

ANNUAL COMPREHENSIVE FINANCIAL REPORT



6/30/2021

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY
AUTHORITY

For the Fiscal Years Ended June 30, 2021 and 2020

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 18, 2021

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

We are pleased to present the Annual Comprehensive Financial Report ("ACFR") of the Albuquerque Bernalillo County Water Utility Authority ("Water Authority") for the years ended June 30, 2021 and 2020. The Water Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"), and audited by a firm of independent certified public accountants retained by the Water Authority. Pursuant to NMSA 1978, § 12-6-3, the Water Authority's financial affairs must be examined, audited and approved annually by the New Mexico State Auditor's office.

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

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

REDW LLC, Certified Public Accountants, has been retained by the Water Authority to serve as its independent auditor and has issued an unmodified ("clean") opinion on the Water Authority's financial statements for the years ended June 30, 2021 and 2020. The independent auditor's report is located at the front of the Financial Section of this report.

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

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

Profile of the Water Authority

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

The Water Authority provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 685,486 residential, commercial, industrial and governmental customers comprising approximately 95% of the residents of Bernalillo County. About one-third of unincorporated County residents are customers of the water system.

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

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

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

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

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

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

Summary of Local Economy

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

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

The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has an estimated population of 910,726 residents. Historically, the area has grown at a steady pace of 1-2 percent per year. Despite the growth of the Albuquerque area, commute times are very reasonable, thus enhancing the work/life balance valued by many.

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

As with the rest of the nation, the Water Authority's service area has been severely impacted by the COVID-19 pandemic, with Albuquerque's unemployment at 7.5% as of June 2021. That is slightly better than the state's unemployment rate for the third quarter of 8.0%, and the national rate of 9.8%. Moving forward in 2021, the total employment in the Albuquerque MSA is forecast to increase by 1.7%, with gains in nearly every sector. Losses will be concentrated in the public sector, expected to be down 0.3%.

Private sector gains will mostly be had in a combination of the sectors employing the largest number of people and those hit hardest during the pandemic. Leading the gains will be accommodation and food services with an increase of 4.7%.

Professional and technical services will expand in 2021 by 3.4%. In 2020, employment in this sector expanded 0.3% and has been one of the most consistent performers over the last several years.

The large healthcare sector will bounce back from unprecedented losses in 2020, though the rate of growth will be timid. Meanwhile, as businesses begin to reopen in earnest in the first half of 2021, the temporary workforce will expand and push administrative and waste services up by 3.1%.

Also moving ahead for the year will be manufacturing, increasing 3.5%, construction increasing 2.1%, educational services increasing 5.7%, and transportation and warehousing increasing 3.1%.

Showing at least modest signs of life will be arts, entertainment and recreation with an increase of 7.8% as pandemic-era restrictions begin to relax in the second half of the year. The pandemic hit this sector particularly hard and it contracted more than any other sector in 2020 in percentage terms, down 39.0%.

Five private sector industries are projected to shed jobs in the year. Leading the losses will be retail trade, down 0.9% as consumers increasingly turn to online retailing at the expense of local retailers; agriculture will decrease 5.4%, utilities 1.8%, and mining 3.6%. Information workers will decrease 0.9% as workers will likely be undercounted in this sector as the film industry continues to move toward hiring contract-based workers who are not covered by unemployment insurance and therefore not included in the data.

In the longer term, through 2026, the Albuquerque MSA economy is forecasted to add 40,627 jobs for 2.2% average annual growth (AAG) as it regains jobs lost in 2020. Job levels in the MSA should exceed 2019 levels by 2023. By the end of the forecast window, the economy should have 6.1% more jobs than in 2019. Both the private sector and public sector will see positive growth over the period with the private sector increasing 2.4% AAG and the government sector increasing 1.4% AAG.

After projected declines in 2021, total housing permits in the City of Albuquerque are expected to bounce back in 2022. For the remainder of the forecast period, permits should trend upward and average about 1,683 per year.

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

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

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

Long-Term Financial Planning

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

To plan for the future and to ensure financial stability, an amendment to the Water Authority’s Rate Ordinance was approved by the Board in June 2013 which increased rate revenue by 5% in fiscal years 2014, 2015, 2016 and again in 2018. There was no rate increase in fiscal year 2020 or fiscal year 2021 and

no rate increase is scheduled for fiscal year 2022. The Water Authority will be preparing a cost-of-service study in 2022 to look at future needs of the system.

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

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

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

Major Initiatives

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

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

Selected priorities for FY22 include:

- Continue community outreach programs and communication.
- Complete a comprehensive asset management plan to understand and document the asset condition, risk assessment, remaining useful life, and replacement cost for every asset and begin life cycle cost accounting.
- Implement at least one planned Interceptor Rehabilitation project and at least one planned Small Diameter Sanitary Sewer Rehabilitation project.
- Implement countermeasures identified in Phase 1 of the Final Security Plan based on the vulnerability assessments and track and measure metrics related to the National Institute of Standards and Technology Cybersecurity Framework standards.
- Continue implementation of *Water 2120* – with completion of a Groundwater Management Plan, Environmental Plan, Reuse Plan, and an analysis of proposed water conservation rebate compliance with the rebate ordinance.

Relevant Financial Policies

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

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its annual comprehensive financial report for the Fiscal Year ended June 30, 2020. This was the seventh time since 2008 that the Water Authority received this prestigious award. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized annual comprehensive financial report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. Staff believes that its current annual comprehensive financial report continues to meet the Certificate of

Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

The Water Authority received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2021. This is the highest form of recognition in governmental budgeting. To qualify for the Distinguished Budget Presentation Award, the Water Authority's budget document was judged to be proficient in several categories, including presentation as a policy document, financial plan, operations guide and communication device. The Water Authority has been the recipient of this prestigious award since 2005.

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

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

Respectfully submitted,

Mark S. Sanchez
Executive Director

Stanley R. Allred
Chief Financial Officer/Chief Operations Officer

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CERTIFICATE OF ACHIEVEMENT AWARD



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

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

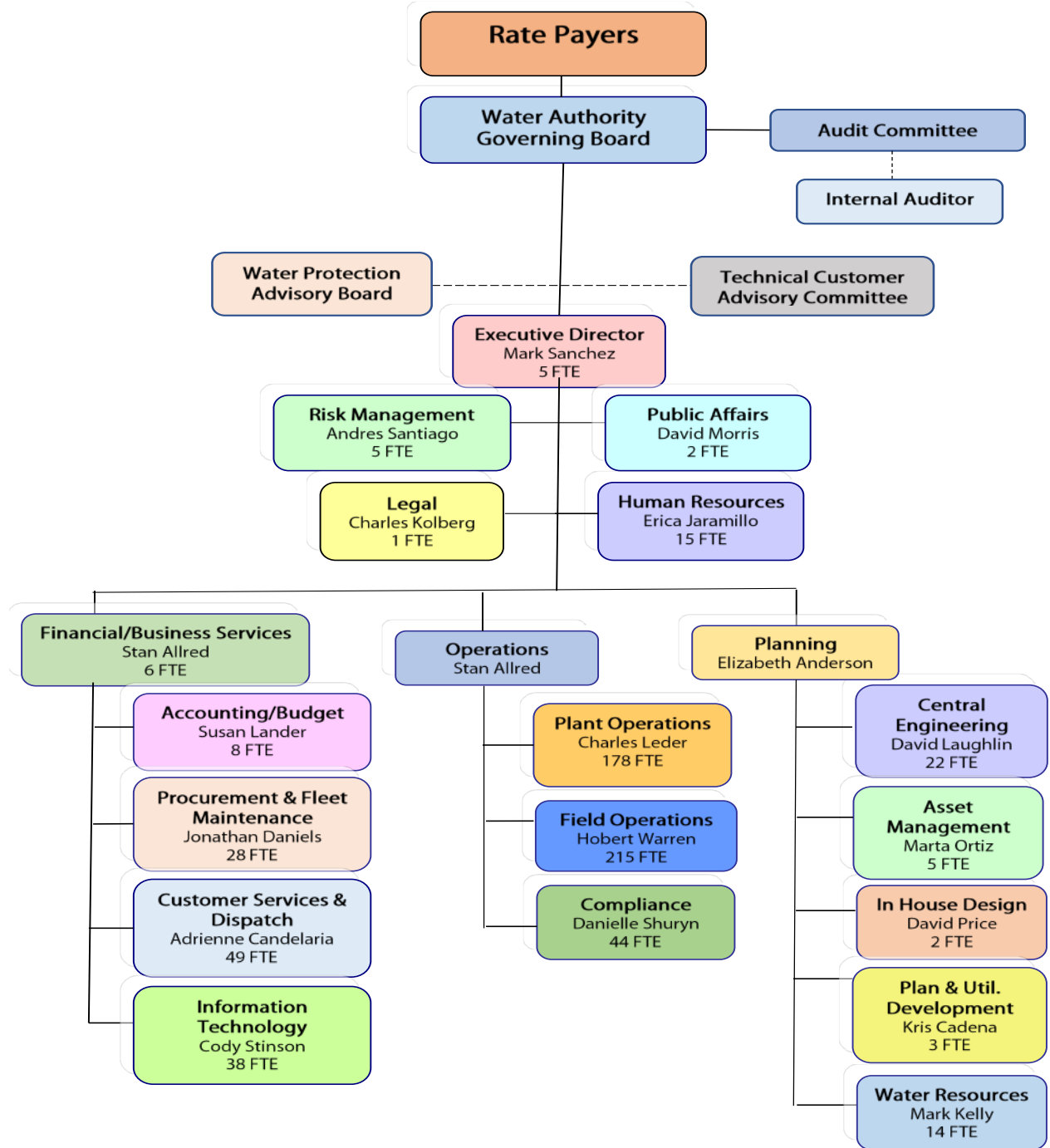
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY ORGANIZATIONAL CHART



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SYSTEM OFFICIALS



GOVERNING BOARD MEMBERS

STEVEN MICHAEL QUEZADA	BERNALILLO COUNTY COMMISSIONER, DISTRICT 2	CHAIR
KLARISSA J. PEÑA	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 3	VICE CHAIR
WALT BENSON	BERNALILLO COUNTY COMMISSIONER, DISTRICT 4	MEMBER
PAT DAVIS	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 6	MEMBER
TRUDY E. JONES	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 8	MEMBER
TIMOTHY M. KELLER	CITY OF ALBUQUERQUE, MAYOR	MEMBER
CHARLENE E. PYSKOTY	BERNALILLO COUNTY COMMISSIONER, DISTRICT 5	MEMBER
PABLO R. RAEI	VILLAGE OF LOS RANCHOS BOARD TRUSTEE	EX-OFFICIO

