961
Less accumulated depreciation:				
Buildings and other improvements	(1,127,135,064)	(79,403,374)	(7,157,173)	(1,213,695,611)
Machinery and equipment	(38,734,574)	(2,244,960)	10,201,987	(30,777,547)
Total accumulated depreciation	(1,165,869,638)	(81,648,334)	3,044,814	(1,244,473,158)
Total capital assets being depreciated, net	1,109,475,529	(24,892,350)	663,624	1,085,246,803
Total capital assets, net	\$1,187,300,706	\$(4,847,385)	\$(20,694)	\$1,182,432,827

D. Long-term liabilities

A summary of long-term liabilities of the Water Authority for the years ended June 30, 2018 and 2017, are as follows:

	Balances at June 30, 2017	Additions	Deletions	Balances at June 30, 2018	Amounts Due In One Year
Revenue bonds	\$589,880,000	-	(\$37,930,000)	\$551,950,000	\$49,210,000
Loan agreements	44,012,540	669,550	(4,955,467)	39,726,623	4,481,483
Water rights contract	7,579,189	-	(1,170,372)	6,408,817	1,206,021
Unamortized premiums	60,241,254	-	(12,153,279)	48,087,975	-
Accrued compensated absences	3,745,801	3,974,382	(3,623,906)	4,096,277	3,955,443
Total long-term liabilities	\$705,458,784	\$4,643,932	(\$59,833,024)	\$650,269,692	\$58,852,947

	Balances at June 30, 2016	Additions	Deletions	Balances at June 30, 2017	Amounts Due In One Year
Revenue bonds	\$566,455,000	\$87,970,000	(\$64,545,000)	\$589,880,000	\$37,930,000
Loan agreements	54,818,531	-	(10,805,991)	44,012,540	4,285,917
Water rights contract	8,714,965	-	(1,135,776)	7,579,189	1,170,372
Unamortized premiums	58,711,984	13,741,170	(12,211,900)	60,241,254	-
Accrued compensated absences	3,387,258	3,588,010	(3,229,467)	3,745,801	3,569,503
Total long-term liabilities	\$692,087,738	\$105,299,180	(\$91,928,134)	\$705,458,784	\$46,955,792

1. Senior Lien Obligations

Water Authority senior lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these bonds, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding senior lien obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2018, the net revenues were 300% of the annual debt service on all outstanding senior lien obligations.

In fiscal year 2017, the Series 2017 bonds sold at a purchase price equal to \$101,711,170 (representing the \$87,970,000 par amount plus a net original issue premium of \$13,741,170). Deposit proceeds of the Series 2017 Bonds were placed in an escrow fund, resulting in the defeasance of the Series 2009A-1 Bonds. The net present value (NPV) savings equaled \$3,122,416 or 11.45 percent. The average interest rate was 4.60 percent with an average life of 15.43 years.

On April 27, 2018, the Water Authority entered into a reimbursable loan/grant subsidy senior lien agreement in the amount of \$1,010,000 with the NMFA/Drinking Water State Revolving Loan Fund which consists of an available loan amount of \$505,000 and grant funds totaling \$505,000. As of June 30, 2018, the Water Authority had not received any loan proceeds related to this agreement. Payments due for the loan portion start no greater than twenty-seven (27) months after the closing date of the project beginning May 1, 2021. This loan/grant will be used to fund the purchase of automated water meter infrastructure.

On June 29, 2018, the Water Authority entered into a reimbursable loan/grant senior lien agreement in the amount of \$1,000,000 with the NMFA/ Drinking Water State Revolving Loan Fund which consists of an available loan amount of \$250,000 and grant funds totaling \$750,000. As of June 30, 2018, the Water Authority had not received any loan proceeds related to this agreement. Payments due for the loan portion start no greater than twenty-seven (27) months after the closing date of the project beginning May 1, 2021. This loan/grant will be used to fund Phase 2B Carnuel waterline construction.

2. Subordinate Lien Obligations

Water Authority subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these loan agreements, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 120% of the annual debt service requirements on all outstanding subordinate lien obligations. If the annual net revenues are less than 120% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2018, the net revenues were 224% of the annual debt service on all outstanding subordinate lien obligations.

3. Super Subordinate Lien Obligations

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

The Water Authority’s only super subordinate lien obligations are obligations with the New Mexico Finance Authority (NMFA)/Water Trust Board (WTB). These agreements are a combination of loan paired with either a grant or a subsidy. The final amount for the loan / grant / subsidy is determined at the end of the related project for which the funds were expended. The funds are not provided up front to the Water Authority. The Water Authority enters into approved contracts for the related work project, pays the vendors, and submits invoices to the NMFA/WTB Board for reimbursement. Normally such arrangements would be treated as lines of credit until project completion because debt service on the loan portion would not begin until the line of credit is converted to a loan agreement.

On February 3, 2017, the Water Authority entered into a reimbursable loan/grant agreement in the amount of \$1,673,874 with the NMFA/WTB which consists of an available loan amount of \$669,550 and grant funds totaling \$1,004,324. As of June 30, 2018, the Water Authority received all loan/grant proceeds related to this agreement and the Water Authority also paid, in full, the loan liability balance.

4. Loan agreements and revenue bonds outstanding:

Loan Agreements:	June 30, 2018	June 30, 2017
\$10,426,232 Subordinate Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2008), due in annual installments of \$218,951 to \$638,537 through 5/1/2030; interest at 1.75%; prepayment provision of 100% beginning 11/7/2009	\$6,886,017	\$7,389,202
\$1,000,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2009), due in annual installments of \$45,415 to \$54,869 through 7/1/2031; interest at 0.75%; no prepayment provision	720,606	768,338
\$53,400,000 Senior Lien New Mexico Finance Authority Public Project Revolving Fund Loan (2011), due in annual installments of \$605,000 to \$4,770,000 through 6/1/2036; interest at 3.00% to 5.00%; prepayment provision of 100% beginning 6/1/2021	32,120,000	35,855,000
Total loan agreements outstanding	39,726,623	44,012,540
Plus: Unamortized premium	1,596,799	2,208,330
Net loan agreements outstanding	\$41,323,422	\$46,220,870

Revenue Bonds:	June 30, 2018	June 30, 2017
\$135,990,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2009A-1, due in annual installments of \$250,000 to \$9,285,000 through 7/1/2034; interest at 3.00% to 5.50%; call provision of 100% beginning 7/1/2019	\$16,410,000	\$24,070,000
\$62,950,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013A, due in annual installments of \$715,000 to \$5,840,000 through 7/1/2038; interest at 3.00% to 5.00%, call provision of 100% beginning 7/1/2023	50,135,000	53,870,000
\$55,265,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013B, due in annual installments of \$2,420,000 to \$9,455,000 through 7/1/2024; interest at 5.00%; no call provision	33,485,000	38,205,000
\$97,270,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014A, due in annual installments of \$1,090,000 to \$11,385,000 through 7/1/2026; interest at 2.00% to 5.00%; call provision of 100% beginning 7/1/2024	88,270,000	96,180,000
\$87,005,000 Subordinate Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014B, due in annual installments of \$450,000 to \$10,695,000 through 7/1/2025; interest at 1.00% to 5.00%; call provision of 100% beginning 7/1/2024	66,950,000	77,645,000
\$211,940,000 Senior Lien Joint Water & Wastewater System Refunding and Improvement Revenue Bonds, Series 2015, due in annual installments of \$3,210,000 to \$18,765,000 through 7/1/2033; interest at 2.85% to 5.00%; call provision of 100% beginning 7/1/2025	208,730,000	211,940,000
\$87,970,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2017, due in annual installments of \$3,880,000 to \$5,865,000 through 7/1/2034; interest at 3.38% to 5.00%; call provision of 100% beginning 7/1/2027	87,970,000	87,970,000
Total revenue bonds outstanding	551,950,000	589,880,000
Plus: Unamortized premium	46,491,176	58,032,924
Net revenue bonds outstanding	\$598,441,176	\$647,912,924

Future maturities of revenue bonds and loan agreements as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$53,691,483	\$26,524,420	\$80,215,903
2020	56,027,256	23,904,345	79,931,601
2021	52,633,241	21,310,635	73,943,876
2022	55,139,441	18,697,109	73,836,550
2023	51,345,860	16,089,383	67,435,243
2024-2028	210,808,588	44,975,063	255,783,651
2029-2033	82,730,754	15,189,073	97,919,827
2034-2038	28,015,000	1,904,272	29,919,272
2039	1,285,000	32,125	1,317,125
Total	\$591,676,623	\$168,626,425	\$760,303,048

5. Water Rights Contract

A Water Rights Contract with the United States Government was entered into by the Water Authority during the fiscal year ended June 30, 1963, to pay a portion of the construction, operation, and maintenance costs of the San Juan Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022 and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2018 and 2017, is \$6,408,817 and \$7,579,189, respectively.

Future water rights contract maturities as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$1,206,021	\$195,213	\$1,401,234
2020	1,242,757	158,477	1,401,234
2021	1,280,611	120,623	1,401,234
2022	1,319,619	81,615	1,401,234
2023	1,359,809	41,420	1,401,229
Total	\$6,408,817	\$597,348	\$7,006,165

6. Prior Year Debt Refunding (Defeasements)

The Water Authority has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and

are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the Water Authority satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2018, is as follows:

Series 2008A Bonds	\$55,630,000
Series 2009A-1 Bonds	\$76,475,000

E. Defined benefit pension plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

2. *Benefits provided.* For a complete description of the benefits provided to eligible retirees, see Note 1 in the PERA audited financial statements available at the above website. Following is a general summary of eligibility criteria, benefits, and contribution rates as of July 1, 2017:

Municipal General Plan 3		
	Tier 1	Tier 2
Highest Average Salary	3-Years	5-Years
Years of Service and Age of Eligibility	25-years any age 20-years age 60 Various ages 61-64 5-years age 65	Rule of 85 8-years age 65
Vesting Period	5-years	8-years
Benefit Percent per Year of Service	3.0%	2.5%
Maximum Benefit as Percent of Final Average Salary	90%	90%
Annual Cost of Living Adjustment	2.0% with graduated eligibility period	2.0% with 7-year eligibility period
Required Contribution Rates for:		
Employer	9.55%	9.55%
Employee < \$20,000	13.15%	13.15%
Employee > \$20,000	14.65%	14.65%

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

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

Statutorily required contributions to the pension plan from the Water Authority were \$3,190,941 and employer paid member benefits that were "picked up" by the employer were \$3,545,123 for the year ended June 30, 2018.

4. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ended June 30, 2017, using generally accepted actuarial

principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six district membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups.

The Water Authority's proportion share of the net pension liability for the membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Employer contributions on behalf of the employee were excluded from the calculation. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For year ended June 30, 2018, the Water Authority reported a liability of \$51,278,088 for its proportionate share of the net pension liability. At June 30, 2017 and 2016, the Water Authority's proportion was 3.7318 percent and 3.6934 percent, respectively.