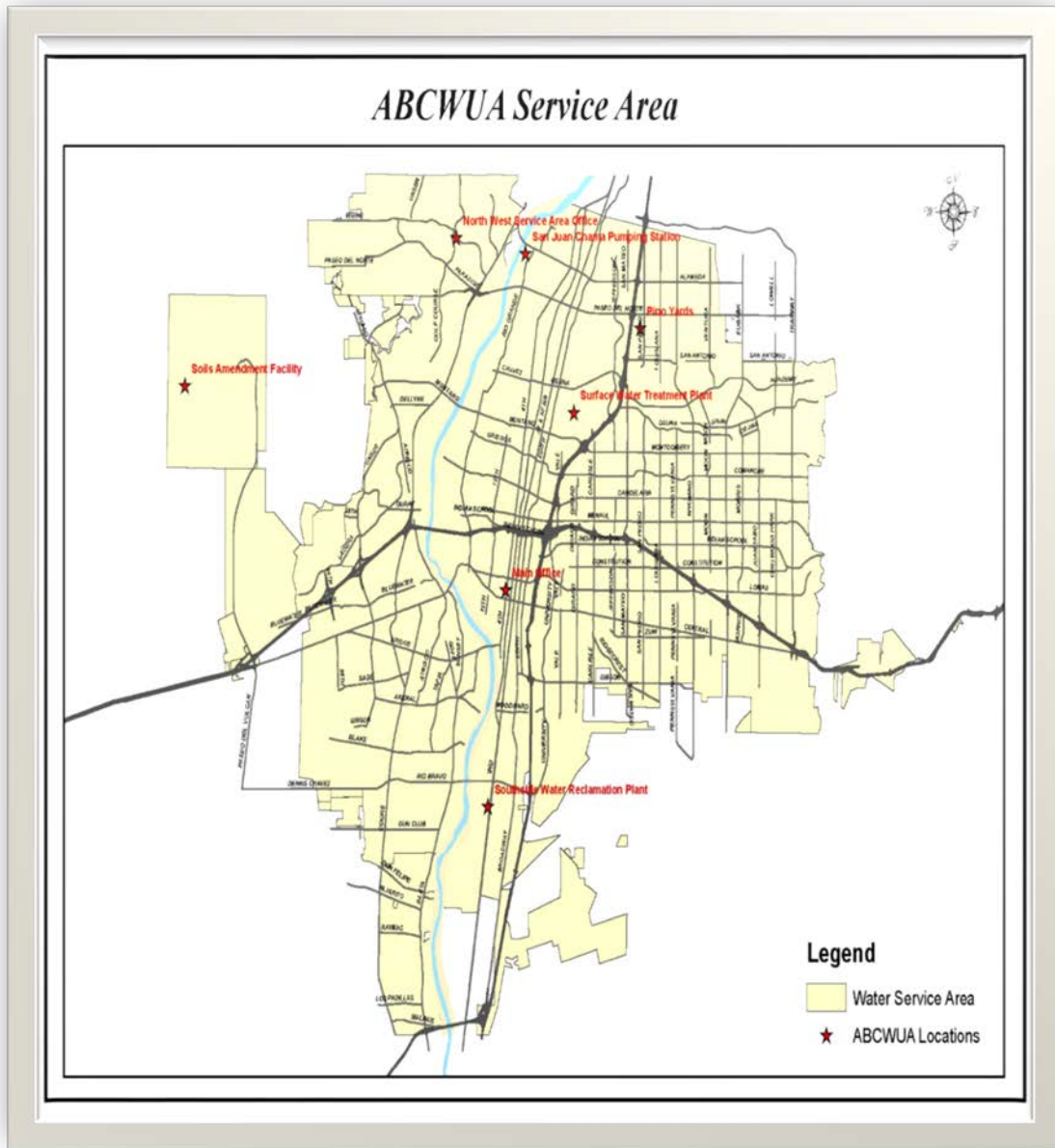
EXECUTIVE LEADERSHIP

MARK S. SANCHEZ	EXECUTIVE DIRECTOR
STANLEY R. ALLRED	CHIEF FINANCIAL OFFICER/ CHIEF OPERATIONS OFFICER
ELIZABETH ANDERSON	CHIEF PLANNING OFFICER
CHARLES KOLBERG	GENERAL COUNSEL
ERICA L. JARAMILLO	HUMAN RESOURCES MANAGER
DAVID R. MORRIS	PUBLIC AFFAIRS MANAGER

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SERVICE AREA MAP





FINANCIAL SECTION





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the years ended June 30, 2021 and 2020, 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, 2021, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

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

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

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, 2021 and 2020, 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, 2021, 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 schedule of proportionate share of net pension liability, schedule of pension contributions, schedules of changes in the net OPEB liability, schedules of OPEB contributions, and notes to required supplementary information related to pensions on pages 24-33 and 86-94 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 introductory section, statistical section, and other schedules required by 2.2.2 NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of the Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Authority's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

REDWLLC

Albuquerque, New Mexico
November 18, 2021



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021. 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 1.22 percent during fiscal year 2021, compared to a decrease of 0.12 percent during fiscal year 2020. The decrease in 2020 reflects a restatement for the implementation of GASB Statement No. 87 related to leases.

- The assets and deferred outflows of resources of the Water Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$641.2 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 \$52.0 million.
- Operating revenues increased from \$225.6 million in 2020 to \$225.7 million in 2021.
- Capital contributions were \$6.3 million in 2021 compared to \$6.4 million in 2020.
- Debt service coverage for senior liens increased to 206% from 191% for fiscal year 2021; which continues to remain above the 133% requirement established by the governing board and bond covenants.
- Taking advantage of the historically low interest rate environment and the Water Authority's strong credit ratings, the Water Authority issued \$47.8 million in refunding bonds on July 7, 2020.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

Measurement Focus / Basis of Accounting:

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

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

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

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

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

Basic Financial Statements:

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

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

The statement of revenues, expenses, and changes in net position presents information detailing the changes in the Water Authority's net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash

flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Notes to the Financial Statements:

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements, which can be found on pages 42-85 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 61.

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)

	FY2021	FY2020	Restated FY2019	FY2021 vs FY2020	FY2020 vs FY2019
Assets:					
Current and other assets	\$199,591	\$276,696	\$245,711	(\$77,105)	\$30,985
Capital assets	1,178,200	1,175,400	1,168,969	2,800	6,431
Total assets	1,377,791	1,452,096	1,414,680	(74,305)	37,416
Total deferred outflow of resources	41,059	25,549	33,020	15,510	(7,471)
Liabilities:					
Long-term liabilities	668,782	718,827	703,898	(50,045)	14,929
Other liabilities	93,757	107,680	96,912	(13,923)	10,768
Total liabilities	762,539	826,507	800,810	(63,968)	25,697
Total deferred inflow of resources	15,152	17,680	12,673	(2,528)	5,007
Net position:					
Net investment in capital assets	589,168	594,404	568,941	(5,236)	25,463
Unrestricted	51,991	39,054	65,276	12,937	(26,222)
Total net position	\$641,159	\$633,458	\$634,217	\$7,701	(\$759)

As would be expected for a utility, the largest portion of the Water Authority's net position is the net investment in capital assets (92.0 percent). This category reflects the Water Authority's total investment in capital assets (e.g., infrastructure, buildings, machinery, equipment, and right to use leases); less any related outstanding debt used to acquire those assets. Capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the Water Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- Current and non-current assets in FY2021 decreased \$74.3 million from FY2020 and decreased \$36.9 million from FY2019. The decrease was primarily due to a decrease in investments and restricted cash from the increase in spending in the Capital Improvement Program.
- Other liabilities in FY2021 decreased \$13.9 million from FY2020 and decreased \$3.1 million from FY2019. The decrease in FY2021 was primarily related to a decrease in accounts payable and debt obligation requirements.
- Long-term liabilities in FY2021 decreased \$50.0 million from FY2020 and decreased \$35.1 million from FY2019. The decrease in FY2021 was primarily due to debt obligation requirements.

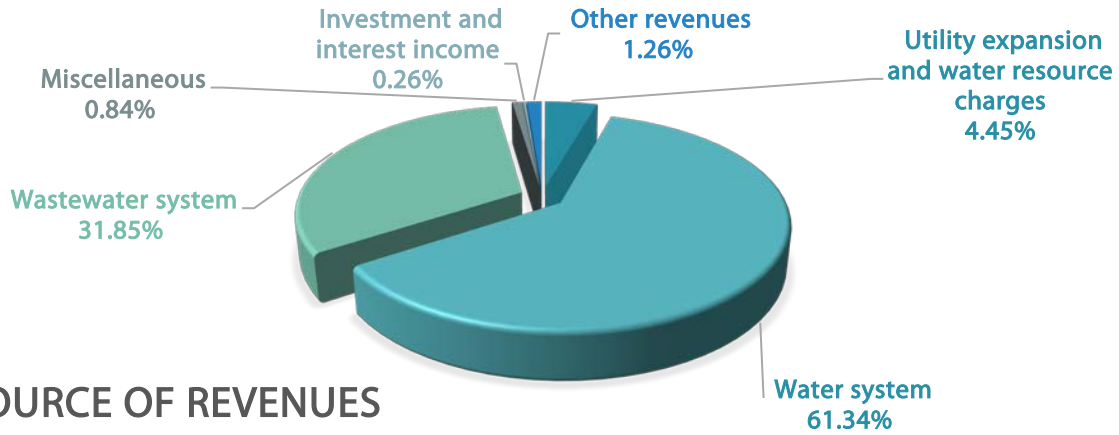
Table 2 presents a summarized comparative statement of revenues, expenses, and changes in net position for the last three fiscal years.

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

	FY2021	FY2020	Restated FY2019	FY2021 vs FY2020	FY2020 vs FY2019
Revenues:					
Water system revenue	\$147,199	\$147,245	\$141,268	(\$46)	\$5,977
Wastewater system revenue	76,442	76,231	76,849	211	(618)
Miscellaneous revenue	2,023	2,133	1,868	(110)	265
Non-operating revenue	14,330	13,431	15,264	899	(1,833)
Total revenues	239,994	239,040	235,249	954	3,791
Expenses:					
Operating	221,095	225,733	213,186	(4,638)	12,547
Non-operating	17,534	20,507	20,697	(2,973)	(190)
Total expenses	238,629	246,240	233,883	(7,611)	12,357
Income (loss) before capital contributions	1,364	(7,200)	1,366	8,564	(8,566)
Capital contributions	6,337	6,441	10,145	(104)	(3,704)
Change in net position	7,701	(759)	11,511	8,460	(12,270)
Net position, beginning of year	633,458	634,217	622,706	(759)	11,511
Net position, end of year	\$641,159	\$633,458	\$634,217	\$7,701	(\$759)

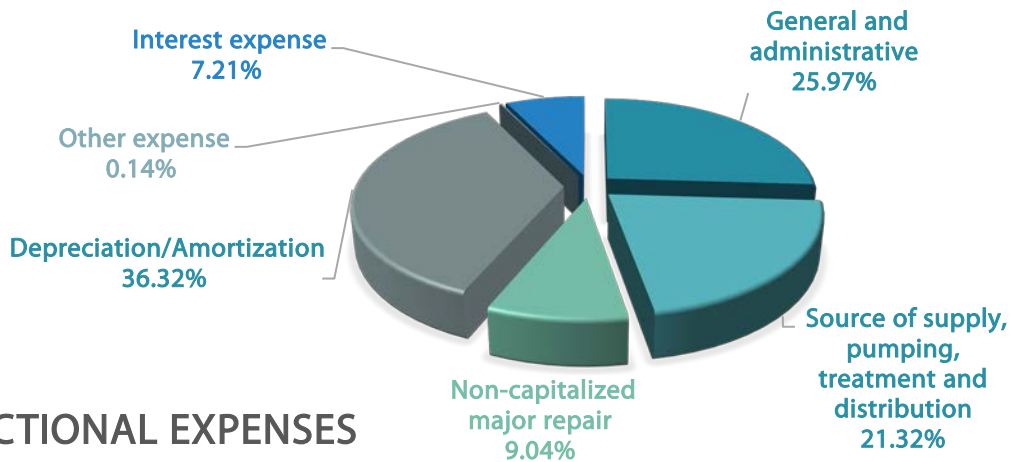
While the statement of net position displays the Water Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end, the statement of revenues, expenses, and changes in net position provide information on the sources of the change in net position during the year. As shown in Table 2, the income before capital contributions was \$1.364 million, an increase of \$8.6 million from FY2020 and a decrease of \$0.002 million from FY2019.

Table 2 shows FY2021 revenues increased \$1.0 million from FY2020 and increased \$4.7 million from FY2019; primarily related to an increase in consumption levels. Changes in water consumption from year to year are generally directly related to changes in temperature, and inversely related to changes in precipitation. Longer term changes in consumption are the result of changes in conservation habits on the part of customers and the customer base.



SOURCE OF REVENUES

FY2021 operating expenses (exclusive of depreciation and amortization) decreased by \$5.8 million from FY2020 and increased \$6.3 million from FY2019. The primary factors are related to cost efficiencies within operating expenses. Non-capitalized major repairs increased primarily due to an increase in meters, rehabilitation projects, and information technology professional services either valued under the capitalization threshold or not meeting the capitalization threshold.



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 2022 is the first year of the two-year planning element included in the 2022-2031 Decade Plan approved by the Board in May 2021.

Table 3 presents the Water Authority's capital assets at June 30, 2021, 2020 and 2019.

Table 3
Condensed Capital Assets
(In thousands of dollars)

	FY2021	FY2020	Restated FY2019	FY2021 vs FY2020	FY2020 vs FY2019
Capital assets not being depreciated:					
Land	\$25,417	\$25,361	\$25,266	\$56	\$95
Construction work in progress	48,902	44,782	23,608	4,120	21,174
Purchased water rights	49,251	49,251	49,251	-	-
Total capital assets not being depreciated	123,570	119,394	98,125	4,176	21,269
Capital assets being depreciated/amortized(net):					
Leases right to use	505	890	1,418	(385)	(529)
Buildings and other improvements	1,041,081	1,040,383	1,055,575	698	(15,192)
Machinery and equipment	13,044	14,733	13,851	(1,689)	882
Total capital assets being depreciated/amortized (net)	1,054,630	1,056,006	1,070,844	(1,376)	(14,839)
Total capital assets	\$1,178,200	\$1,175,400	\$1,168,969	\$2,800	\$6,430

Major capital asset additions for the current fiscal year included:

- \$28.1 million – Southside Water Reclamation Plant and collection system improvements
- \$15.8 million – Sanitary wastewater pipeline renewal
- \$5.1 million – Drinking water pipeline renewal
- \$4.8 million – Drinking water plant treatment systems renewal
- \$6.2 million – Groundwater production and distribution improvements
- \$4.1 million – Lift Station and Vacuum Station Renewal

The Water Authority's capital assets as of June 30, 2021 total \$1.178 billion, net of accumulated depreciation and amortization. This investment in capital assets includes land, buildings, right to use leases, water and wastewater distribution systems, and vehicles. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Water Authority's on-call contractors for small diameter water and wastewater line repair and the repair of a large diameter wastewater line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations that control the surface and groundwater pumping and treatment systems, and making improvements at the Surface Water Treatment Plant. In FY2020, the Water Authority implemented GASB Statement No. 87, Leases and restated the FY2019 financial statements.

More capital asset detailed information can be found in Note III.C. on page 54.

LONG-TERM DEBT

At June 30, 2021, the Water Authority had \$578.5 million in significant long-term debt liabilities outstanding, a net decrease of (\$52.9) million, or -8.4 percent from the prior year. Long-term debt liabilities consist of bonds payable, notes from direct borrowings payable, and water rights contract payable. The amount of debt due within one year totaled \$58.6 million.

Table 4 presents a summary of the Water Authority's outstanding long-term liabilities at June 30, 2021, 2020, and 2019.

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

	FY2021	FY2020	Restated FY2019	FY2021 vs FY2020	FY2020 vs FY2019
Notes from direct borrowings	\$8,565	\$31,560	\$35,873	(\$22,995)	(\$4,313)
Revenue bonds	567,270	595,930	577,825	(28,660)	18,105
Water rights contract	2,679	3,960	5,203	(1,281)	(1,243)
Total	\$578,514	\$631,450	\$618,901	(\$52,936)	\$12,549

The Water Authority issues debt in compliance with its formally adopted debt policy. This policy includes general management, financial management, and debt and capital management. It documents the Water Authority's goals for the use of debt for financing the Water Authority infrastructure and project needs. The following are the ratings received for the Water Authority as of June 30, 2021.

Rating Agency:

Standard & Poor's	AAA	Rating reflects Extremely Strong Capacity to Meet Financial Commitments
Moody's	Aa2	Rating reflects Excellent Financial Position; Bonds Maintain Positive Investment Qualities

More information about the Water Authority's long-term liabilities is presented in Note III.D. on page 55.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Nearly one and a half years into the pandemic and most U.S. macroeconomic data continues to be positive, but there is a nagging feeling that the economy is underperforming. Although the state of New Mexico was not hit nearly as hard as other states at the outset of the pandemic, the state is lagging in the recovery. Recent large investments in the state by corporations are evidence that the state is starting to improve its position. By the end of 2020, New Mexico regained about one-third of the jobs lost at the start of the pandemic and is expected to add an average of 11,500 jobs per year through 2026.

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 2022 budget identifies resources to provide quality water in sufficient quantity, to collect and treat wastewater to acceptable standards, to provide professional utility engineering services, and to provide utility customer services. The budget also establishes the Water Authority's financial plan and uses the Goals, Objectives, and Performance Plan as guides for the appropriation of funds.

The Water Authority has adopted the fiscal year 2022 budget according to the utility's projected estimated revenues. General Fund revenue for FY2022 is estimated to be \$239.3 million, representing an increase of \$1.5 million from the fiscal year 2021 budget amount. There is no rate increase proposed for fiscal year 2022.

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

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

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

A copy of the *Water 2120* approved document can be obtained at the following website:

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

REQUESTS FOR INFORMATION

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



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2021, AND 2020

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash	\$143,900,854	\$87,685,313
Investments	11,002,598	72,164,110
Accounts and leases receivable, net of allowance	20,507,045	20,636,353
Notes receivable, current portion	1,218,622	1,039,307
Due from other governments	1,488,611	329,245
Prepaid items	462,303	323,566
Total current assets	<u>178,580,033</u>	<u>182,177,894</u>
NONCURRENT ASSETS:		
Long-term notes receivable	5,552,923	5,439,559
Restricted assets:		
Cash	15,457,559	89,078,154
Total other noncurrent assets	<u>21,010,482</u>	<u>94,517,713</u>
Capital assets, net of accumulated depreciation/amortization:		
Buildings and other improvements	1,041,081,143	1,040,382,749
Leases right to use	505,102	890,386
Machinery and equipment	13,044,015	14,732,858
Net depreciable and amortizable capital assets	<u>1,054,630,260</u>	<u>1,056,005,993</u>
Capital assets, not being depreciated:		
Land	25,416,568	25,360,568
Purchased water rights	49,251,368	49,251,368
Construction work in progress	48,902,132	44,782,159
Total capital assets	<u>1,178,200,328</u>	<u>1,175,400,088</u>
Total noncurrent assets	<u>1,199,210,810</u>	<u>1,269,917,801</u>
TOTAL ASSETS	<u>1,377,790,843</u>	<u>1,452,095,695</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to other post-employment benefits	6,882,821	847,366
Deferred amounts related to pensions	20,480,718	10,451,756
Deferred amounts on refunding	13,695,887	14,249,960
Total deferred outflows of resources	<u>41,059,426</u>	<u>25,549,082</u>

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION CONTINUED

JUNE 30, 2021, AND 2020

	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES:		
Accounts payable	\$14,392,083	\$27,026,101
Accrued payroll	2,408,685	2,486,502
Claims payable, current portion	1,708,055	1,732,003
Accrued compensated absences, current portion	3,339,179	3,166,267
Deposits	941,470	892,117
Lease liability, current portion	449,265	468,754
Debt obligations, current portion:		
Revenue bonds	56,725,000	53,010,000
Notes from direct borrowings	594,441	4,908,241
Water rights contract	1,319,619	1,280,611
Accrued interest for debt obligations	11,879,342	12,709,316
Total current liabilities	<u>93,757,139</u>	<u>107,679,912</u>
NONCURRENT LIABILITIES:		
Debt obligations, net of current portion:		
Revenue bonds	550,216,161	595,086,218
Notes from direct borrowings	7,970,873	27,359,460
Water rights contract	1,359,809	2,679,428
Total long-term debt obligations	<u>559,546,843</u>	<u>625,125,106</u>
Other non-current liabilities:		
Claims payable, net of current portion	3,097,210	2,239,516
Lease liability, net of current portion	109,476	495,601
Net pension liability	74,155,075	64,315,537
Net post-employment benefit obligations liability	30,393,823	25,399,296
Accrued compensated absences, net of current portion	1,479,230	1,252,621
Total other noncurrent liabilities	<u>109,234,814</u>	<u>93,702,571</u>
Total noncurrent liabilities	<u>668,781,657</u>	<u>718,827,677</u>
TOTAL LIABILITIES	<u>762,538,796</u>	<u>826,507,589</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to leases	610,045	951,377
Deferred amounts related to other post-employment benefits	13,880,527	15,701,138
Deferred amounts related to pensions	661,834	1,027,092
Total deferred inflows of resources	<u>15,152,406</u>	<u>17,679,607</u>
NET POSITION		
Net investment in capital assets	589,167,871	594,404,243
Unrestricted	51,991,196	39,053,338
TOTAL NET POSITION	<u>\$641,159,067</u>	<u>\$633,457,581</u>