For the year ended June 30, 2018, the Water Authority recognized pension expense of \$6,146,356. At June 30, 2018, the Water Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,014,883	\$2,626,314
Changes of assumptions	2,364,681	529,889
Net difference between projected and actual earnings on pension plan investments	4,207,058	-
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	326,366	327,070
Water Authority contributions subsequent to the measurement date	3,190,941	-
Total	<u>\$12,103,929</u>	<u>\$3,483,273</u>

The \$3,190,941 reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$1,396,090
2020	4,487,315
2021	775,800
2022	(1,229,490)
2023	-

5. *Actuarial assumptions.* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016, for each of the membership groups. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Below is the summary of actuarial methods and assumptions:

Actuarial valuation date:	June 30, 2016
Actual cost method:	Entry age normal
Amortization method:	Level percentage of pay
Amortization period:	Solved for based on statutory rates
Asset valuation method:	4 Year smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

6. *Discount rate:* A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017 which was an increase of 0.03%. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

7. *Sensitivity of the Water Authority’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the Water Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.51%, as well as what the Water Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

PERA	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Water Authority’s proportionate share of the net pension liability	\$80,369,701	\$51,278,088	\$27,084,368

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

9. *Payables to the pension plan.* As of June 30, 2018, there was \$307,690 PERA employee/employer contributions payable of which \$121,423 of employer-only contributions was for pay period ended June 22, 2018 and \$186,267 was for the accrual through June 30, 2018.

F. Defined contribution retirement plan

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

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

2. *Benefits provided.* The 401(a) plan is a retirement savings plan that allows you to set aside money for retirement. The benefits provided enables employees to reduce current income taxes while boost retirement investments. Employees also have the ability to rollover savings to another public-sector employer's 401(a) plan, a tax-sheltered 403(b) annuity plan, a 457 plan or an IRA if an employee changes employers. Pre-tax contributions are not subject to federal and (in most cases) state income taxes until withdrawn. Earnings accumulate tax-deferred. An employee is vested at 100% when enrolled. In-service distributions are permitted under the plan after the participate attains normal retirement age.
3. *Contributions.* The contribution requirements for defined contribution plan members and the Water Authority are established within the signed agreement with ICMA Retirement Corporation dated February 25, 2004 and as amended October 21, 2015. The contribution requirements may be amended by acts of both parties. Under the plan the employer contributes 19.01% of earnings for all participating employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute one of 3.29%, 5%, 7%, 10% for employees scheduled to work 20-hours or more per week for the plan year.

Total contributions and total payroll to the plan for 2018 and the three preceding years were as follows:

ICMA 401(a)	Employer Contributions	Total Payroll
Fiscal Year ended:		
6/30/2015	\$152,683	\$803,174
6/30/2016	212,224	1,116,379
6/30/2017	271,617	1,428,810
6/30/2018	320,140	1,684,066

G. Post-employment benefit obligations

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

1. Water Authority Retiree Life Insurance Plan

Summary of Significant Accounting Policies.

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

- a. *Plan Description.* In fiscal year 2014, the Albuquerque Pooled OPEB Trust Fund was established, by Resolution, as an irrevocable trust and operates pursuant to the OPEB agreement with the City of Albuquerque (City) and the Water Authority to defray future expenses related to retiree life insurance. Prior to July 1, 2013, the Water Authority had been contributing only the amount required to pay retiree life insurance premiums each year into the City’s Employee Insurance Fund when the Water Authority was formally a component unit of the City. The Albuquerque Pooled OPEB Trust Fund – a single-employer defined benefit plan is administered by the City. The Board of Trustees consists of five members. Two members are appointed based on positions with the City and the remaining members are appointed by the City Chief Administrative Officer. The OPEB Trust Fund is reported as a fiduciary fund in the City’s CAFR and can be obtained at the following web address:

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

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

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

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

- c. *Employees covered by benefit terms.* At June 30, 2018, the OPEB membership for the Water Authority consisted of the following:

Plan membership	
Number of inactive plan members entitled to but not receiving benefits	0
Number of active plan members	448
Number of inactive plan members currently receiving benefits	203
Total	<u>651</u>

- d. *Contributions.* The Water Authority has set the contribution rate each year based on an actuarial valuation. The Water Authority's has been and continues to prefund its OPEB liability contributing 100% or more of the Actuarially Determined Contribution (ADC) each year. The ADC consists of two basic components, which have been adjusted with interest to the Water Authority's fiscal year end: 1) The amounts attributed to service performed in the current fiscal year (the normal cost) and 2) amortization of the unfunded actuarial accrued liability (UAAL). Therefore, the discount rate used in this valuation is 5.0%, the long term expected return on trust assets. Contributions to the trust for the year ended June 30, 2018 were \$59,081.

- e. *Total OPEB Plan liability.* The Water Authority's total OPEB liability of \$685,564 was measured as of June 30, 2018 and was determined by an actuarial valuation of July 1, 2017.

Actuarial Assumptions and Other Inputs – The total liability in the June 30, 2018 actuarial valuation prepared by MacLeod Watts was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date.....July 1, 2017
 Funding methodEntry Age Normal Cost, level percent of pay

Asset valuation method	Market value of assets
Long term return on assets	5.0% as of June 30, 2017 and June 30, 2016 net of plan investment expenses and including inflation
Discount rates	5.0% as of June 30, 2017 and June 30, 2016
Participants valued	Only current active employees and retired participates and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase	5.0% per year
Assumed increase for amortization payments	3.0% per year where determined as a percent of pay
General inflation	2.75% per year

The demographic actuarial assumptions used are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2016 actuarial valuation, except for a different basis used to project future mortality improvements.

Mortality improvement	MacLeod Watts Scale 2017 on a generational basis from 2011 forward
Participation rates	<i>Active participants:</i> 100% of active projected to survive in service to retirement are assumed to be eligible for the retiree life insurance benefit. Employees retiring on Disability are assumed to elect to receive a lump sum payment equal to one-half of the face amount of their retiree life insurance. <i>Retired participants:</i> Existing coverage is assumed apply until the retiree's death.
Dependent coverage	Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.
Employer cost-sharing	Water Authority bears the full cost retiree life insurance coverage. The current premium rate for all active and retired employees is \$0.35 per \$1000 of life insurance. No future increase in the premium rate was introduced, assuming that reduction due to future mortality improvements would exactly offset increased expenses.
Development of age-related Premiums	The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described above.

Change in assumptions recognized during this period.

Mortality	Pre-retirement mortality rates were revised, and the projection of mortality improvement was updated.
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The Plans' Expected Average Remaining Service Life ("EARSL") is 5.9 years for deferred resources arising in this fiscal year. Liability changes due to plan experience which differs from what was assumed in the prior year and/or from assumption changes during the year are recognized over the EARSL period. GASB Statement No. 75 requires that changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years. Liability changes attributable to benefit changes occurring during the period are recognized immediately.

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

For reporting at Fiscal Year end Measurement date	6/30/2017 6/30/2017	6/30/2018 6/30/2018	Change During Period
Total OPEB liability	\$1,356,352	\$1,646,697	\$290,345
Fiduciary Net Position	848,721	961,133	112,412
Net OPEB liability (asset)	507,631	685,564	177,933
<i>Deferred Resource (Outflows) Inflows Due to:</i>			
Assumption Changes	-	(50,585)	(50,585)
Plan Experience	-	(155,489)	(155,489)
Investment Experience	-	21,314	31,314
Contributions made subsequent to the Measurement date	-	-	-
Net Deferred (Outflows) Inflows	-	(184,760)	(184,760)
Impact on Statement of Net Position	<u>\$507,631</u>	<u>\$500,804</u>	<u>\$(6,827)</u>
Change in Net Position during the Fiscal Year Impact on Statement of Net Position, FYE 2017		\$507,631	
OPEB Expense (Income)		75,463	
Employer Contributions During Fiscal Year Impact on Statement of Net Position, FYE 2018		<u>(82,290)</u>	
		<u>\$500,804</u>	
OPEB Expense			
Employer Contributions During Fiscal Year		82,290	
Deterioration (Improvement) in Net Position		<u>(6,827)</u>	
OPEB Expense (Income), FYE 2018		<u>\$75,463</u>	

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

1% Decrease (4.00%)	Current Rate (5.00%)	1% Increase (6.00%)
\$1,007,242	\$685,564	\$432,668

- i. *OPEB Plan expense and deferred outflows of resources and deferred inflows of resources related to OPEB.* For the year ended June 30, 2018, the Water Authority recognized OPEB expense of \$59,081. At June 30, 2018, the Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$155,489	-
Changes of assumptions	50,585	-
Net difference between projected and actual earnings on investments	-	21,314
Water Authority contributions subsequent to the measurement date	-	-
Total	<u>\$206,074</u>	<u>\$21,314</u>

Future recognition of these deferred resources are as follows:

Year ended June 30:	Recognized Net Deferred Outflows (Inflows) of Resources
2019	\$36,727
2020	36,727
2021	36,727
2022	36,729
2023	37,850
Thereafter	-

- j. *Payable to the OPEB Plan.* At June 30, 2018, the Water Authority satisfied the ADC to the Plan required for the year ended June 30, 2018.

2. New Mexico Retiree Health Care Authority Plan

Summary of Significant Accounting Policies.

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

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

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

- b. *Benefits provided.* The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.
- c. *Employees covered by benefit terms.* June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
Total	<u>160,035</u>

Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
Total	97,349

- d. *Contributions.* Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Water Authority were \$645,263 for the year ended June 30, 2018 equal to its required contributions for the year.
- e. *OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB*

At June 30, 2018, the Water Authority reported a liability of \$35,956,560 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Water Authority’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Water Authority’s proportion was 0.79345 percent.

For the year ended June 30, 2018, the Water Authority recognized OPEB expense of \$784,256. At June 30, 2018 the Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	\$1,379,822
Changes of assumptions	-	6,286,546
Net differences between actual and projected earnings on OPEB plan investments	-	517,260
Water Authority contributions made after the measurement date	645,263	-
Total	\$645,263	\$8,183,628

Deferred outflows of resources totaling \$645,263 represent the Water Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	(\$1,739,897)
2020	(1,739,897)
2021	(1,739,897)
2022	(1,739,897)
2023	(1,224,040)

- f. *Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date:	June 30, 2017
Actuarial cost method:	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method:	Market value of assets
Actuarial assumptions:	
Inflation	- 2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	- 3.50%
Investment rate of return	- 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	- 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	- ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

- g. *Rate of return.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns

are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity – large cap	9.1
Non-U.S. – emerging markets	12.2
Non-U.S. – developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity – small/mid cap	9.1

- h. *Discount rate.* The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligations municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.
- i. *Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$43,614,747	\$35,956,560	\$29,948,024

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

1% Decrease	Current Trend Rate	1% Increase
\$30,583,530	\$35,956,560	\$40,146,194

- j. *OPEB plan fiduciary net position.* Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017 at www.nmrhca.state.nm.us/Pages/audit-reports.aspx.
- k. *Payable changes in the net OPEB liability.* At June 30, 2018, the Water Authority reported a payable of \$25,429 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

H. Risk management

The Water Authority is exposed to various risks of loss related to torts and civil claims including: employment related exposures; theft, damage and destruction of its real and personal assets and contract disputes; worker’s compensation losses; errors and omissions of its officers and officials; and natural disasters. As a New Mexico governmental entity, the Water Authority’s risk of loss associated with the actions of its employees resulting in personal injury to members of the community or damage to the property of others is subject to the limitations of the New Mexico Tort Claims Act. The Tort Claims Act extends sovereign immunity to all but a defined set of possible tort claims from third parties and places a maximum cap on the damages available to those who prevail on a tort claim. For those tort claims for which immunity is waived, the maximum third-party liability from any single occurrence cannot exceed \$750,000 plus medical related damages. Because the liability cap for all medical related damages is \$300,000 per occurrence, the total aggregate tort damage liability for any single occurrence cannot exceed \$1,050,000. Through its Risk Management Office, the Water Authority purchases various commercial insurance policies to manage and transfer the impact of all its loss exposure. As a further risk transfer measure, the Water Authority requires all of its major vendors and contractual partners to be fully insured and to include the Water Authority as an additionally insured party on the contractor’s insurance policies.

In fiscal year 2018, the Water Authority was insured for general liability and auto liability up to \$5,000,000 per occurrence with a \$6,000,000 general liability aggregate subject to a \$100,000 retention per loss/auto accident. Other liability insurance coverage included errors and omissions with a \$5,000,000 per occurrence and aggregate limit subject to a \$100,000 deductible. The Water Authority also carried \$1,000,000 coverage for cyber liability (\$25,000 deductible) and \$5,000,000 coverage (with a \$50,000 deductible) for pollution exposures. Water Authority property was insured up to \$500,000,000 per loss with a self-insured retention of \$100,000 per loss. For worker’s compensation coverage, the Water Authority retained the risk of losses up to \$750,000 and purchased an excess liability insurance policy which will pay the cost of any loss above the \$750,000

self-insured retention. Crime (Employee Theft/Computer Crime/Forgery/Robbery & Burglary) coverage carries a limit of \$1,000,000 per loss subject to a retention of \$10,000. The Water Authority transferred claims liability risk by the purchase of commercially available insurance beginning in fiscal year 2014. All claims accrued prior to June 30, 2013, are the sole responsibility of the City of Albuquerque Risk Management Program.

The claims liabilities reported are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include estimated amounts for claims that have been incurred but not reported (IBNRs) as of June 30, 2018, and 2017.

The amounts and change in claims liability in fiscal years 2018 and 2017 were:

	2018	2017
Claims liability at July 1	\$2,951,833	\$2,423,380
Current year claims/adjustments	1,979,367	1,874,440
Claims liquidated	(1,441,308)	(1,345,987)
Claims liability at June 30	\$3,489,892	\$2,951,833

The components of the claims liability at June 30 are:

	2018	2017
Current portion	\$1,411,264	\$671,543
Noncurrent portion	2,078,628	2,280,290
Total claims liability	\$3,489,892	\$2,951,833

I. Commitments and contingencies

Construction Commitments. At June 30, 2018, the uncompleted construction and other commitments for construction improvements and replacements was \$48,185,401. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

Federal and State Grant Commitments. The Water Authority has received 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, Water Authority management believes that such disallowances, if any, will not be material.

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

J. Subsequent events

On October 16, 2018, the Water Authority sold the Joint Water and Sewer System Improvement Revenue Bonds, Series 2018 in the amount of \$75.1 million. Proceeds from the sale of the Series 2018 Bonds will be used to provide funds for (i) acquiring additional System assets through regular system improvements, expansion, maintenance, and upgrades pursuant to the Water Authority's Basic Capital Program, and (ii) payment of costs of issuance of the Series 2018 Bonds.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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

	2018	2017	2016	2015
Water Authority's proportion of the net pension liability (asset)	0.9732%	0.9580%	0.8958%	0.8842%
Water Authority's proportionate share of the net pension liability	51,278,088	59,008,103	38,165,167	29,351,538
Water Authority's covered payroll	32,774,164	31,630,023	30,541,919	31,037,398
Water Authority's proportionate share of the net pension liability (asset) as percentage of its covered payroll	156.46%	186.56%	124.96%	94.57%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

(*) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

SCHEDULE OF THE WATER AUTHORITY'S PENSION CONTRIBUTIONS

MUNICIPAL GENERAL PLAN 3

LAST 10 FISCAL YEARS (*)

	2018	2017	2016	2015
Contractually required contribution	\$3,190,941	\$3,129,931	\$3,020,676	\$2,959,288
Contributions in relation to the contractually required contribution	(3,190,941)	(3,129,931)	(3,020,676)	(2,959,288)
Contribution deficiency (excess)	-	-	-	-
Water Authority's covered payroll	\$33,413,035	\$32,774,164	\$31,630,023	\$30,541,919
Contributions as a percentage of covered payroll	9.55%	9.55%	9.55%	9.55%

(*) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN

Change in Accounting Principle. For the year ended June 30, 2017, the Water Authority implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll.

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

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

Changes of Assumptions. The PERA Annual Actuarial Valuation as of June 30, 2017, is available at the web address listed above. Future actuarial results may differ due to the following factors: changes in economic or demographic assumptions; and changes in plan provisions or applicable law. For details about changes in the actuarial assumptions, see Appendix B on page 54 of the PERA Annual Actuarial Valuation referenced above.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

SCHEDULE OF CHANGES IN THE WATER AUTHORITY'S NET OPEB LIABILITY AND RELATED RATIOS
 RETIREE LIFE INSURANCE PLAN
 LAST 10 FISCAL YEARS (*)

	2018
Total OPEB liability	
Service Cost	\$14,174
Interest	67,539
Changes of benefits terms	-
Differences between expected and actual experience	187,222
Changes of assumption	60,908
Benefit payments	(39,498)
Total OPEB liability – beginning	<u>1,356,352</u>
Total OPEB liability – ending (a)	<u>1,646,697</u>
Plan fiduciary net position	
Contributions – employer	\$82,290
Net investment income	70,136
Benefit payments	(39,498)
Administrative fees	(516)
Net change in plan fiduciary net position	<u>112,412</u>
Plan fiduciary net position – beginning	<u>848,721</u>
Plan fiduciary net position – ending (b)	<u>\$961,133</u>
Net OPEB liability – ending (a) – (b)	<u>\$685,564</u>
Plan fiduciary net position as a percentage of the total OPEB liability	58.37%
Water Authority's Covered – employee payroll	\$24,644,318
Net OPEB liability as a percentage of covered – employee payroll	2.78%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Benefit changes. In 2018, no benefit changes were reported to those in place at the time the July 2017 valuation was prepared by MacLeod Watts. The results as of June 30, 2018 were developed by a one-year roll forward of the results from the July 1, 2017 funding valuation.

Changes of Assumptions. The pre-retirement mortality rates were revised, and the projection of mortality improvement was updated.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

SCHEDULE OF WATER AUTHORITY'S OPEB CONTRIBUTIONS

RETIREE LIFE INSURANCE PLAN

LAST 10 FISCAL YEARS (*)

	2018
Actuarially determined contribution during fiscal year	\$59,081
Contributions in relation to the actuarially determined contribution	82,290
Contribution deficiency (excess)	<u>\$(23,209)</u>
Water Authority's Covered – employee payroll	\$24,644,318
Contributions as a percentage of covered – employee payroll	0.33%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2017
Funding method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on assets	5.0% of June 30, 2017 and June 30, 2016
Discount rates	5.0% as of June 30, 2017 and June 30, 2016
Participants valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase	5.0% per year
Assumed increase for Amortization payments	3.0% per year where determined as a percent of pay
General inflation	2.75% per year

The demographic actuarial assumptions used in this valuation are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2016 actuarial valuation, except for a different basis used to project future mortality improvements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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

	<u>2018</u>
Water Authority's proportion of the net OPEB liability	0.79345%
Water Authority's proportionate share of the net OPEB liability	\$35,956,560
Water Authority's covered payroll	\$33,052,329
Water Authority's proportionate share of the net OPEB liability as percentage of its covered payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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

	2018
Contractually required contribution	\$2,519,576
Contributions in relation to the contractually required contribution	(1,264,547)
Contribution deficiency (excess)	\$1,255,029
Water Authority's covered payroll	\$33,052,629
Contributions as a percentage of covered payroll	3.83%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Benefit changes. In 2018, no benefit changes to those in place. Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available. New Mexico Retiree Health Care Authority audited comprehensive annual financial report is available at the following web address: www.nmrhca.state.nm.us

Changes of Assumptions. The PERA salary scale, inflation, and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2016 pension valuation. Per capita costs, future trend for health costs, and medical election assumptions were updated.

STATISTICAL SECTION



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

INDEX TO STATISTICAL SECTION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NET POSITION BY COMPONENT

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

FISCAL YEARS 2018 – 2014

	2018	2017	2016	2015	2014
Net investment in capital assets	\$565,429	\$560,766	\$568,245	\$576,678	\$595,695
Restricted for:					
Capital projects	-	-	-	-	-
Unrestricted	51,108	30,408	53,425	23,764	51,027
Total net position	\$616,537	\$591,174	\$621,670	\$600,442	\$646,722

FISCAL YEARS 2013 – 2009

	2013	2012	2011*	2010	2009
Net investment in capital assets	\$617,398	\$636,174	\$668,171	\$692,921	\$725,767
Restricted for:					
Capital projects	-	-	-	11,072	13,672
Unrestricted	48,331	47,416	33,590	31,272	16,858
Total net position	\$665,729	\$683,590	\$701,761	\$735,265	\$756,297

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

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION

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

FISCAL YEARS 2018 – 2014

	2018*	2017*	2016*	2015*	2014*
Operating revenues:					
Water revenues	\$148,315	\$144,343	\$140,551	\$119,707	\$113,061
Wastewater revenues	76,253	69,101	68,167	64,171	61,327
Miscellaneous revenues	1,828	1,750	1,339	1,323	1,232
Non-operating revenues:					
Investment income	484	86	155	44	160
Utility expansion charges	10,398	8,546	9,257	7,541	7,872
Other revenues	2,451	2,917	5,828	2,158	8,245
Total revenues	239,729	226,743	225,297	194,944	191,897
Operating expenses:					
General and administrative	64,227	63,307	59,910	53,996	54,966
Source of supply, pumping, treatment and distribution	48,471	48,018	46,987	46,525	46,538
Noncapitalized major repair	7,785	5,796	4,285	6,429	5,642
Depreciation and amortization	82,509	81,648	80,357	83,094	84,788
Non-operating expense:					
Interest expense	18,295	18,449	18,034	19,857	27,546
Other expense	-	710	-	2,273	812
Total expenses	221,287	217,928	209,573	212,174	220,292
Income (loss) before capital contributions	18,442	8,815	15,724	(17,230)	(28,395)
Capital contributions	6,921	3,522	5,504	7,348	9,388
Change in net position	\$25,363	\$12,337	\$21,228	(\$9,882)	(\$19,007)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

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

FISCAL YEARS 2013 – 2009

	2013*	2012	2011	2010	2009
Operating revenues:					
Charges for services	-	\$177,055	\$158,515	\$153,145	\$147,146
Water revenues	\$113,875	-	-	-	-
Wastewater revenues	58,031	-	-	-	-
Miscellaneous revenues	1,142	-	-	-	-
Non-operating revenues:					
Investment income	42	148	209	866	2,648
Utility expansion charges	8,197	8,035	6,240	6,834	6,346
Other revenues	1,659	1,470	1,331	1,535	7,777
Total revenues	182,946	186,708	166,295	162,380	163,917
Operating expenses:					
General and administrative	53,433	57,877	55,810	40,632	37,383
Source of supply, pumping, treatment and distribution	48,260	42,655	44,946	54,365	52,346
Noncapitalized major repair	-	-	-	-	-
Depreciation and amortization	87,087	84,849	83,447	81,443	72,295
Non-operating expense:					
Interest expense	24,566	23,806	25,324	24,977	21,682
Other expense	-	348	414	516	360
Total expenses	213,346	209,535	209,941	201,933	184,066
Income (loss) before capital contributions	(30,400)	(22,827)	(43,646)	(39,553)	(20,149)
Capital contributions	4,132	5,058	10,538	18,917	27,811
Change in net position	(\$26,268)	(\$17,769)	(\$33,108)	(\$20,636)	\$7,662

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

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

FISCAL YEARS 2018 – 2009

*The 2013-2018 operating revenues are demonstrated by type and franchise fees are not included as revenue or an expense of the Water Authority in these fiscal years. They are a pass-through, therefore, they are not considered to be either a revenue or an expense for the Water Authority. However, the franchise fees are included in charges for services and general and administrative expenses in fiscal years prior to fiscal year 2013.