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



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021, AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Charges for services:		
Water system	\$147,199,054	\$147,244,774
Wastewater system	76,441,792	76,231,345
Miscellaneous	2,022,568	2,133,000
Total operating revenues	<u>225,663,414</u>	<u>225,609,119</u>
OPERATING EXPENSES:		
General and administrative	61,977,062	69,394,965
Source of supply, pumping, treatment and distribution	50,881,255	51,686,336
Non-capitalized major repair	21,576,088	19,138,683
Amortization	493,756	528,217
Depreciation	86,167,169	84,985,126
Total operating expenses	<u>221,095,330</u>	<u>225,733,327</u>
OPERATING INCOME (LOSS)	<u>4,568,084</u>	<u>(124,208)</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment and interest income	622,445	2,163,600
Interest expense	(17,193,522)	(19,842,367)
Utility expansion charges	9,060,038	8,916,871
Water resource charges	1,612,875	838,525
Debt issuances costs	(340,821)	(665,000)
Lease of stored water income	809,838	294,824
Other revenues	2,225,007	1,217,438
Total non-operating revenues (expenses), net	<u>(3,204,140)</u>	<u>(7,076,109)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>1,363,944</u>	<u>(7,200,317)</u>
Developer contributions	5,127,248	5,092,777
Other contributions	1,210,294	1,348,617
Total capital contributions	<u>6,337,542</u>	<u>6,441,394</u>
CHANGE IN NET POSITION	<u>7,701,486</u>	<u>(758,923)</u>
NET POSITION:		
Net position, beginning of year	<u>633,457,581</u>	<u>634,216,504</u>
Net position, end of year	<u>\$641,159,067</u>	<u>\$633,457,581</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, 2021, AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$225,792,722	\$224,573,915
Cash payments for employee wages and benefits	(58,099,272)	(57,539,926)
Cash payments to suppliers for goods and services	(91,660,638)	(66,014,372)
Other operating income	1,960,623	921,901
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$77,993,435</u>	<u>\$101,941,518</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets, net	(84,241,528)	(86,869,042)
Principal payments of long-term debt obligations	(59,448,852)	(58,025,013)
Principal payments on lease liabilities	(514,086)	(527,191)
Proceeds from loan agreements	1,918,827	1,134,386
Proceeds from revenue bonds	-	86,649,943
Interest paid on debt obligations	(26,418,274)	(27,822,776)
Payment of debt issuance costs	-	(665,000)
Proceeds from sale of assets	280,467	313,292
Capital grants, net	50,928	1,202,947
Utility expansion and water resource charges, net	11,190,072	9,448,284
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(157,182,446)</u>	<u>(75,160,170)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	622,445	2,163,600
Sale of investments	61,161,512	30,324,626
NET CASH PROVIDED FOR INVESTING ACTIVITIES	<u>61,783,957</u>	<u>32,488,226</u>
NET INCREASE (DECREASE) IN CASH	(17,405,054)	59,269,574
CASH, BEGINNING OF YEAR	176,763,467	117,493,893
CASH, END OF YEAR	<u>\$159,358,413</u>	<u>\$176,763,467</u>
FINANCIAL STATEMENT PRESENTATION:		
Cash	\$143,900,854	87,685,313
Restricted cash	15,457,559	89,078,154
	<u>\$159,358,413</u>	<u>\$176,763,467</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, 2021, AND 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$4,568,084	(\$124,208)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	86,660,925	85,513,343
Other non-operating income (expenses), net	1,960,623	921,901
Changes in assets and liabilities:		
Increase (decrease) in accounts and leases receivable	129,308	(1,035,204)
Increase (decrease) in deposits	49,353	14,753
Increase (decrease) in deferred amounts related to leases	(341,332)	(328,994)
Increase (decrease) in accounts payable	(12,634,018)	10,346,128
Increase (decrease) in accrued payroll, prepaid items, claims payable employee benefits, and deferred amounts related to pensions and other post-employment benefits	(2,799,029)	6,198,207
Increase (decrease) in compensated absences payable	399,521	435,592
TOTAL ADJUSTMENTS	<u>73,425,351</u>	<u>102,065,726</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$77,993,435</u>	<u>\$101,941,518</u>
DISCLOSURE ON NON-CASH TRANSACTIONS:		
Capital contributions received from private developers	\$5,127,248	\$5,092,777
Leases right to use	108,472	-
Gain (Loss) on capital assets	(16,083)	(17,754)
Amortization of premium on revenue bonds	(11,512,161)	-
Amortization of deferred amounts on refunding	3,117,383	-
Refunding bond proceeds deposited directly into irrevocable trusts	47,800,000	-
Debt service defeased with refunding bond proceeds deposited into irrevocable trusts	(43,205,000)	-
Debt premiums defeased with refunding bond proceeds deposited into irrevocable trusts	(1,690,869)	-
Loss on refunding of bonds	(2,563,310)	-
Debt issuance costs deducted directly from issuance of refunding bonds	(340,821)	-

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, 2021 AND 2020

I. Summary of Significant Accounting Policies

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

The accompanying financial statements present the financial position of the Water Authority at June 30, 2021 and 2020, and the results of its operations for the years ended June 30, 2021 and 2020 in conformity with accounting principles generally accepted in the United States of America.

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

A. Reporting entity

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

Authority has the primary accountability for fiscal matters, therefore the Water Authority is a reporting entity as defined by GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61. As of June 30, 2021, the Water Authority does not have any component units.

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

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

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

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

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

C. Assets, liabilities, and net position

1. Cash, deposits, and investments

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

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

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

2. Prepaid items

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

3. Accounts and leases receivable

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

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

4. Capital assets

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

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

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

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

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

5. Accounts payable

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

6. Accrued compensated absences

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

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

7. Long-term obligations

Long-term obligation proceeds are used to finance capital improvements, construction activities, expansions, renovations, and other costs as specified in bond indenture and loan agreements. The long-term obligations are payable from the Water Authority's revenues and are recorded in the Water Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method by CUSIP number. Bonds payable are reported net of the applicable bond premium or discount. The decrease in unamortized premiums for fiscal year 2021 consists of \$11,512,161 in amortization expense and \$1,690,869 related to the defeasance of unamortized bond premiums. Amortization expense during fiscal year 2020 was \$10,455,219. Bond issuance costs are expensed as incurred.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element,

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

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

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

9. Net position

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

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

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

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

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

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

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

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

10. Estimated amounts reported in financial statements

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

11. Leases

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

commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

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

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

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

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

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

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

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

Certain fiscal year 2020 amounts have been reclassified to conform to the fiscal year 2021 presentation.

12. New accounting pronouncements

In fiscal year 2021, the Water Authority implemented GASB Statement No. 98, The Annual Comprehensive Financial Report.

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, 2021.

- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 93, Replacement of Interbank Offered Rates
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

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

II. Stewardship, Compliance and Accountability

The budgetary data is prepared consistent with the basis of accounting described in Note I.B with these exceptions; debt service principal payments, refunding bond proceeds and related transactions, certain cash transfers, capital contributions and capital outlay. The annual budget is formulated by the Water Authority's Management and submitted to the Water Authority Board in April for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments on the proposed budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the Water Authority Board and is subject to approval by the New Mexico Department of Finance and Administration (DFA). Once approved, notification is received from DFA, and a formal appropriation and encumbrance system to control expenditures is maintained by the Water Authority's financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Water Authority's budget by program. For FY2021, expenses may not exceed budgetary appropriations

at the fund level. The Water Authority uses general ledger funds for internal accounting purposes. However, since the Water Authority is accounted for like an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

III. Detailed Notes

A. Cash and investments

At June 30, 2021, the carrying amount of the Water Authority's deposits and investments was \$170,361,011 and the bank balance was \$171,726,809. The difference represents outstanding checks, deposits, and other reconciling items.

Cash and investments for both restricted and unrestricted balances, were comprised of the following at June 30, 2021 and 2020:

Cash and investments:	June 30, 2021	June 30, 2020
Restricted	\$15,457,559	\$89,078,154
Unrestricted:		
Cash	143,900,854	87,685,313
Investments	11,002,598	72,164,110
Total cash and investments reported in statements of net position	\$170,361,011	\$248,927,577

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, 2021, \$159,975,047 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, 2021 consisted of the following:

	Rio Grande Credit Union	Wells Fargo Bank	Bank of Albuquerque
Total amount on deposit	\$249,164	\$128,359,806	\$32,115,241
Less: FDIC coverage	(250,000)	(250,000)	(250,000)
Total uninsured public funds	-	128,109,806	31,865,241
50% collateral requirement	-	64,054,903	15,932,621
Pledged securities, fair value	-	142,299,653	42,100,558
Pledged in excess of requirement	-	\$78,244,750	\$26,167,937

Pledged collateral at June 30, 2020 consisted of the following:

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

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.

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

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, 2021 and 2020:

Fiscal Year	Investment Type	Fair Value	Weighted Average Maturity	Category
June 30, 2021	State Treasurer’s Investment Pool (LGIP)	\$11,002,011	0.13	N/A
June 30, 2021	U S Treasury Bills (U S Government obligations)	587	0.25	Level 1
	Total Investments	\$11,002,598		

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

As a participant in the New Mexico State Treasurer’s Local Government Investment Pool (LGIP), the Water Authority is not required to categorize the value of shares in accordance with the fair value hierarchy. The Water Authority’s investment in the LGIP represents a proportionate interest in the Pool’s portfolio. The Water Authority’s portion is not identified with specific investments and is not subject to custodial risk; however, separately issued financial statements of the LGIP disclose the collateral pledged to secure the State Treasurer’s cash and investments. The most recent report may be obtained by contacting the New Mexico State Treasurer’s Office, P.O. Box 5135, Santa Fe, NM 87502-5135 or at www.nmsto.gov.

2. Credit risk

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

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

The State Treasurer’s LGIP is rated AAAM by Standard & Poor’s.

3. Concentration of credit risk

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

4. Interest rate risk

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

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

An acceptable method for reporting interest rate risk is weighted average maturity (WAM). As of June 30, 2021, the Water Authority's portfolio has no investment that matured beyond 12 months; the LGIP WAM (R) was 48 days and the WAM (F) was 78 days.

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

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

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

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

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

Accounts and leases receivable, notes receivable, and due from other governments of the Water Authority for the years ended June 30, 2021 and 2020, are as follows:

Receivables:	June 30, 2021	June 30, 2020
Accounts	\$20,545,186	\$20,329,679
Notes	6,771,545	6,478,866
Due from other governments	1,488,611	329,245
Leases	688,257	1,019,137
Less: allowance for doubtful accounts	(726,398)	(712,463)
Total receivable, net	\$28,767,201	\$27,444,464

C. Capital assets

Capital asset activity of the Water Authority for the years ended June 30, 2021 and 2020, are as follows:

	Balances at June 30, 2020	Additions	Transfers/ Deletions	Balances at June 30, 2021
Capital assets not being depreciated:				
Land	\$25,360,568	\$56,000	-	\$25,416,568
Construction work in progress	44,782,159	32,403,905	(28,283,932)	48,902,132
Purchased water rights	49,251,368	-	-	49,251,368
Total capital assets not being depreciated	119,394,095	32,459,905	(28,283,932)	123,570,068
Capital assets being depreciated/amortized:				
Leases right to use	2,154,701	108,472	(261,827)	2,001,346
Buildings and other improvements	2,498,733,581	54,622,009	28,174,274	2,581,529,864
Machinery and equipment	48,026,953	2,286,862	(2,283,519)	48,030,296
Total capital assets being depreciated/amortized	2,548,915,235	57,017,343	25,628,928	2,631,561,506
Less accumulated depreciation/amortization:				
Leases right to use	(1,264,315)	(493,756)	261,827	(1,496,244)
Buildings and other improvements	(1,458,350,832)	(82,097,889)	-	(1,540,448,721)
Machinery and equipment	(33,294,095)	(4,069,280)	2,377,094	(34,986,281)
Total accumulated depreciation/amortization	(1,492,909,242)	(86,660,925)	2,638,921	(1,576,931,246)
Total capital assets being depreciated/amortized, net	1,056,005,993	(29,643,582)	28,267,849	1,054,630,260
Total capital assets, net	\$1,175,400,088	\$2,816,323	(\$16,083)	\$1,178,200,328

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

D. Long-term obligations

The Water Authority has outstanding revenue bonds and notes from direct borrowings with the New Mexico Finance Authority (NMFA) totaling \$567,270,000 and \$8,565,314, respectively. NMFA does not have the option or remedy to accelerate the Water Authority's payment obligations under the outstanding loan agreements in the event of a default.

The Water Authority also has an outstanding contract with the U.S. Department of Interior Bureau of Reclamation in the amount of \$2,679,428.

Changes in the long-term obligations for the years ended June 30, 2021 and 2020, are as follows:

	Balances at June 30, 2020	Additions	Deletions/ Defeasance	Balances at June 30, 2021	Amounts Due In One Year
Revenue bonds	\$595,930,000	\$47,800,000	(\$76,460,000)	\$567,270,000	\$56,725,000
Notes from direct borrowings	31,559,728	1,918,827	(24,913,241)	8,565,314	594,441
Water rights contract	3,960,039	-	(1,280,611)	2,679,428	1,319,619
Unamortized premiums	52,874,191	-	(13,203,030)	39,671,161	-
Leases	964,355	108,472	(514,086)	558,741	449,265
Accrued compensated absences	4,418,888	3,738,700	(3,339,179)	4,818,409	3,339,179
Total long-term liabilities	\$689,707,201	\$53,565,999	(\$119,710,147)	\$623,563,053	\$62,427,504

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

Whenever any Event of Default has occurred as defined in the Water Authority Loan Agreement, the NMFA, as lender, may take any or all of the following actions as may appear necessary or desirable to collect the payments then due: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce the rights of the NMFA under the Loan Agreement and compel action from the Water Authority, (b) file suit to enjoin the Water Authority from violating the terms of the Loan Agreement, (c) intervene in any judicial proceeding that affects the Loan Agreement or the Water Authority's System revenues, or (d) require the Water Authority to account for System revenues as a trustee. A judgment requiring a payment of money entered against the Water Authority may reach only the available System revenues pledged under the Loan Agreement. The remedies provided to the NMFA are not intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy as permitted under the Loan Agreement.