Source: Water Authority Financial/Business Services Division

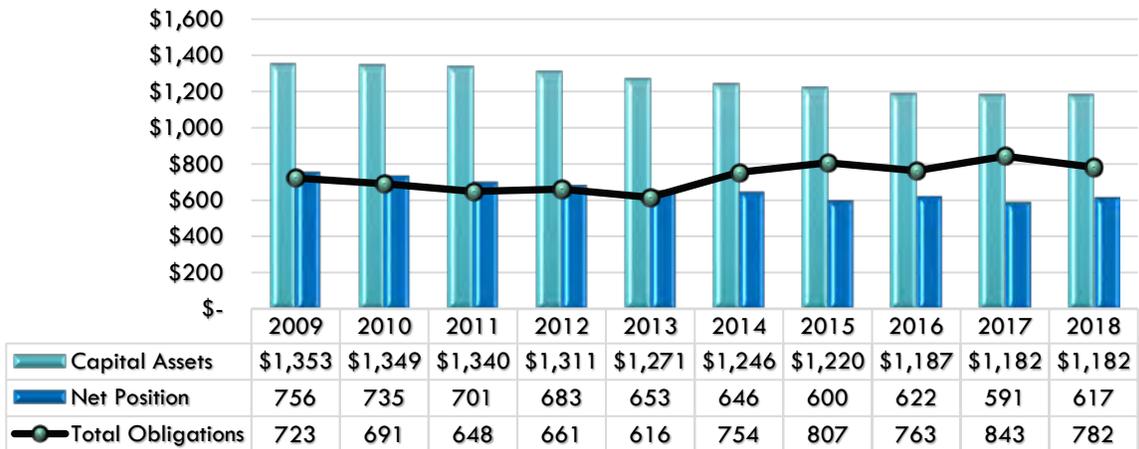
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TREND ANALYSIS FOR NET POSITION AND OPERATIONS

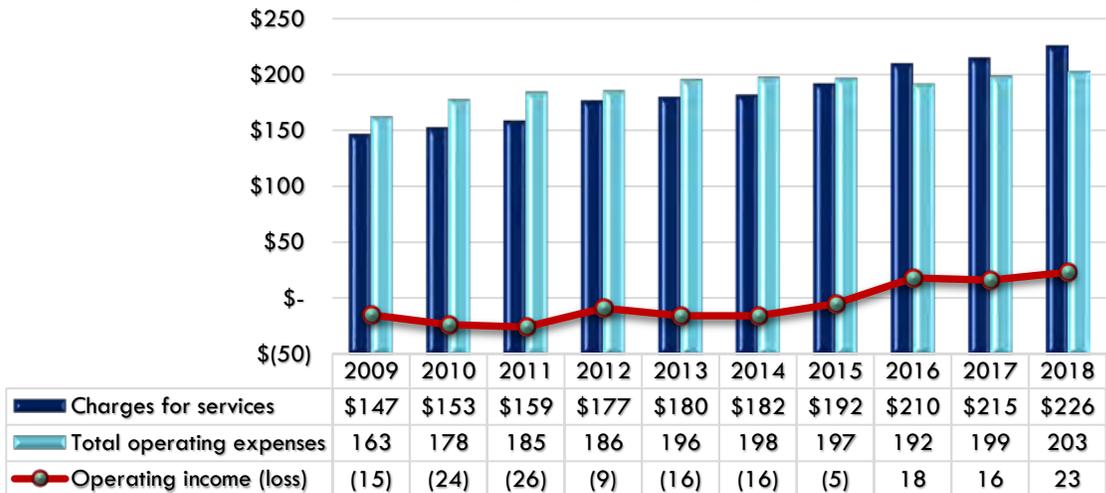
SCHEDULE 3 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2018 – 2009

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



Trend Analysis of Authority Operations



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUES

SCHEDULE 4 – LAST TEN FISCAL YEARS

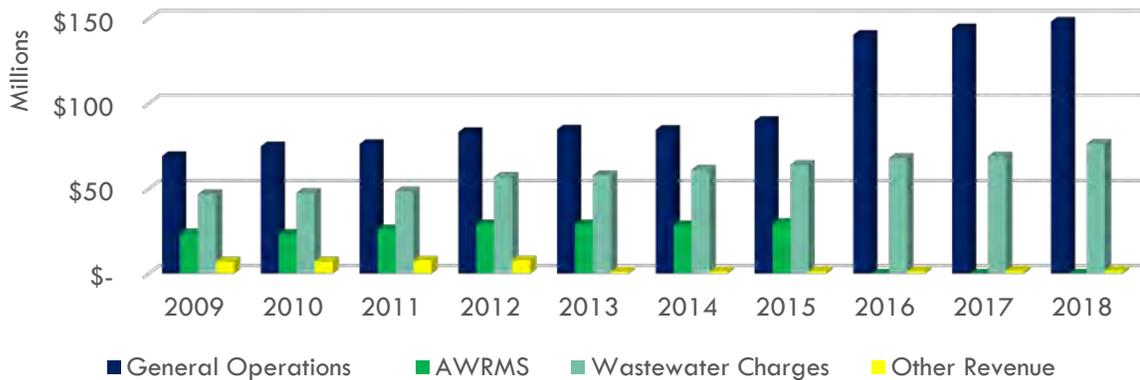
FISCAL YEARS 2018 – 2009

Fiscal Year	General operations (2)	AWRMS (1)	Wastewater charges	Other revenue	Total operating revenue
2018	\$148,315,450	-	\$76,253,042	\$1,828,000	\$226,396,492
2017	144,342,932	-	69,101,050	1,750,000	215,193,982
2016	140,551,140	-	68,166,636	1,339,000	210,056,776
2015	89,768,328	29,939,349	64,171,110	1,323,000	185,201,787
2014	84,500,221	28,561,586	61,327,115	1,232,000	175,620,922
2013	84,713,861	29,161,139	57,072,020	8,053,146	173,048,483
2012	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690
2011	76,072,550	26,219,494	48,504,637	7,718,145	158,514,826
2010	74,773,904	23,483,160	47,685,066	7,202,722	153,144,852
2009	69,395,141	23,803,266	46,805,468	7,141,714	147,145,589

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

(2) The 2013-2018 General operations revenues are excluding franchise fees as revenue for the Water Authority. They are a pass-through, therefore, should not be included as revenue for the Water Authority.

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

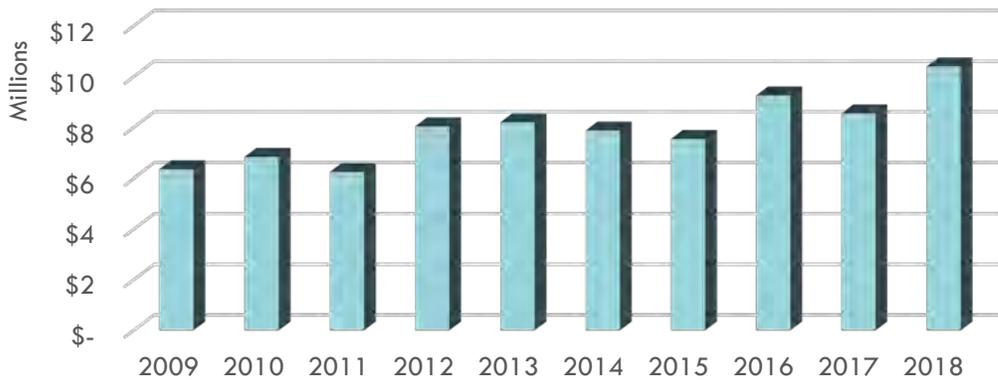
REVENUE FROM UTILITY EXPANSION CHARGES

SCHEDULE 5 – LAST TEN FISCAL YEARS

FISCAL YEARS 2018 – 2009

Fiscal Year	Utility expansion charges
2018	\$10,397,749
2017	8,545,978
2016	9,256,938
2015	7,541,201
2014	7,872,237
2013	8,197,016
2012	8,035,123
2011	6,240,073
2010	6,834,261
2009	6,346,401

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY CLASS:

2018 – 2014

Class	2018	2017*	2016	2015	2014
Residential	183,018	181,814	187,479	186,461	174,193
Multi-family	7,851	7,801	7,268	7,115	6,569
Commercial	12,023	11,913	11,901	11,923	11,303
Institutional	3,680	3,650	2,187	2,150	2,196
Industrial	122	119	110	113	99
Other metered	720	616	-	-	-
<i>Subtotal</i>	<i>207,414</i>	<i>205,913</i>	<i>208,945</i>	<i>207,762</i>	<i>194,360</i>
Solid waste only	1,365	1,362	-	-	-
Other non-metered	3,120	2,940	-	-	-
Total	211,899	210,215	208,945	207,762	194,360

2013 – 2009

Class	2013	2012	2011	2010	2009
Residential	174,909	174,277	173,339	172,787	171,983
Multi-family	6,430	6,393	6,364	6,349	6,231
Commercial	11,321	11,287	11,226	11,272	11,367
Institutional	2,391	2,316	2,279	2,223	2,119
Industrial	99	102	99	106	113
Other		-	-	-	-
Total	195,150	194,375	193,307	192,737	191,813

* Beginning in Fiscal Year 2017 the water users by meter size are illustrated between metered and non-metered accounts. Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY METER SIZE:

2018 – 2014

Meter size	2018	2017*	2016	2015	2014
¾"	183,398	182,232	185,894	184,743	171,395
1" and 1 ¼"	17,975	17,796	17,392	17,447	17,474
1 ½"	2,467	2,381	2,300	2,269	2,238
2"	2,575	2,509	2,386	2,349	2,303
3"	606	603	590	575	578
4"	284	282	278	276	270
6"	66	68	64	63	60
8" and over	43	42	41	40	42
<i>Subtotal</i>	<i>207,414</i>	<i>205,913</i>	<i>208,945</i>	<i>207,762</i>	<i>194,360</i>
Non-metered	4,485	4,302	-	-	-
Total	211,899	210,215	208,945	207,762	194,360

2013 – 2009

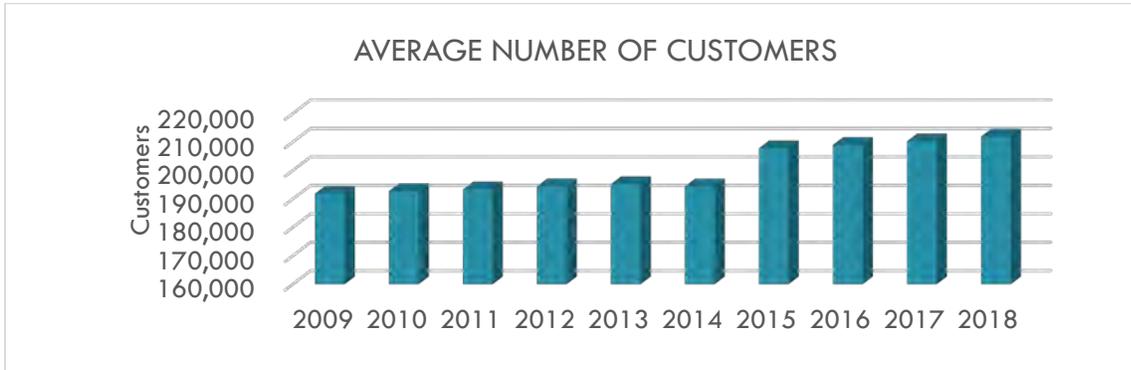
Meter size	2013	2012	2011	2010	2009
¾"	171,874	171,103	169,984	169,414	168,632
1" and 1 ¼"	17,645	17,717	17,820	17,820	17,611
1 ½"	2,249	2,221	2,195	2,195	2,169
2"	2,352	2,320	2,228	2,228	2,179
3"	634	634	714	714	834
4"	286	273	268	268	275
6"	63	61	58	58	67
8" and over	47	46	40	40	46
Total	195,150	194,375	193,307	192,737	191,813

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

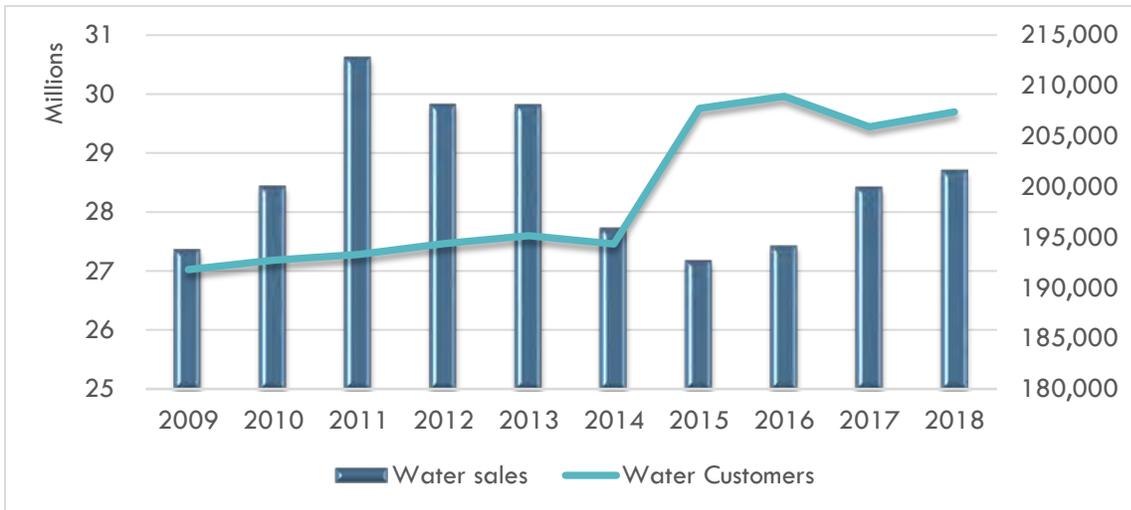
WATER AND WASTEWATER USERS BY CLASS AND METER SIZE CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF AVERAGE NUMBER OF ACCOUNTS:
2009 – 2018



WATER SALES VS. NUMBER OF WATER ACCOUNTS:
2009 – 2018



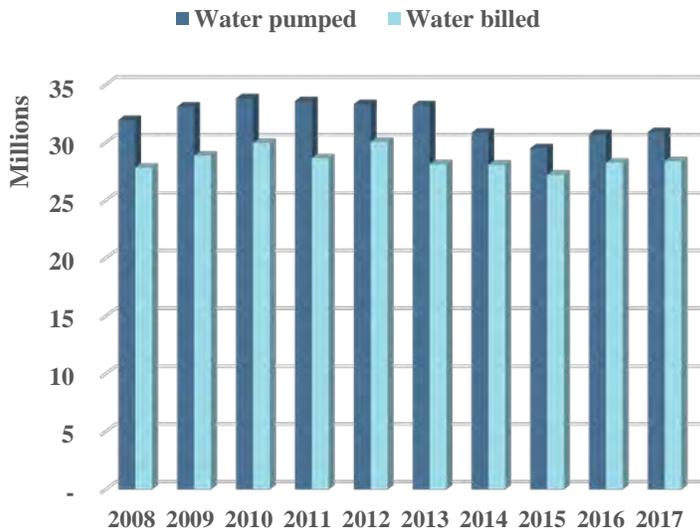
Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER CONSUMPTION

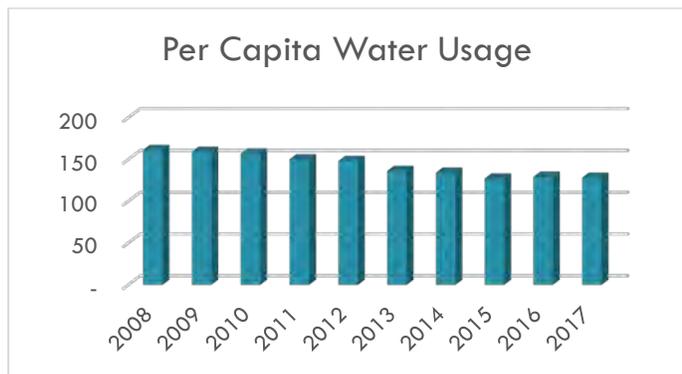
SCHEDULE 7 – LAST TEN CALENDAR YEARS

CALENDAR YEARS 2017 – 2008



Calendar year	Water Pumped	Water Billed	% Billed
2017	30,895,000	28,357,626	91.79%
2016	30,720,000	28,250,591	91.96%
2015	29,498,000	27,195,260	92.19%
2014	30,836,000	28,075,612	91.05%
2013	33,222,000	28,113,371	84.62%
2012	33,318,000	30,044,094	90.17%
2011	33,577,000	28,621,945	85.24%
2010	33,830,964	29,949,844	88.53%
2009	33,098,373	28,844,216	87.15%
2008	31,940,000	27,816,110	87.09%

Calendar year	Per Capita Water Usage
2017	128
2016	129
2015	127
2014	134
2013	136
2012	148
2011	150
2010	157
2009	159
2008	161



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WATER REVENUE - FISCAL YEAR 2018

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$9,618,383	1	6.49%	3,052,168
Albuquerque Public Schools	3,084,491	2	2.08%	708,280
University of New Mexico	1,295,716	3	0.87%	295,974
Bernalillo County	781,341	4	0.53%	216,552
Kirtland Air Force Base	724,977	5	0.49%	162,237
Water Authority	308,390	6	0.21%	71,141
Central NM Community College	286,707	7	0.19%	64,435
Lovelace Health	275,650	8	0.19%	85,521
Sumitomo	272,383	9	0.18%	111,329
Albuquerque Academy	254,689	10	0.17%	102,533
Total	\$16,902,727		11.40%	

2018 Total Water Revenue	\$148,315,450
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WATER REVENUE - FISCAL YEAR 2009

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$3,958,332	1	4.25%	1,920,863
Albuquerque Public Schools	1,351,427	2	1.45%	442,461
UNM Physical Plant	379,206	3	0.41%	135,588
Tanoan Country Club	248,890	4	0.27%	156,841
Lovelace Health	196,776	5	0.21%	105,240
Albuquerque Bio Park Zoo	172,338	6	0.18%	102,662
UNM Hospital	134,075	7	0.14%	67,239
NM State Fair Complex	114,814	8	0.12%	44,908
General Electric	98,957	9	0.11%	55,190
Towne Park	92,494	10	0.10%	50,200
Total	\$6,747,309		7.24%	

2009 Total Water Revenue	\$93,198,407
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS CONTINUED

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WASTEWATER REVENUE - FISCAL YEAR 2018

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirkland Air Force Base	\$1,409,370	1	1.85%	745,216
University of New Mexico	990,988	2	1.30%	588,650
Albuquerque Public Schools	810,218	3	1.06%	134,016
City of Albuquerque	710,303	4	0.93%	101,364
Creamland Dairies	663,061	5	0.87%	53,781
Bernalillo County	175,025	6	0.23%	43,837
Lovelace Health	163,612	7	0.21%	57,641
Central NM Community College	127,103	8	0.17%	30,858
Sandia Peak Services	88,918	9	0.12%	74,073
Four Hills Mobile Home Park	85,971	10	0.11%	34,901
Total	\$5,224,569		6.85%	

2018 Total Wastewater Revenue	\$76,253,042
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WASTEWATER REVENUE - FISCAL YEAR 2009

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
New Mexico Utilities	\$2,718,901	1	5.81%	2,281,994
Kirkland Air Force Base	893,237	2	1.91%	589,723
Albuquerque Public Schools	531,982	3	1.14%	123,781
UNM Physical Plant	427,102	4	0.91%	339,171
City of Albuquerque	411,163	5	0.88%	147,587
UNM Hospital	144,208	6	0.31%	52,846
Presbyterian Health	128,057	7	0.27%	52,740
Lovelace Health	126,879	8	0.27%	83,351
Albuquerque Bio Park Zoo	95,801	9	0.20%	71,893
Sandia Peak Services	71,914	10	0.15%	68,259
Total	\$5,549,244		11.86%	

2009 Total Wastewater Revenue	\$46,805,468
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OUTSTANDING DEBT RATIO

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

FISCAL YEAR 2018 – 2009

Fiscal Year	Revenue Bonds	Loan Agreements	Water Rights Contract	Lines of Credit	Un-Amortized Premium	Total	Per Capita*	Per Customer*
2018	\$551,950	\$39,727	\$6,409	-	\$48,088	\$646,174	\$955	\$3,049
2017	589,880	44,013	7,579	-	60,241	701,713	1,286	3,419
2016	566,455	54,819	8,715	-	58,712	688,701	1,232	3,296
2015	601,985	63,627	9,817	-	71,578	747,007	1,170	3,250
2014	515,450	131,515	10,887	-	23,864	681,716	1,204	3,198
2013	420,780	210,805	11,925	-	13,334	656,844	1,172	3,366
2012	443,015	229,644	12,932	-	17,400	703,023	1,267	3,617
2011	467,145	193,620	13,910	103	12,631	687,409	1,239	3,556
2010	489,210	206,642	14,858	760	12,529	723,999	1,322	3,768
2009	515,345	209,584	15,779	3,524	17,397	761,629	1,400	3,971

Note:

1. Per Capita is based on the estimated 2014 population provided by the US Census Bureau.
2. Per customer is based on the number of customers for the Water Authority.
3. Updated FY2017 schedule includes unamortized premium amounts, which includes restated amounts for the per capita and per customer for 2008 – 2016.