1. Senior Lien Obligations

Water Authority senior lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these bonds, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding senior lien obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2021, the net revenues were 206% of the annual debt service on all outstanding senior lien obligations.

On July 7, 2020, the Taxable Series 2020A Refunding Bonds sold at a purchase price equal to \$47,800,000. Deposit proceeds of the Series 2020A Bonds were placed in an escrow fund, resulting in the defeasance of the NMFA Loan Series 2011 and the partial defeasance of the Series 2013A Bonds. The net present value (NPV) savings equals \$5,199,446 or 10.878 percent with an average life of 7.898.

On May 29, 2020, the Water Authority entered into a reimbursable loan/grant senior lien agreement in the amount of \$2,020,000 with the NMFA/Drinking Water State Revolving Loan Fund which consists of an available loan amount of \$1,515,000 and grant funds totaling \$505,000. Payments due for the loan portion start no greater than twenty-seven (27) months after the closing date of the project beginning May 1, 2023. This loan/grant will be used to fund the Carnuel Drinking Water project.

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

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, 2021, the net revenues were 178% of the annual debt service on all outstanding subordinate lien obligations.

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

3. Super Subordinate Lien Obligations

Water Authority super subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. While super subordinate lien obligations are secured by a pledge or a lien on net revenues, this lien is subordinate to the lien on net revenues from senior lien and subordinate lien obligations. In

addition, there is no minimum debt service coverage requirement established for super subordinate lien obligations.

4. Revenue bonds and notes from direct borrowings outstanding:

Revenue Bonds:	June 30, 2021	June 30, 2020
\$62,950,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013A, due to defeasance, due in annual installments of \$5,255,250 to \$5,258,750 through 7/1/2023; interest at 3.00% to 5.00%; call provision of 100% at 7/1/2023	\$14,315,000	\$42,090,000
\$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	17,520,000	23,155,000
\$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	62,330,000	71,355,000
\$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	42,380,000	50,660,000
\$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	167,880,000	184,095,000
\$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	75,805,000	80,050,000
\$75,085,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2018, due in annual installments of \$5,285,000 to \$8,610,000 through 7/1/2030; interest at 5.00%; call provision of 100% beginning 7/1/2026	69,800,000	75,085,000
\$69,440,000 Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020, due in annual installments of \$6,000,000 to \$6,385,000 through 7/1/2032; interest at 5.00%; call provision of 100% beginning 7/1/2028	69,440,000	69,440,000
\$47,800,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Taxable Series 2020A, due in annual installments of \$1,150,000 to \$6,660,000 through 7/1/2038; interest at 0.423% to 2.699%, call provision of 100% beginning 7/1/2028	47,800,000	-
Total revenue bonds outstanding	567,270,000	595,930,000
Plus: Unamortized premium	39,671,161	52,166,218
Net revenue bonds outstanding	\$606,941,161	\$648,096,218

Notes from direct borrowings:	June 30, 2021	June 30, 2020
\$10,426,232 Subordinate Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2008), due in annual installments of \$218,951 to \$638,537 through 5/1/2030; interest at 1.75%; prepayment provision of 100% beginning 11/7/2009	\$5,315,115	\$5,849,178
\$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	324,528	373,707
\$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 6/1/2021; interest at 3.00% to 5.00%; due to refunding, loan was paid in full 6/1/2021	-	24,080,000
\$250,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2018), due in annual installments of \$12,206 to \$12,799; interest at 0.25%; loan was paid in full 11/17/2020	-	244,445
\$2,724,282 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2019), due in annual installments of \$116,731 to \$158,073 through 5/1/2032; interest at 2.00%; no prepayment provision	1,143,331	1,012,398
\$1,515,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2020), due in annual installments of \$43,553 to \$58,122 through 5/1/2051; interest at 1.00%; no prepayment provision	1,429,364	-
\$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2021), due in annual installments of \$36,444 to \$41,097 through 6/1/2032; interest at 0.25%; no prepayment provision	352,976	-
Total notes from direct borrowings outstanding	8,565,314	31,559,728
Plus: Unamortized premium	-	707,973
Net notes from direct borrowings outstanding	\$8,565,314	\$32,267,701

Future maturities of revenue bonds and notes from direct borrowings as of June 30, 2021, are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$57,319,441	\$24,063,361	\$81,382,802
2023	64,299,409	21,234,925	85,534,334
2024	66,871,190	18,266,255	85,137,445
2025	64,595,493	15,275,559	79,871,052
2026	61,585,069	12,427,487	74,012,556
2027-2031	189,051,940	33,033,258	222,085,198
2032-2036	67,109,419	5,325,992	72,435,411
2037-2041	4,480,374	215,254	4,695,628
2042-2046	268,401	25,219	293,620
2047-2051	254,578	12,006	266,584
Total	\$575,835,314	\$129,879,316	\$705,714,630

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, 2021 and 2020, is \$2,679,428 and \$3,960,039, respectively.

Future water rights contract maturities as of June 30, 2021, are as follows:

Fiscal Year	Principal	Interest	Total
2022	1,319,619	81,615	1,401,234
2023	1,359,809	41,420	1,401,229
Total	\$2,679,428	\$123,035	\$2,802,463

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, 2021, is the Series 2013A Bonds in the amount of \$23,450,000.

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 Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. The laws governing the administration of the fund is set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (NMSA 1978). PERA serves as the administrator of the PERA Fund.

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

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

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

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

Following is a general summary of contribution rates and pension factors in effect during FY21 and FY20:

	Municipal General Plan 3-FY20		Municipal General Plan 3-FY19	
	Tier 1	Tier 2	Tier 1	Tier 2
Required Contribution Rates for:				
Employer	9.80%	9.80%	9.55%	9.55%
Employee < \$20,000	13.15%	13.15%	13.15%	13.15%
Employee > \$20,000	14.65%	14.65%	14.65%	14.65%
Pension Factor per year of Service	3.0%	2.5%	3.0%	2.5%
Pension Maximum as Percent of Final Average Salary	90%	90%	90%	90%

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

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

Statutorily required contributions to the pension plan from the Water Authority during fiscal years 2021 and 2020 were \$3,389,109 and \$3,389,467, respectively; and employer paid member benefits that were “picked up” by the employer were \$3,645,223 for the year ended June 30, 2021 and \$3,672,802 for the year ended June 30, 2020.

4. *Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* For the year ended June 30, 2021, the Water Authority reported a liability of \$74,155,075 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2020 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2020. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2020. The Water Authority’s proportion of the net pension liability was based on a projection of the Water Authority’s long-term share of contributions to the pension plan

relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the Water Authority's proportion was 3.6670%, which was a decrease of 0.0483% from its proportion measured as of June 30, 2019.

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

The Water Authority recognized pension expense for the fiscal years ended June 30, 2021 and June 30, 2020 of \$2,937,883 and \$11,706,796, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$2,055,014	-
Changes of assumptions	1,372,018	-
Net difference between projected and actual earnings on pension plan investments	13,560,740	-
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	-	661,834
Water Authority contributions subsequent to the measurement date	3,492,946	-
Total	<u>\$20,480,718</u>	<u>\$661,834</u>

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$1,928,301	\$695,751
Changes of assumptions	2,867,796	158,407
Net difference between projected and actual earnings on pension plan investments	2,167,258	-
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	98,934	172,934
Water Authority contributions subsequent to the measurement date	3,389,467	-
Total	<u>\$10,451,756</u>	<u>\$1,027,092</u>

In fiscal year 2021, the \$3,492,946 reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date will be recognized as a reduction of the Water Authority net pension liability in the year ending June 30, 2022. 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:	
2022	\$4,801,596
2023	4,413,065
2024	3,783,904
2025	3,327,373
2026	-

In fiscal year 2020, the \$3,389,467 reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date will be recognized as a reduction of the Water Authority net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

5. *Actuarial assumptions.* For fiscal year 2021, the total pension liability in the June 30, 2020 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:..... June 30, 2019
 Actuarial cost method:..... Entry age normal
 Amortization period:..... Level percentage of pay
 Asset valuation method:..... Solved for based on statutory rates

Actuarial assumptions:

Investment rate of return..... 7.25% annual rate, net of investment expense
 Projected benefit payment..... 100 years
 Payroll growth..... 3.00%
 Projected salary increases..... 3.25%-13.50% annual rate
 Includes inflation at..... 2.50%
 Mortality assumption..... The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
 Experience Study Dates..... July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2020. These assumptions were adopted by the Board for use in the June 30, 2019 actuarial valuation.

For fiscal year 2020, the total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

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

Actuarial assumptions:

Investment rate of return..... 7.25% annual rate, net of investment expense
 Projected benefit payment..... 100 years
 Payroll growth..... 3.00%
 Projected salary increases..... 3.25%-13.50% annual rate
 Includes inflation at..... 2.50%; 2.75% all other years
 Mortality assumption..... The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward

one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.

Experience Study Dates July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

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

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

Asset Class	June 30, 2019		June 30, 2018	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.50%	5.90%	42.33%	7.48%
Risk Reduction & Mitigation	19.50%	1.00%	21.37%	2.37%
Credit Oriented Fixed Income	15.00%	4.20%	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.00%	20.00%	6.48%
Multi-Risk Allocation	10.00%	6.40%	1.30%	-
Total	100.00%		100.00%	

7. *Discount rate:* A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2020 and June 30, 2019. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of

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

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

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

PERA as of June 30, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Water Authority's proportionate share of the net pension liability	\$106,170,776	\$74,155,075	\$47,607,611

PERA as of June 30, 2019	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Water Authority's proportionate share of the net pension liability	\$97,273,372	\$64,315,537	\$37,047,346

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

F. Defined contribution retirement plan

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

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

2. *Benefits provided.* The 401(a) plan is a retirement savings plan that allows you to set aside money for retirement. The benefits provided enables employees to reduce current income taxes while boost retirement investments. Employees also have the ability to rollover savings to another public-sector employer’s 401(a) plan, a tax-sheltered 403(b) annuity plan, a 457 plan or an IRA if an employee changes employers. Pre-tax contributions are not subject to federal and (in most cases) state income taxes until withdrawn. Earnings accumulate tax-deferred. An employee is vested at 100% when enrolled. In-service distributions are permitted under the plan after the 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 2021 and the three preceding years were as follows:

ICMA 401(a)	Employer Contributions	Total Payroll
Fiscal Year ended:		
6/30/2018	\$320,140	\$1,684,066
6/30/2019	398,151	2,094,428
6/30/2020	382,018	2,009,564
6/30/2021	402,128	2,115,349

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. Post-employment benefit plan expenses for the years ended June 30, 2021 and 2020, are as follows:

OPEB Expense/(Income):	June 30, 2021	June 30, 2020
Retiree Life Insurance Plan	\$16,828	\$68,526
Retiree Health Care Authority Plan	(2,084,915)	(2,165,869)
Total OPEB Expense/(Income)	(\$2,068,087)	(\$2,097,343)

1. Water Authority Retiree Life Insurance Plan

Summary of Significant Accounting Policies.