* Not presented in thousands of dollars

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SENIOR / SUBORDINATE LIEN DEBT COVERAGE

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

SENIOR LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2018	\$240,966	\$112,698	\$128,268	\$31,018	\$23,948	(\$12,153)	3.00	1.33
2017	227,044	111,326	115,718	37,497	23,899	(12,407)	2.36	1.33
2016	226,774	106,897	119,877	43,031	23,794	(12,866)	2.22	1.33
2015	203,834	107,597	96,237	33,819	22,579	(9,046)	2.03	1.33
2014	199,234	108,177	91,057	41,151	31,502	(4,684)	1.34	1.33
2013	184,338	96,611	87,727	39,732	23,773	-	1.38	1.33
2012	180,272	94,085	86,187	38,674	22,878	-	1.40	1.33
2011	166,652	88,790	77,862	37,329	29,146	-	1.17	1.33
2010	158,528	87,768	70,760	34,094	33,953	-	1.03	1.33
2009	160,800	83,177	77,623	34,996	27,345	-	1.24	1.33

SENIOR AND SUBORDINATE LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2018	\$240,966	\$112,698	\$128,268	\$42,216	\$27,303	(\$12,153)	2.24	1.20
2017	227,044	111,326	115,718	46,901	27,673	(12,407)	1.86	1.20
2016	226,774	106,897	119,877	43,964	27,865	(12,866)	2.03	1.20
2015	203,834	107,597	96,237	34,491	25,746	(9,046)	1.88	1.20
2014	199,234	108,177	91,057	42,081	31,889	(4,684)	1.31	1.20
2013	184,338	96,611	87,727	41,265	24,197	-	1.34	1.20
2012	180,272	94,085	86,187	41,574	23,404	-	1.33	1.20
2011	166,652	88,790	77,862	38,270	32,089	-	1.11	1.20
2010	158,528	87,768	70,760	36,413	34,570	-	1.00	1.20
2009	160,800	83,177	77,623	37,235	27,909	-	1.19	1.20

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

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

DEMOGRAPHIC AND ECONOMIC STATISTICS

SCHEDULE 11 – LAST TEN FISCAL YEARS

FISCAL YEAR 2018 – 2009

Fiscal Year	Population Albuquerque MSA*	Total Personal Income	Per Capita Personal Income	Unemployment Rate
2018	676,953	26,162,880	38.648	4.5%
2017	545,852	20,689,428	37.903	6.0%
2016	559,121	20,650,016	36.933	6.1%
2015	557,169	20,035,240	35.959	5.7%
2014	566,059	19,385,257	34.246	6.4%
2013	560,454	18,359,913	32.759	6.8%
2012	554,905	18,192,560	32.785	7.2%
2011	554,905	17,664,291	31.833	7.6%
2010	549,411	16,695,501	30.388	8.0%
2009	543,971	16,278,876	29.926	7.8%

Source: US Census Bureau, the University of New Mexico Bureau of Business and Economic Research (BBER). *Metropolitan Service Area (MSA), and <https://www.abq.org/demographics.aspx> for 2018 population.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TOP TEN MAJOR EMPLOYERS

SCHEDULE 12 – CURRENT FISCAL YEAR AND NINE YEARS AGO

FISCAL YEAR 2018 AND 2009

Employer	2018			2009		
	Number of Employees	Rank	% of Albuquerque MSA*	Number of Employees	Rank	% of Albuquerque MSA*
Albuquerque Public Schools	14,810	1	3.91%	14,000	3	3.38%
Kirtland Air Force Base (civilian)	10,125	2	2.67%	16,200	1	3.91%
Sandia National Laboratories	9,852	3	2.60%	-		0.00%
Presbyterian Hospital	7,310	4	1.93%	7,369	4	1.78%
UNM Hospital	6,021	5	1.59%	5,950	6	1.44%
City of Albuquerque	5,500	6	1.45%	5,940	7	1.43%
State of New Mexico	4,950	7	1.31%	5,910	8	1.43%
University of New Mexico	4,210	8	1.11%	15,890	2	3.83%
Lovelace Health System	4,000	9	1.06%	7,000	5	1.69%
Bernalillo County	2,648	10	0.70%	2,618	10	0.63%
Intel Corporation	-		0.00%	3,300	9	0.80%
Total	69,426		18.33%	84,177		20.32%
Total Employment:			378,716			414,400

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

https://www.abq.org/uploads/files/Albuquerque%20MSA%20Business%20Location%20Overview%20PDF_5-15-2017.pdf

*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FULL-TIME EQUIVALENT WATER AUTHORITY EMPLOYEES BY FUNCTION

SCHEDULE 13 – LAST TEN FISCAL YEARS

FISCAL YEAR 2018 - 2009

FUNCTION	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administration:										
Water Authority	14.0	13.0	8.0	8.0	13.0	12.0	12.0	12.0	12.0	12.0
Legal/Risk	0.0	7.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Legal	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Risk	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Resources	14.0	13.0	13.0	13.0	13.0	13.0	12.0	19.0	19.0	19.0
Financial/Business Services:										
Finance	30.5	31.5	31.5	28.5	27.0	23.0	23.0	23.0	20.0	20.0
Customer Service	91.0	90.0	92.0	80.0	80.0	74.0	73.0	75.0	77.0	62.0
Information Technology	26.0	26.0	25.0	27.0	25.0	25.0	22.0	22.0	19.0	19.0
Plant:										
Wastewater Treatment	92.0	92.0	99.0	99.0	99.0	109.0	109.0	107.0	106.0	105.0
Groundwater	54.0	55.0	26.0	27.0	28.0	68.0	79.0	55.0	59.0	58.0
San Juan-Chama Water Plant	30.0	28.0	56.0	56.0	57.0	24.0	11.0	9.0	22.0	20.0
Field:										
Wastewater Collections	62.0	61.0	60.0	60.0	65.0	63.0	63.0	61.0	61.0	61.0
Water Field Operations	124.0	124.0	117.0	126.0	126.0	122.0	123.0	146.0	130.0	129.0
Other:										
Compliance	44.5	45.5	46.0	46.0	44.0	44.0	41.0	38.0	38.0	39.0
Water Resources Management	0.0	0.0	40.0	41.0	35.0	36.0	35.0	33.0	33.0	32.0
Planning and Engineering	26.0	23.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Resources	11.0	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CIP Funded	7.0	7.0	9.0	9.0	9.0	0.0	0.0	0.0	0.0	0.0
Total	633.0	632.0	627.5	625.5	621.0	613.0	603.0	600.0	596.0	576.0

Note: In 2017, Water Resources Management function separated; now the Planning and Engineering and Water Resources divisions and in 2018 the Legal/Risk function separated; now the Legal and Risk divisions.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2017 - 2013

FUNCTION	2017	2016	2015	2014	2013
Estimated Population (Service Area)	676,298	670,779	658,238	656,305	643,881
Number of Meters (Billed)	206,606	208,140	208,200	206,944	205,316
Estimated Persons Per Meter	3.27	3.22	3.16	3.17	3.14
Annual Pumpage (1,000 Gallons)	30,895,000	30,720,000	29,498,000	30,836,000	33,222,000
Annual Water Billed (1,000 Gallons)	28,357,626	28,250,591	27,195,260	28,075,612	28,113,371
Average Daily Pumpage (Gallons)	84,643,836	84,164,384	80,816,438	84,482,192	91,019,178
Peak Day Pumpage (Gallons)	150,600,000	159,000,000	146,000,000	144,000,000	157,000,000
Peak Day Consumption (Gallons)	147,300,000	141,000,000	148,000,000	150,000,000	148,000,000
Average Daily Production Per Meter (Gallons)	410	404	388	408	443
Well Pumping Capacity (Per 24-hour period)	176,000,000	178,000,000	184,000,000	183,000,000	187,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	253,000,000	249,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION CONTINUED

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2012 - 2008

FUNCTION	2012	2011	2010	2009	2008
Estimated Population (Service Area)	638,887	634,284	623,700	543,971	533,253
Number of Meters (Billed)	203,912	201,884	200,498	194,087	174,005
Estimated Persons Per Meter	3.13	3.14	3.11	2.80	3.10
Annual Pumpage (1,000 Gallons)	33,318,000	33,577,000	33,830,964	33,098,373	31,940,000
Annual Water Billed (1,000 Gallons)	30,044,094	28,621,945	29,949,844	28,844,216	27,816,110
Average Daily Pumpage (Gallons)	91,282,192	91,991,781	92,687,573	90,680,474	87,506,849
Peak Day Pumpage (Gallons)	175,000,000	182,000,000	226,902,542	186,819,804	155,329,700
Peak Day Consumption (Gallons)	164,000,000	161,500,000	160,000,000	144,030,800	149,870,000
Average Daily Production Per Meter (Gallons)	448	456	462	467	503
Well Pumping Capacity (Per 24-hour period)	196,000,000	282,000,000	282,000,000	314,250,000	294,000,000
Storage Capacity (Gallons)	249,000,000	249,000,000	228,700,000	228,700,000	211,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	-	-	-
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	-
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	-
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CAPITAL STATISTICS BY FUNCTION

SCHEDULE 15 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2017 - 2013

FUNCTION	2017	2016	2015	2014	2013
Fire Hydrants	15,731	15,646	15,572	15,344	15,249
Number of Miles of Lines:					
Water	2,739	2,729	2,721	2,691	2,680
Wastewater	1,908	1,904	1,900	1,879	1,875
San Juan-Chama	37	37	37	37	37

CALENDAR YEAR 2012 - 2008

FUNCTION	2012	2011	2010	2009	2008
Fire Hydrants	15,110	14,996	14,879	14,778	14,577
Number of Miles of Lines:					
Water	2,663	2,650	2,636	2,626	2,599
Wastewater	1,869	1,866	1,863	1,858	1,846
San Juan-Chama	37	37	37	37	-

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA

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

FISCAL YEAR 2018 - 2014

FUNCTION	2018	2017	2016	2015	2014	Average	Maximum
Groundwater Diversion	31,174.1 (10.16)	34,746.7 (11.32)	34,842.0 (11.35)	40,497.3 (13.20)	53,198.7 (17.33)	38,891.8 (12.67)	53,198.7 (17.33)
System Wells Only	30,434.7 (9.92)	34,040.3 (11.09)	34,194.7 (11.14)	39,377.1 (12.83)	51,842.3 (16.89)	37,977.8 (12.38)	51,842.3 (16.89)
Surface Water Diversion	66,370.0 (21.63)	62,716.3 (20.44)	59,481.5 (19.38)	54,033.9 (17.61)	42,660.6 (13.90)	57,052.5 (18.59)	66,370.0 (21.63)
Recovered Surface Water from River	0.0 (0.00)	0.0 (0.00)	1,077.2 (0.35)	0.0 (0.00)	0.0 (0.00)	N/A N/A	1,077.2 (0.35)
Total System Water Diversion	96,805.7 (31.54)	96,756.6 (31.53)	94,753.4 (30.88)	93,411.0 (30.44)	94,502.9 (30.79)	95,245.9 (31.04)	96,805.7 (31.54)
Groundwater Use	30,434.7 (9.92)	34,040.3 (11.09)	34,194.7 (11.14)	39,377.1 (12.83)	51,842.3 (16.89)	37,977.8 (12.38)	51,842.3 (16.89)
Surface Water Use	66,370.0 (21.63)	62,716.3 (20.44)	60,558.8 (19.73)	54,033.9 (17.61)	42,660.6 (13.90)	57,267.9 (18.66)	66,370.0 (21.63)
Percent Groundwater Use	31.4%	35.2%	36.1%	42.2%	54.9%	39.9%	54.9%
Percent Surface Water Use	68.6%	64.8%	63.9%	57.8%	45.1%	60.1%	68.6%
GPCD*	-	128.0	127.0	127.0	134.0	129.0	134.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December, 2016		17,875.0	4,916.7	8,547.2	26,422.2	48,200.0	74,622.2

Note – *GPCD is calculated by calendar year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA CONTINUED

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

FISCAL YEAR 2013 - 2009

FUNCTION	2013	2012*	2011*	2010*	2009*	Average	Maximum
Groundwater Diversion	55,723.5 (18.16)	59,556.9 (19.41)	62,479.1 (20.36)	61,617.5 (20.08)	80,821.7 (26.34)	64,039.7 (20.87)	80,821.7 (26.34)
System Wells Only	54,289.8 (17.66)	58,052.0 (18.92)	61,052.9 (19.89)	60,181.6 (19.61)	79,436.8 (25.88)	62,582.6 (20.39)	79,436.8 (25.88)
Surface Water Diversion	49,732.2 (16.21)	46,074.6 (15.01)	44,095.1 (14.37)	45,099.0 (14.70)	23,936.8 (7.80)	41,787.5 (13.62)	49,732.2 (16.21)
Recovered Surface Water from River	-	-	-	-	-	-	-
Total System Water Diversion	103,922.0 (33.86)	104,126.6 (33.93)	105,148.0 (34.26)	105,380.6 (34.31)	103,373.6 (33.68)	104,370.2 (34.01)	105,280.6 (34.31)
Groundwater Use	54,189.8 (17.66)	58,052.0 (18.92)	61,052.9 (19.89)	60,181.6 (19.61)	79,436.8 (25.88)	62,582.6 (20.39)	79,436.8 (25.88)
Surface Water Use	49,732.2 (16.21)	46,074.6 (15.01)	44,095.10 (14.37)	45,099.0 (14.70)	23,341.0 (7.61)	41,668.4 (13.58)	49,732.2 (16.21)
Percent Groundwater Use	52.1%	55.8%	58.1%	57.2%	77.3%	60.0%	77.3%
Percent Surface Water Use	47.9%	44.2%	41.9%	42.8%	22.7%	40.0%	47.9%
GPCD*	136.0	148.0	155.0	157.0	159.0	151.0	159.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December, 2011		17,875.0	4,624.2	8,254.7	26,129.7	48,200.0	74,329.7

Note – *GPCD is calculated by calendar year. 2012-2009 are reported by calendar year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS

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

FISCAL YEAR 2018 - 2014

RATIO TYPE	2018	2017	2016	2015	2014
Operating Ratio Calculation:					
Operating Revenues	\$226,396	\$215,194	\$210,057	\$192,312	\$182,350
/Operating Expenses	202,992	198,770	191,540	197,155	198,721
(1) Operating Ratio:	1.1	1.1	1.1	1.0	0.9

Operating Revenues	226,396	215,194	210,057	192,312	182,350
/Operating Expenses (excl. Depr.)	120,483	117,122	111,183	114,060	113,933
(1) Operating Ratio, excl. Depreciation:	1.9	1.8	1.9	1.7	1.6

Days Cash on Hand Calculation:					
Unrestricted Cash	148,814	125,990	101,196	68,886	60,636
/Operating Expense (excl. Depr.)	330	321	305	295	297
(2) Days Cash on Hand:	450.8	392.6	332.2	233.6	205.2

Days of Working Capital Calculation:					
Current Unrestricted Assets	169,102	146,372	121,366	85,288	78,784
Less: Current Liabilities	(88,883)	(78,147)	(81,583)	(74,295)	(66,823)
/Operating Expenses (excl. Depr.)	330	321	305	295	297
(3) Days of Working Capital:	243.0	212.6	130.6	37.3	40.3

Current Ratio Calculation:					
Unrestricted Cash	148,814	125,990	101,196	68,886	60,836
+ Receivables, net	20,288	20,381	20,170	16,401	17,948
/Current Liabilities	88,883	78,147	81,583	74,295	66,823
(4) Current Ratio:	1.9	1.9	1.5	1.1	1.2

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

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

FISCAL YEAR 2013 - 2009

RATIO TYPE	2013	2012	2011	2010	2009
Operating Ratio Calculation:					
Operating Revenues	\$179,678	\$177,055	\$158,515	\$153,145	\$147,146
/Operating Expenses	195,437	185,893	184,962	176,836	162,513
(1) Operating Ratio:	0.9	1.0	0.9	0.9	0.9

Operating Revenues	179,678	177,055	158,515	153,145	147,146
/Operating Expenses (excl. Depr.)	108,349	100,609	101,113	94,996	89,821
(1) Operating Ratio, excl. Depreciation:	1.7	1.8	1.6	1.6	1.6

Days Cash on Hand Calculation:					
Unrestricted Cash	38,582	47,108	57,387	37,288	56,758
/Operating Expense (excl. Depr.)	297	276	277	260	246
(2) Days Cash on Hand:	130.0	170.9	207.2	143.3	230.6

Days of Working Capital Calculation:					
Current Unrestricted Assets	57,201	64,820	71,989	53,910	71,455
Less: Current Liabilities	(67,802)	(68,707)	(70,704)	(67,090)	(73,191)
/Operating Expenses (excl. Depr.)	297	276	277	260	246
(3) Days of Working Capital:	(35.7)	(14.1)	4.6	(50.6)	(7.1)

Current Ratio Calculation:					
Unrestricted Cash	38,582	47,108	57,387	37,288	56,758
+ Receivables, net	18,603	17,619	14,602	16,622	14,632
/Current Liabilities	67,802	68,707	70,704	67,090	73,191
(4) Current Ratio:	0.8	0.9	1.0	0.8	1.0

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

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

FISCAL YEAR 2018 - 2009

Notes for Financial Benchmarks:

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

Source: Water Authority Financial/Business Services Division

OTHER SUPPLEMENTARY INFORMATION SECTION







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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. Wayne Johnson
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements, and the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, and have issued our report thereon dated November 21, 2018.

Internal Control Over Financial Reporting

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

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

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2018-001, 2018-002 and 2018-003.

The Water Authority's Responses to Findings

The Water Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Water 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 Water Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

REDW LLC

Albuquerque, New Mexico
November 21, 2018

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

2018-001 (2017-001) - Disposition of Capital Assets
(Other noncompliance)

Criteria: According to 2.2.2.10(U) New Mexico Administrative Code (NMAC), sections 13-6-1 to 13-6-2 NMSA 1978 governs the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies. The Water Authority's governing board shall designate a committee of at least three officials to approve and oversee dispositions, and at least 30 days prior to any disposition of property, written notification of the proposed disposition must be sent to the New Mexico Office of the State Auditor. Furthermore, the disposition of property with a resale value greater than \$5,000 requires the approval from the Department of Finance and Administration (DFA).

Condition: During fiscal year 2018, the Water Authority created a designated committee to oversee the disposition of capital assets; however, based on our testing of thirteen capital asset disposals, the Water Authority's committee did not provide written notification to the New Mexico Office of the State Auditor 30-days prior to the dispositions. Furthermore, the Water Authority did not obtain approval from DFA for the sale of two capital asset items with a total resale value of \$69,000. The Water Authority's Committee has reviewed and approved of all fiscal year 2019 dispositions to date. The Water Authority also enacted rules governing procurement effective July 1, 2018 which included rules regarding the disposition of property that are compliant with NMSA 1978 §13-6-1.

Cause: The Water Authority did not have internal controls in place to ensure compliance with capital asset disposition requirements.

Effect: The Water Authority was not in compliance with the applicable New Mexico Administrative Code and State Statutes.

Auditor's Recommendation: We recommend that the Water Authority implement internal controls to ensure compliance with the State Statutes related to the disposition of capital assets. Additionally, the disposition of property with a resale value greater than \$5,000 should be approved by DFA prior to the disposition.

Management's Response: Pursuant to NMSA 1978 §13-6-1-B(1), the Water Authority designated a three person committee consisting of the Executive Director, Controller, and Chief Purchasing Officer to oversee and approve of property dispositions through Resolution R-18-16 on May 23, 2018. The Committee has reviewed and approved of all FY19 dispositions to date. The Water Authority enacted rules governing procurement effective July 1, 2018 which included rules regarding the disposition of property that are compliant with NMSA 1978 §13-6-1. The Purchasing Administrator has been in contact

with the Department of Finance and Administration, the Office of the State Auditor, and the State Board of Finance to receive guidance and clarification regarding the disposition of property and has incorporated the requirements into its standard disposition procedures. The Purchasing Administrator is the main point of contact for dispositions and has been trained on relevant requirements including obtaining the required approvals and submitting all necessary notifications. The Purchasing Department is developing a procedure to be distributed and referenced for future dispositions by all Departments.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

2018-002 (2017-002) – Public Money Act
(Other noncompliance)

Criteria: According to 2.2.2.10(J)(3) New Mexico Administrative Code (NMAC), compliance with the Public Money Act, 6-10-1 to 6-10-63 NMSA 1978 is required. According to section 6-10-3 NMSA 1978, all public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source, except as in Section 6-10-54 NMSA 1978, must be deposited before the close of the next succeeding business day.

Condition: Based on our testwork over daily deposits, it was determined that the Water Authority did not deposit cash receipts before the close of the next succeeding business day for two out of the thirty-two deposits tested, totaling \$17,636. The Water Authority's Customer Services Division (CSD) provided the courier with a copy of their contract specifying the required deposit pick-up and delivery times and explained the need to comply with the Public Money Act. Courier service improved, but periodic occurrences of late or missed pickups have continued. CSD has contacted the Purchasing group and will work with them to evaluate options to address the current courier's performance or find a replacement that can provide consistent deposit pickups and deliveries of the Water Authority's cash receipts.

Cause: The Water Authority has developed internal controls to ensure that all cash receipts are deposited before the close of the next succeeding business day. However, the Water Authority outsources this function to a third-party courier service and in some instances the courier service will not always arrive by the agreed-upon contracted times, which will result in delays in the deposits of the cash receipts.

Effect: The Water Authority was not in compliance with the applicable requirements.

Auditor's Recommendation: We recommend that the Water Authority follow State Statutes and ensure cash receipts are deposited by the close of the next succeeding business day.