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

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

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

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

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

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

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

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

- d. *Contributions.* The Water Authority has set the contribution rate each year based on an actuarial valuation. The Water Authority's has been and continues to prefund its OPEB liability contributing 100% or more of the Actuarially Determined Contribution (ADC) each year. The ADC consists of two basic components, which have been adjusted with interest to the Water Authority's fiscal year end: 1) The amounts attributed to service performed in the current fiscal year (the normal cost) and 2) amortization of the unfunded actuarial accrued liability (UAAL). Therefore, the discount rate used in this valuation is 5.0%, the long term expected return on trust assets. Contributions to the trust for the year ended June 30, 2021 were \$48,658 and were \$59,817 for the year ended June 30, 2020.

- e. *Total OPEB Plan liability.* The Water Authority's total OPEB liability as of June 30, 2021 and June 30, 2020 was \$268,338 and \$547,035, respectively, and was determined by an actuarial valuation of January 1, 2020.

Actuarial Assumptions and Other Inputs (Fiscal Year 2021) – The total liability in the June 30, 2020 actuarial valuation prepared by MacLeod Watts was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date.....	January 1, 2020
Measurement date.....	Last day of the current fiscal year (June 30, 2021)
Funding method.....	Entry Age Normal Cost, level percent of pay
Asset valuation method.....	Market value of assets
Long term return on assets.....	5.0% as of June 30, 2020 and June 30, 2021 net of plan investment expenses
Discount rates.....	5.0% as of June 30, 2020 and June 30, 2021
Participants valued.....	Only current active employees hired prior to July 1, 2013 and retired participates are valued. This plan is closed to new entrants.
Salary increase.....	3.25% per year
General inflation.....	2.50% per year

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

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

Changes recognized during the current measurement period:

None

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

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

General inflation.....2.50% per year

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

Mortality improvement.....MacLeod Watts Scale 2020 on a generational basis from 2014 forward

Participation rates*Active participants:* 100% of actives projected to survive in service to retirement are assumed to be eligible for the retiree life insurance benefit. Employees retiring on Disability are assumed to elect to receive a lump sum payment equal to one-half of the face amount of their retiree life insurance.

Retired participants: Existing coverage is assumed apply until the retiree's death.

Dependent coverage.....Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.

Employer cost-sharing.....Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.28 per \$1,000 of life insurance. No future increase in the premium rate was introduced, assuming that reduction due to future mortality improvements would exactly offset increased expenses.

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

Changes recognized during the current measurement period:

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

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

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

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

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

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

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

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

Difference between projected and actual trust earnings.....	5-year straight-line recognition
All other amounts.....	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

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

g. *Changes in the Total OPEB Plan Liability.* Year-to-year changes in the components of Net Position are illustrated below:

For reporting at Fiscal Year end Measurement date	6/30/2021 6/30/2021	6/30/2020 6/30/2020	6/30/2019 6/30/2019	FY2021 vs FY2020	FY2020 vs FY2019
Total OPEB liability	\$1,813,659	\$1,778,943	\$1,698,188	\$34,716	\$80,755
Fiduciary Net Position	1,545,321	1,231,908	1,085,906	313,413	146,002
Net OPEB liability (asset)	268,338	547,035	612,282	(278,697)	(65,247)
<i>Deferred Resource (Outflows) Inflows Due to:</i>					
Assumption Changes	(28,769)	(41,849)	(40,262)	13,080	(1,587)
Plan Experience	(76,437)	(113,220)	(130,957)	36,783	17,737
Investment Experience	226,838	75,063	47,197	151,775	27,866
Net Deferred (Outflows) Inflows	121,632	(80,006)	(124,022)	201,638	44,016
Impact on Statement of Net Position	\$389,970	\$467,029	\$488,260	(\$77,059)	(\$21,231)

Change in Net Position during the Fiscal Year

Impact on Statement of Net Position, FYE 6/30/2020	\$467,030
OPEB Expense (Income)	16,828
Employer Contributions During Fiscal Year	(93,888)
Impact on Statement of Net Position, FYE 6/30/2021	<u>\$389,970</u>

OPEB Expense

Employer Contributions During Fiscal Year	93,888
Deterioration (Improvement) in Net Position	(77,060)
OPEB Expense (Income), FYE 6/30/2021	<u>\$16,828</u>

Change in Net Position during the Fiscal Year

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

OPEB Expense

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

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

As of June 30, 2021	1% Decrease (4.00%)	Current Rate (5.00%)	1% Increase (6.00%)
	\$591,188	\$268,338	\$13,457

As of June 30, 2020	1% Decrease (4.00%)	Current Rate (5.00%)	1% Increase (6.00%)
	\$871,488	\$547,035	\$292,037

- i. *OPEB Plan expense and deferred outflows of resources and deferred inflows of resources related to OPEB.* The Water Authority recognized OPEB income for the years ended June 30, 2021 and June 30, 2020 of \$16,828 and \$68,526, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$76,437	-
Changes of assumptions	28,769	-
Net difference between projected and actual earnings on investments	-	226,838
Total	\$105,206	\$226,838

Future recognition of these deferred resources are as follows:

Year ended June 30:	Recognized Net Deferred Outflows (Inflows) of Resources
2022	(\$17,306)
2023	(16,185)
2024	(46,379)
2025	(41,762)
2026	-
Thereafter	-

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$113,220	-
Changes of assumptions	41,849	-
Net difference between projected and actual earnings on investments	-	75,063
Total	<u>\$155,069</u>	<u>\$75,063</u>

Future recognition of these deferred resources are as follows:

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

2. New Mexico Retiree Health Care Authority Plan

Summary of Significant Accounting Policies.

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

- a. *Plan Description.* Employees of the Water Authority are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive

group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

- 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, 2020, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	June 30, 2020 Measurement Date	June 30, 2019 Measurement Date
Current retirees and surviving spouses	52,179	52,179
Inactive and eligible for deferred benefit	10,916	10,916
Current active members	91,082	91,082
Total	154,177	154,177

Active membership	June 30, 2020 Measurement Date	June 30, 2019 Measurement Date
State general	17,097	17,097
State police and corrections	1,830	1,830
Municipal general	17,538	17,538
Municipal police	3,159	3,159
Municipal fire	1,966	1,966
Educational Retirement Board	49,492	49,492
Total	91,082	91,082

- 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 for the years ended June 30, 2021 and June 30, 2020 were \$699,487 and \$692,297, respectively, 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*

The Water Authority reported a liability at June 30, 2021 and June 30, 2020 of \$30,125,485 and \$24,852,261, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The Water Authority's proportion of the net OPEB liability, based on actual contributions provided to the Fund for the years ending June 30, 2020 and June 30, 2019 was 0.71746% and 0.76648%, respectively.

The Water Authority recognized OPEB income for the years ended June 30, 2021 and June 30, 2020 of \$2,084,915 and \$2,858,901, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	\$5,349,480
Net difference between projected and actual investment earnings on OPEB plan investments	164,280	-
Changes of assumptions	5,913,848	5,350,080
Change in proportion	-	2,954,129
Water Authority contributions made after the measurement date	699,487	-
Total	<u>\$6,777,615</u>	<u>\$13,653,689</u>

Deferred outflows of resources totaling \$699,487 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, 2022. 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:			
2022	(\$3,286,569)		
2023	(2,820,119)		
2024	(1,544,354)		
2025	(498,779)		
2026	574,260		
Total	(\$7,575,561)		
		<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
<i>June 30, 2020</i>			
Differences between expected and actual experience		-	\$6,254,091
Net difference between projected and actual investment earnings on OPEB plan investments		-	231,065
Changes of assumptions		-	8,021,108
Change in proportion		-	1,119,811
Water Authority contributions made after the measurement date		692,297	-
Total		\$692,297	\$15,626,075

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

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

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

Actuarial valuation date:	-	June 30, 2019
Actuarial cost method:	-	Entry age actuarial cost method. Age is the age at the member's hire date. Actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.
Asset valuation method:	-	Market value of assets
Actuarial assumptions:		
Inflation	-	2.50% for ERB members; 2.50% for PERA members
Projected payroll increases	-	3.25% to 13.50%, based on years of service, including inflation
Investment rate of return	-	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	-	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	-	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2014 Combined Healthy Mortality

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

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

Asset Class	Target Allocation	Long-Term Rate of Return
Large Cap U.S. Equity	20.0%	7.1%
Mid/Small Cap U.S. Equity	3.0%	7.1%
Developed Non-US Equity	12.0%	7.8%
Emerging Markets Equity	15.0%	10.2%
U.S. Core Fixed Income	20.0%	2.1%
Private Equity	10.0%	11.8%
Credit & Structured Finance	10.0%	5.3%
Absolute Return	5.0%	4.1%
Real Estate	5.0%	4.9%
Total	100.0%	

- h. Discount rate.* The discount rate used to measure the Fund's total OPEB liability is 2.86% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that employer and plan member contributions will be made at the current contribution rate. 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, 2040. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2040. Beyond 2040, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used.

The discount rate used to measure the Fund's total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2039. Beyond 2039, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used. The blended discount rate is 4.16%.

- i. Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates (Fiscal Year 2021).* 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 (1.86 percent) or 1-percentage-point higher (3.86 percent) than the current discount rate:

1% Decrease (1.86%)	Current Discount Rate (2.86%)	1% Increase (3.86%)
\$37,446,102	\$30,125,485	\$24,467,406

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
\$24,727,390	\$30,125,485	\$34,220,084

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates (Fiscal Year 2020). The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

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

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

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

- j. *OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the years ended June 30, 2020 and June 30, 2019 at www.nmrhca.org/financial-audits/.
- k. *Payable changes in the net OPEB liability.* The Water Authority reported a payable for the years ended June 30, 2021 and June 30, 2020 of \$0 and \$0, respectively, for outstanding contributions due to NMRHCA.

H. Risk management

The Water Authority is exposed to various risks of loss related to torts and civil claims including theft, damage and destruction of its real and personal assets; contract disputes; employment related exposures; worker's compensation losses; errors and omissions of its officers and officials; and natural disasters. The extent of the Water Authority's third-party loss exposure is reduced because, as a New Mexico governmental entity, the Water Authority is protected by the limitations found in the New Mexico Tort Claims Act.

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

The claims liabilities reported are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include estimated amounts for claims that have been incurred but not reported (IBNRs) as of June 30, 2021, and 2020.

The amounts and change in claims liability in fiscal years 2021 and 2020 were:

	2021	2020
Claims liability at July 1	\$3,971,519	\$3,604,498
Current year claims/adjustments	2,197,406	3,416,804
Claims liquidated	(1,363,660)	(3,049,783)
Claims liability at June 30	\$4,805,265	\$3,971,519

The components of the claims liability at June 30 are:

	2021	2020
Current portion	\$1,708,055	\$1,732,003
Noncurrent portion	3,097,210	2,239,516
Total claims liability	\$4,805,265	\$3,971,519

I. Leases

1. Lease Receivable: The Water Authority has entered into agreements to lease property to third parties. The leases range in term from two to twenty-five years. The Water Authority received approximately \$29,119 and \$30,765 in monthly lease payments for the years ended June 30, 2021 and 2020, respectively. The lease receivable at June 30, 2021 and 2020 was \$688,257 and \$1,019,137, respectively; a decrease of 32.5%. The Water Authority has deferred inflow of resources associated with the leases that will be recognized as revenue over the lease term. At June 30, 2021 and 2020 the deferred inflow of resources was \$610,045 and \$951,377, respectively; a decrease of 35.9%.
2. Lease Liability: The Water Authority has entered into leases for acquisition and use of buildings and equipment. The Water Authority is required to make principal and interest payments for these leases in the amount of \$529,016 and \$589,853 for the years ended June 30, 2021 and 2020, respectively. The Water Authority uses an interest rate of 5% for leases entered into prior to July 1, 2020, and 1.737% for its lease calculations entered into on or after July 1, 2020. The buildings and equipment are amortized over the lease term. The value of the lease liability at June 30, 2021 and 2020 was \$558,741 and \$964,355, respectively; a decrease of 42.1%. The value of the right-to use assets at June 30, 2021 was \$2,001,346 and 2020 was \$2,154,701, respectively. The accumulated amortization at June 30, 2021 and 2020 was \$1,496,244 and \$1,264,315, respectively.