Management's Response: The Water Authority agrees that all daily cash receipts be deposited in accordance with 2.2.2.10(J)(3) New Mexico Administrative Code (NMAC), compliance with the Public Money Act, 6-10-1 to 6-10-63 NMSA 1978, as required.

Cash receipts deposits not made by the next business day have occurred when the Water Authority's armored services courier picked up the deposits late and delivered them to our bank after close of business. Customer Services Division (CSD) provided the courier with a copy of their contract specifying the required deposit pick-up and delivery times and explained the need to comply with the Public Money Act. Courier service improved, but periodic occurrences of late or missed pickups have continued.

CSD has contacted the Purchasing group and will work with them to evaluate options to address the current courier's performance or find a replacement that can provide consistent deposit pickups and deliveries of the Water Authority's cash receipts. The Customer Service Division Manager will ensure this will be completed by December 31, 2018.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

2018-003 – Compliance with Personnel Rules and Regulations
(Other noncompliance)

Criteria: According to Section 1001 – Personnel Records – of the Albuquerque Bernalillo County Water Utility Authority Personnel Rules and Regulations, certain employee documentation should be maintained in each employee’s official personnel file and accessible to the public. These documents include the following:

- A. Employee’s application for employment and resume;
- B. Personnel Action Forms;
- C. PERA/ICMA membership application/documents; and
- D. Certifications, degrees, permits, licenses and awards.

Condition: While the Water Authority maintains current pay rate and pay rate approval information within its electronic payroll system, twenty-one of the twenty-five Water Authority employee personnel files reviewed did not include a current Personnel Action Form.

Cause: Internal controls were not in place to ensure that current Personnel Action Forms were maintained in accordance with the above requirements.

Effect: The Water Authority was not in compliance with the applicable Personnel Records requirements.

Auditor’s Recommendation: We recommend that the Water Authority either modify the policies and procedures to reflect the current practice of maintaining pay rate and pay rate approval information within its electronic payroll system or maintain current Personnel Action Forms as required by the current policy.

Management’s Response: The Water Authority concurs with this finding. The Human Resources Manager will update the Personnel Rules and Regulations to conform with the current process. Once all notifications and approvals have been communicated and obtained regarding this change to the Personnel Rules and Regulations, they will be in force no later than December 31, 2018.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PRIOR AUDIT FINDINGS

2017-001 - Disposition of Capital Assets

Status: Repeated and modified

2017-002 – Public Money Act

Status: Repeated and modified

2017-003 – The Audit Act

Status: Resolved

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
REVENUES:				
<i>OPERATING:</i>				
Water service	\$90,578,000	\$90,578,000	\$106,921,405	\$16,343,405
Water facilities rehab	32,402,000	32,402,000	37,325,737	4,923,737
Wastewater service	62,829,000	62,829,000	42,796,712	(20,032,288)
Wastewater facilities rehab	25,562,000	25,562,000	33,456,330	7,894,330
Water resources management	4,500,000	4,500,000	4,417,899	(82,101)
COA administrative fees	1,828,000	1,828,000	1,828,000	-
Transfer from capital	1,014,000	1,014,000	942,854	(71,146)
Investment income	100,000	100,000	321,807	221,807
Miscellaneous revenue	2,452,000	2,452,000	1,846,123	(605,877)
Franchise fees	8,635,000	-	-	-
State grants	-	-	30,000	30,000
<i>CAPITAL:</i>				
Transfer from operating	27,000,000	30,250,000	30,250,000	-
Transfer from debt service	6,000,000	6,000,000	6,000,000	-
Loan proceeds	-	755,000	669,550	(85,450)
State grants	-	1,255,000	1,022,790	(232,210)
Miscellaneous revenue	-	1,983,603	710,517	(1,273,086)
Lease of water rights	-	-	78,537	78,537
<i>DEBT SERVICE:</i>				
Utility Expansion Charges	8,000,000	8,000,000	10,397,749	2,397,749
Transfer from Operating	70,908,000	70,908,000	70,908,000	-
TOTAL REVENUES	\$341,808,000	\$340,416,603	\$349,924,010	\$9,507,407

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
EXPENSES:				
<i>OPERATING:</i>				
Administration	\$2,792,000	\$2,792,000	\$3,140,331	\$(348,331)
Legal	703,000	703,000	863,488	(160,488)
Risk	4,523,000	4,523,000	3,615,673	907,327
Human resources	1,508,000	1,551,875	1,472,764	79,111
Finance	4,004,000	4,004,000	3,866,955	137,045
Customer service	9,112,000	9,112,000	8,681,829	430,171
Information technology	7,131,000	7,131,000	6,997,997	133,003
Wastewater plant	11,680,000	11,680,000	10,978,397	701,603
SJC water treatment plant	3,639,000	3,639,000	3,478,591	160,409
Groundwater operations	6,427,000	6,427,000	6,287,965	139,035
Wastewater collection	6,758,000	6,758,000	6,823,745	(65,745)
Water field operations	20,129,000	20,085,125	18,154,456	1,930,669
Compliance	5,400,000	5,400,000	4,242,112	1,157,888
Planning and engineering	3,390,000	3,390,000	2,960,179	429,821
Water resources	3,872,000	3,872,000	3,631,190	240,810
General government*	31,677,000	23,292,000	23,076,053	215,947
San Juan-Chama	2,247,000	2,247,000	2,109,277	137,723
Transfer to debt service	70,908,000	70,908,000	70,908,000	-
Transfer to capital	27,000,000	30,250,000	30,250,000	-
<i>CAPITAL:</i>				
Capital expense	63,586,000	112,218,623	83,600,590	28,618,033
Transfer to operating	1,014,000	1,014,000	942,854	71,146
<i>DEBT SERVICE:</i>				
Debt service	70,993,000	70,993,000	70,188,778	804,222
Transfer to capital	6,000,000	6,000,000	6,000,000	-
TOTAL EXPENSES	\$364,493,000	\$407,990,623	\$372,271,224	\$35,719,399

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
NET EFFECT:				
Revenues over (under) expenses	\$(22,685,000)	\$(67,574,020)	\$(22,347,214)	\$(26,211,992)

Revenues (expenses) not budgeted:	
Depreciation	(82,508,932)
Amortization on premium and discounts	9,206,784
Non-budgeted miscellaneous expenses	(4,835,003)
Net expenses over revenues not budgeted	(78,137,151)

Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	42,885,467
Principal payments on water rights contract	1,170,372
Expenses recorded in capital general ledger funds	75,815,750
Capital grant / loan proceeds	(1,692,340)
Unrealized gain in fair value of investments	161,986
Capital contributions	6,920,715
Capital outlay	585,297
Net changes to conform to generally accepted accounting principles	\$125,847,247

Changes in net position	\$25,362,882
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* General government expenses include: power and chemicals, taxes, and overhead.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF DEPOSITS AND INVESTMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

BY FINANCIAL INSTITUTION

Account Name	Type of Account	Bank Balance	Outstanding	Book Balance
Bank of Albuquerque:				
Lockbox	Checking	\$35,189,412	-	\$35,189,412
Wells Fargo Bank:				
General Fund	Checking	80,526,346	(1,218,464)	79,307,882
Money Market Reserve	Savings	7,000,000	-	7,000,000
Flex Spending	Checking	42,853	-	42,853
Rio Grande Credit Union:				
Money Market	Savings	249,092	-	249,092
Cash on hand		-	-	4,450
US Bank:				
Treasury Money Market	Investments	4,413	-	4,413
U S Treasury Bill	Investments	6,060,027	-	6,060,027
U S Treasury Bill	Investments	6,098,918	-	6,098,918
U S Treasury Bill	Investments	6,087,509	-	6,087,509
U S Treasury Bill	Investments	6,075,816	-	6,075,816
U S Treasury Bill	Investments	6,065,955	-	6,065,955
U S Treasury Bill	Investments	6,079,471	-	6,079,471
Total Cash Deposits		\$159,479,812	\$(1,218,464)	\$158,265,798

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Bank of Albuquerque, N.A.:				
FG J16936	3128PWW54	\$1,179,101	10/01/2026	3.500%
FN AT7857	3138WVWT4	1,122,273	06/01/2028	2.500%
FN AT7857	3138WVWT4	1,402,842	06/01/2028	2.500%
FN AT7857	3138WVWT4	233,807	06/01/2028	2.500%
FN AT7857	3138WVWT4	233,807	06/01/2028	2.500%
FRESB 2018-SB49 A 7H	302961AC1	1,933,936	03/25/2038	2.660%
FNA 2014-M2 ASV2	3136AJDR4	653,117	06/25/2021	2.777%
FNA 2014-M2 ASV2	3136AJDR4	979,676	06/25/2021	2.777%
FNA 2014-M2 ASV2	3136AJDR4	1,175,611	06/25/2021	2.777%
FHMS K024 A1	3137AXHN6	1,635,301	02/25/2022	1.749%
FHMS K024 A1	3137AXHN6	2,180,402	02/25/2022	1.749%
FHMS K024 A1	3137AXHN6	2,180,402	02/25/2022	1.749%
FHMS K024 A1	3137AXHN6	2,180,402	02/25/2022	1.749%
FHMS K024 A1	3137AXHN6	2,725,502	02/25/2022	1.749%
FHMS K043 A1	3137BGJZ3	6,810,272	10/25/2023	2.532%
FHMS K055 A1	3137BPVZ9	894,590	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	894,590	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	894,589	04/24/2025	2.263%

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Bank of Albuquerque, N.A.:				
FHMS K055 A1	3137BPVZ9	\$2,683,768	04/24/2025	2.263%
FHMS KJ11 A2	3137BUWM6	991,854	01/25/2023	2.932%
FHMS KJ11 A2	3137BUWM6	297,556	01/25/2023	2.932%
FHMS KJ11 A2	3137BUWM6	495,927	01/25/2023	2.932%
FHMS KJ11 A2	3137BUWM6	495,927	01/25/2023	2.932%
FNR 2013-56 PQ	3136AEA49	1,478,766	05/25/2043	1.750%
FNR 2013-56 PQ	3136AEA49	1,848,457	05/25/2043	1.750%
FHR 3810 EA	3137A6WK4	1,487,145	02/15/2025	3.100%
Location of collateral: Bank of Oklahoma – Oklahoma City, OK				
Wells Fargo Bank, N.A.:				
FNMA FNMS	3138A2CB3	12,754,673	12/01/2025	3.000%
FNMA FNMS	31418AD96	11,013,401	03/01/2042	3.500%
FNMA FNMS	31418CPE8	76,245,323	09/01/2047	3.500%
Location of collateral: Bank of New York Mellon – New York, NY				
Total Collateral of Cash Deposits		\$139,103,017		

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

EXIT CONFERENCE

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

An exit conference was held on Tuesday, November 20, 2018 at the office of the Water Authority with the following present:

On behalf of the Water Authority:

Trudy Jones, Chair

Mark S. Sanchez, Chief Executive Officer

Stanley R. Allred, Chief Financial Officer

Marta J. Ortiz, Controller

On behalf of REDW LLC:

James Montoya, Principal

Chris Bitakis, Senior Manager

Kristen Rodriguez, Senior Audit Associate