The future principal and interest lease payments as of June 20, 2021, were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$449,265	\$16,794	\$466,059
2023	90,822	1,860	92,682
2024	14,722	396	15,118
2025	2,797	44	2,841
2026	1,135	7	1,142
Total	\$558,741	\$19,101	\$577,842

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

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

J. Commitments and contingencies

Construction Commitments. At June 30, 2021, the uncompleted construction and other commitments for construction improvements and replacements was \$45,570,967. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

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

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

K. COVID-19 Pandemic

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

L. Subsequent events

On October 28, 2021, the Series 2021 revenue bonds were sold in the amount of \$73,255,000. These bonds will be used to fund the basic needs of the Water Authority and various identified special projects, including interceptor rehabilitation projects.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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

Fiscal Year Measurement Date	<u>2021 2020</u>	<u>2020 2019</u>	<u>2019 2018</u>	<u>2018 2017</u>
Water Authority's proportion of the net pension liability (asset)	0.9956%	0.9923%	0.9638%	0.9732%
Water Authority's proportion of the net pension liability (asset)	74,155,075	64,315,537	59,487,543	51,278,088
Water Authority's covered payroll	34,618,321	33,897,914	33,413,035	32,774,164
Water Authority's proportion of the net pension liability as percentage of its covered employee payroll	214.21%	189.73%	178.04%	156.46%
Plan fiduciary net position as a percentage of the total pension liability	66.36%	70.52%	71.13%	73.74%

Fiscal Year Measurement Date	<u>2017 2016</u>	<u>2016 2015</u>	<u>2015 2014</u>
Water Authority's proportion of the net pension liability (asset)	0.9580%	0.8958%	0.8842%
Water Authority's proportion of the net pension liability (asset)	59,008,103	38,165,167	29,351,538
Water Authority's covered payroll	31,630,023	30,540,919	31,037,398
Water Authority's proportion of the net pension liability as percentage of its covered employee payroll	186.56%	124.96%	94.57%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

SCHEDULE OF THE WATER AUTHORITY'S PENSION CONTRIBUTIONS

MUNICIPAL GENERAL PLAN 3

LAST 10 FISCAL YEARS (*)

	2021	2020	2019	2018
Statutory required contribution	\$3,492,946	\$3,389,467	\$3,237,258	\$3,190,941
Contribution in relations to the statutorily required contributions	(3,492,946)	(3,389,467)	(3,237,258)	(3,190,941)
Annual contributions excess (deficiency)	-	-	-	-
Water Authority's covered payroll	34,974,312	34,618,321	33,897,914	33,413,035
Water Authority's contributions as a percentage of its covered payroll	9.80%	9.80%	9.55%	9.55%

	2017	2016	2015
Statutory required contribution	\$3,129,931	\$3,020,676	\$2,959,288
Contribution in relations to the statutorily required contributions	(3,129,931)	(3,020,676)	(2,949,288)
Annual contributions excess (deficiency)	-	-	-
Water Authority's covered payroll	32,774,164	31,630,023	30,541,919
Water Authority's contributions as a percentage of its covered payroll	9.55%	9.55%	9.55%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN

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

Changes of Assumptions. The PERA Annual Actuarial Valuation as of June 30, 2020 is available at the web address listed above.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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

	2021	2020	2019	2018
Total OPEB liability				
Service Cost	\$8,696	\$13,024	\$12,404	\$14,174
Interest	87,837	84,303	81,674	67,539
Differences between expected and actual experience	-	19,046	8,671	187,222
Changes of assumption	-	14,667	-	60,908
Benefit payments	(61,817)	(50,285)	(51,258)	(39,498)
Total OPEB liability – beginning	1,778,943	1,698,188	1,646,697	1,356,352
Total OPEB liability – ending (a)	1,813,659	1,778,943	1,698,188	1,646,697
Plan fiduciary net position				
Contributions – employer	\$93,888	\$89,757	\$87,675	\$82,290
Net investment income	281,343	106,530	87,979	70,136
Benefit payments	(61,817)	(50,285)	(51,258)	(39,498)
Administrative fees	-	-	-	(516)
Change in trust receivable	-	-	377	-
Accrued audit service fees	-	-	(553)	-
Accrued interest and trust income	-	-	34	-
Net change in plan fiduciary net position	313,414	146,002	124,254	112,412
Plan fiduciary net position – beginning	1,231,907	1,085,906	961,133	848,721
Plan fiduciary net position – ending (b)	\$1,545,321	\$1,231,908	\$1,085,387	\$961,133
Net OPEB liability – ending (a) – (b)	\$268,338	\$547,035	\$612,801	\$685,564
Plan fiduciary net position as a percentage of the total OPEB liability	85.20%	69.25%	63.91%	58.37%
Covered-employee payroll	\$21,622,661	\$20,927,400	\$22,590,131	\$24,644,318
Net OPEB liability as a percentage of covered – employee payroll	1.24%	2.61%	2.71%	2.78%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Benefit changes. The report was prepared based on a roll forward of the January 1, 2020 actuarial valuation. No benefit changes and no material changes in plan members or premium rates were reported to MacLeod Watts since the 2020 valuation was prepared. Accordingly, no plan (liability) experience was analyzed, and no assumptions were changed. The difference between the expected and actual return on trust assets was reflected. The difference will be recognized over a 5-year period.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

SCHEDULE OF WATER AUTHORITY'S OPEB CONTRIBUTIONS

RETIREE LIFE INSURANCE PLAN

LAST 10 FISCAL YEARS (*)

	2021	2020	2019	2018
Actuarially determined contribution during fiscal year	\$48,658	\$59,817	\$61,103	\$59,081
Contributions in relation to the actuarially determined contribution	93,888	89,757	87,675	82,290
Contribution deficiency (excess)	(\$45,230)	(\$29,940)	(\$26,572)	(\$23,209)
Covered – employee payroll	\$21,622,661	\$20,927,400	\$22,590,131	\$24,644,318
Contributions as a percentage of covered – employee payroll	0.43%	0.43%	0.39%	0.33%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

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

Methods and assumptions used to determine contribution rates:

Valuation date	January 1, 2020
Measurement date	Last day of the current fiscal year (June 30, 2020)
Funding method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on assets	5.0% as of June 30, 2020 and June 30, 2021
Discount rate	5.0% as of June 30, 2020 and June 30, 2021
Participants valued	Only current active employees hired prior to July 1, 2013 and retired participants are valued. No future entrants are considered in this valuation.
Salary increase	3.25% per year
General inflation rate	2.50% per year

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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

	2021	2020	2019	2018
Water Authority's proportion of the net OPEB liability	0.7175%	0.7665%	0.7828%	0.7935%
Water Authority's proportionate share of the net OPEB liability	\$30,125,485	\$24,852,261	\$34,038,052	\$35,956,560
Water Authority's covered-employee payroll	\$34,615,302	\$33,886,260	\$33,413,155	\$32,774,164
Water Authority's proportionate share of the net OPEB liability as percentage of its covered – employee payroll	87.03%	73.34%	101.87%	109.71%
Plan fiduciary net position as a percentage of the total OPEB liability	16.50%	18.92%	13.14%	11.34%

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

SCHEDULE OF THE WATER AUTHORITY'S OPEB CONTRIBUTIONS

NEW MEXICO RETIREE HEALTH CARE AUTHORITY PLAN

LAST 10 FISCAL YEARS (*)

	2021	2020	2019	2018
Contractually required contribution	\$699,487	\$692,297	\$677,725	\$645,263
Contributions in relation to the contractually required contribution	(699,487)	(692,297)	(677,725)	(645,263)
Contribution deficiency (excess)	-	-	-	-
Water Authority's covered-employee payroll	\$34,974,312	\$34,615,302	\$33,886,260	\$33,413,155
Contributions as a percentage of covered – employee payroll	2.00%	2.00%	2.00%	1.93%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTH CARE AUTHORITY PLAN

Changes of Assumptions. There were no changes of assumptions.



STATISTICAL SECTION



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

INDEX TO STATISTICAL SECTION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

FINANCIAL TRENDS

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

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REVENUE CAPACITY

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

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DEBT CAPACITY

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

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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OTHER INFORMATION

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

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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 2021 – 2017

	2021	2020	2019 ⁽²⁾	2018 ⁽¹⁾	2017
Net investment in capital assets	\$589,168	\$594,404	\$568,941	\$571,387	\$560,766
Unrestricted	51,991	39,054	65,275	51,319	30,408
Total net position	\$641,159	\$633,458	\$634,216	\$622,706	\$591,174

FISCAL YEARS 2016 – 2012

	2016	2015	2014	2013	2012
Net investment in capital assets	\$568,245	\$576,678	\$595,695	\$617,398	\$636,174
Unrestricted	53,425	23,764	51,027	48,331	47,416
Total net position	\$621,670	\$600,442	\$646,722	\$665,729	\$683,590

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

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

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION

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

FISCAL YEARS 2021 – 2017

	2021	2020	2019 ⁽³⁾	2018 ⁽²⁾	2017
Operating revenues:					
Water revenues	\$147,199	\$147,245	\$141,268	\$148,315	\$144,343
Wastewater revenues	76,442	76,231	76,848	76,253	69,101
Miscellaneous revenues	2,023	2,133	1,868	1,828	1,750
Non-operating revenues:					
Investment and interest income	622	2,164	3,118	832	86
Utility expansion charges	9,060	8,917	6,885	9,686	8,117
Water resource charge	1,613	839	438	364	429
Other revenues	3,035	1,512	4,823	2,662	2,917
Total revenues	239,994	239,041	235,248	239,940	226,743
Operating expenses:					
General and administrative	61,977	69,395	66,274	64,227	63,307
Source of supply, pumping, treatment and distribution	50,881	51,686	48,844	48,471	48,018
Noncapitalized major repair	21,576	19,139	13,012	7,785	5,796
Depreciation and amortization	86,661	85,513	85,056	82,630	81,648
Non-operating expense:					
Interest expense	17,194	19,842	20,068	18,295	18,449
Other expense	340	666	629	-	710
Total expenses	238,629	246,241	233,883	221,408	217,928
Income (loss) before capital contributions	1,363	(7,200)	1,365	18,532	8,815
Capital contributions	6,338	6,441	10,145	13,000	3,522
Change in net position	\$7,701	(\$759)	\$11,510	\$31,532	\$12,337

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

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

FISCAL YEARS 2016 – 2012

	2016	2015	2014	2013 ⁽¹⁾	2012
Operating revenues:					\$177,055
Water revenues	\$140,551	\$119,707	\$113,061	\$113,875	-
Wastewater revenues	68,167	64,171	61,327	58,031	-
Miscellaneous revenues	1,339	1,323	1,232	1,142	-
Non-operating revenues:					
Investment and interest income	155	44	160	42	148
Utility expansion charges	8,795	7,251	7,872	8,189	8,035
Water resource charge	462	290	-	8	-
Other revenues	5,828	2,158	8,245	1,659	1,470
Total revenues	225,297	194,944	191,897	182,946	186,708
Operating expenses:					
General and administrative	59,910	53,996	54,966	53,433	57,877
Source of supply, pumping, treatment and distribution	46,987	46,525	46,538	48,260	42,655
Noncapitalized major repair	4,285	6,429	5,642	-	-
Depreciation and amortization	80,357	83,094	84,788	87,087	84,849
Non-operating expense:					
Interest expense	18,034	19,857	27,546	24,566	23,806
Other expense	-	2,273	812	-	348
Total expenses	209,573	212,174	220,292	213,346	209,535
Income (loss) before capital contributions	15,724	(17,230)	(28,395)	(30,400)	(22,827)
Capital contributions	5,504	7,348	9,388	4,132	5,058
Change in net position	\$21,228	(\$9,882)	(\$19,007)	(\$26,268)	(\$17,769)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

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

FISCAL YEARS 2021 – 2012

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

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

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

Source: Water Authority Financial/Business Services Division

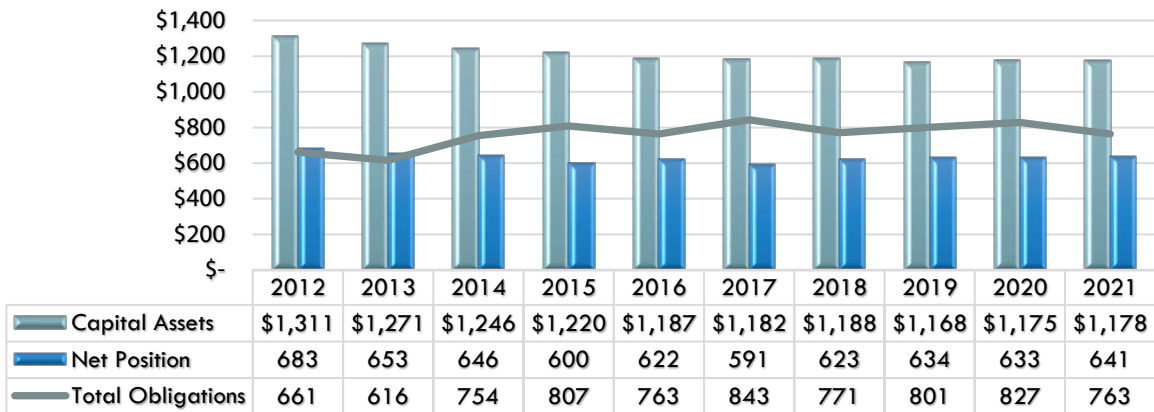
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TREND ANALYSIS FOR NET POSITION AND OPERATIONS

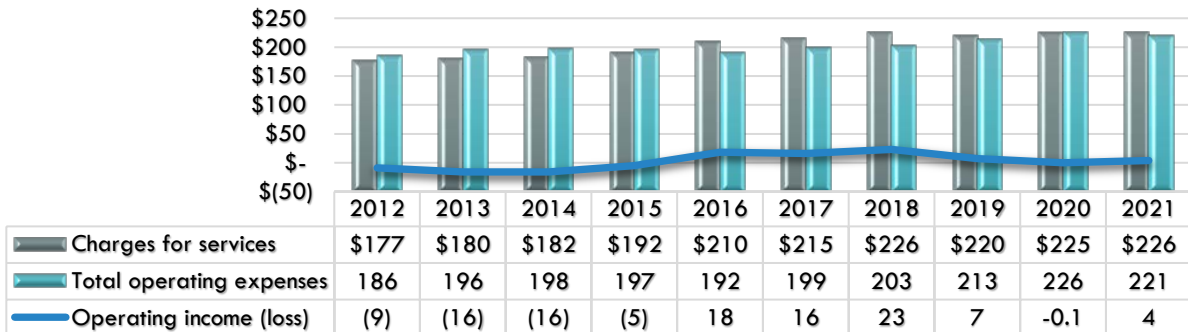
SCHEDULE 3 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2021 – 2012

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

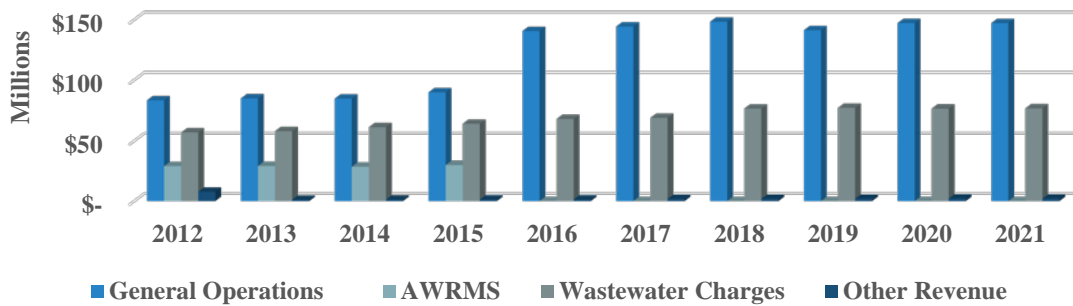
FISCAL YEARS 2021 – 2012

Fiscal Year	General operations	AWRMS ⁽¹⁾	Wastewater charges	Other revenue	Total operating revenue
2021	\$147,199,054	-	\$76,441,792	\$2,022,568	\$225,663,414
2020	147,244,774	-	76,231,345	2,133,000	225,609,119
2019	141,267,719	-	76,848,592	1,868,000	219,984,311
2018	148,315,450	-	76,253,042	1,828,000	226,396,492
2017	144,342,932	-	69,101,050	1,750,000	215,193,982
2016	140,551,140	-	68,166,636	1,339,000	210,056,776
2015	89,768,328	29,939,349	64,171,110	1,323,000	185,201,787
2014	84,500,221	28,561,586	61,327,115	1,232,000	175,620,922
2013 ⁽²⁾	84,713,861	29,161,139	58,031,483	1,142,000	173,048,483
2012	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690

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

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

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

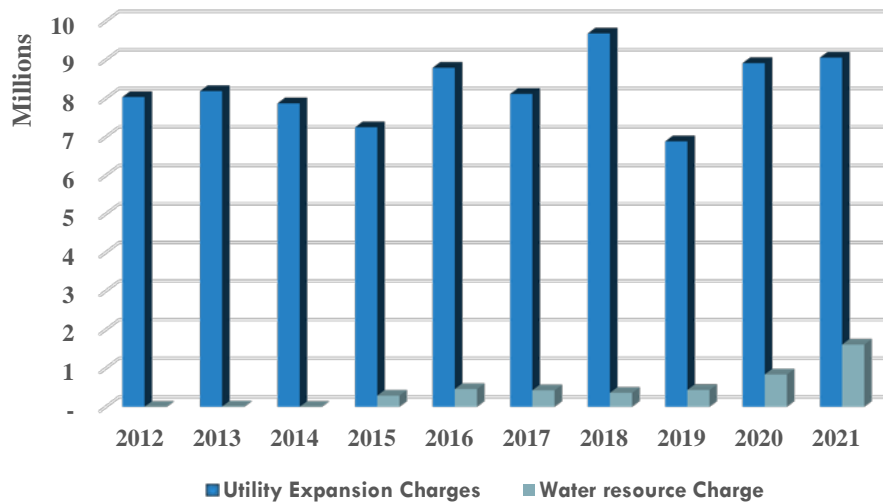
REVENUE FROM UTILITY EXPANSION AND WATER RESOURCE CHARGES

SCHEDULE 5 – LAST TEN FISCAL YEARS

FISCAL YEARS 2021 – 2012

Fiscal Year	Utility expansion charges	Water resource charge
2021	\$9,060,038	\$1,612,875
2020	8,916,871	838,525
2019	6,884,954	437,646
2018	9,685,634	363,963
2017	8,116,695	429,283
2016	8,795,436	461,502
2015	7,250,838	290,363
2014	7,872,237	-
2013	8,189,953	7,063
2012	8,035,123	-

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:

2021 – 2017

Class	2021	2020	2019	2018	2017 ⁽¹⁾
Residential	185,889	184,919	183,942	183,018	181,814
Multi-family	7,925	7,907	7,876	7,851	7,801
Commercial	12,242	12,159	12,100	12,023	11,913
Institutional	3,807	3,766	3,701	3,680	3,650
Industrial	123	119	121	122	119
Other metered	996	909	824	720	616
Subtotal	210,982	209,779	208,564	207,414	205,913
Solid waste only	1,410	1,402	1,392	1,365	1,362
Other non-metered	3,150	3,139	3,135	3,120	2,940
Total	215,542	214,320	213,091	211,899	210,215

2016 – 2012

Class	2016	2015	2014	2013	2012
Residential	187,479	186,461	174,193	174,909	174,277
Multi-family	7,268	7,115	6,569	6,430	6,393
Commercial	11,901	11,923	11,303	11,321	11,287
Institutional	2,187	2,150	2,196	2,391	2,316
Industrial	110	113	99	99	102
Other	-	-	-	-	-
Total	208,945	207,762	194,360	195,150	194,375

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

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY METER SIZE:

2021 – 2017

Meter size	2021	2020	2019	2018	2017 ⁽¹⁾
¾"	186,802	185,668	184,464	183,398	182,232
1" and 1 ¼"	17,815	17,847	17,843	17,975	17,796
1 ½"	2,549	2,522	2,522	2,467	2,381
2"	2,811	2,737	2,713	2,575	2,509
3"	606	609	626	606	603
4"	286	286	287	284	282
6"	69	66	66	66	68
8" and over	44	44	43	43	42
Subtotal	210,982	209,779	208,564	207,414	205,913
Non-metered	4,560	4,541	4,527	4,485	4,302
Total	215,542	214,320	213,091	211,899	210,215

2016 – 2012

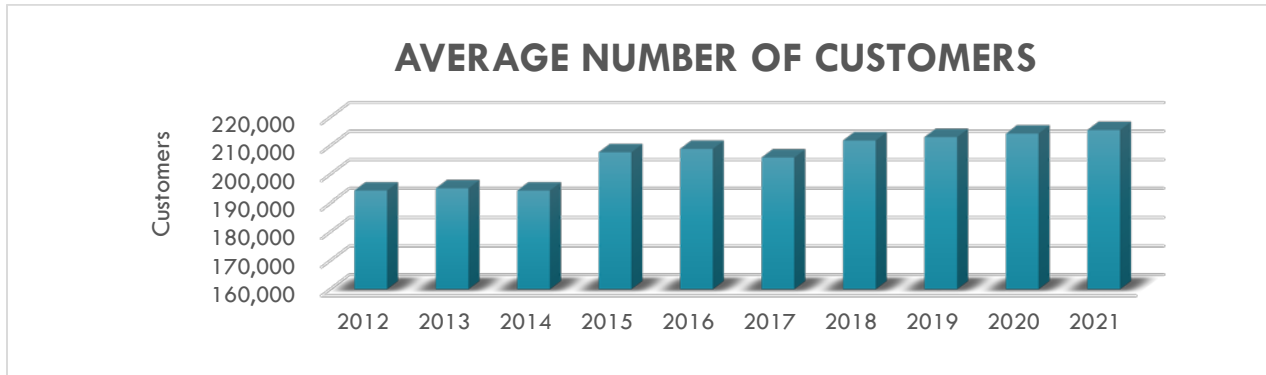
Meter size	2016	2015	2014	2013	2012
¾"	185,894	184,743	171,395	171,874	171,103
1" and 1 ¼"	17,392	17,447	17,474	17,645	17,717
1 ½"	2,300	2,269	2,238	2,249	2,221
2"	2,386	2,349	2,303	2,352	2,320
3"	590	575	578	634	634
4"	278	276	270	286	273
6"	64	63	60	63	61
8" and over	41	40	42	47	46
Total	208,945	207,762	194,360	195,150	194,375

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

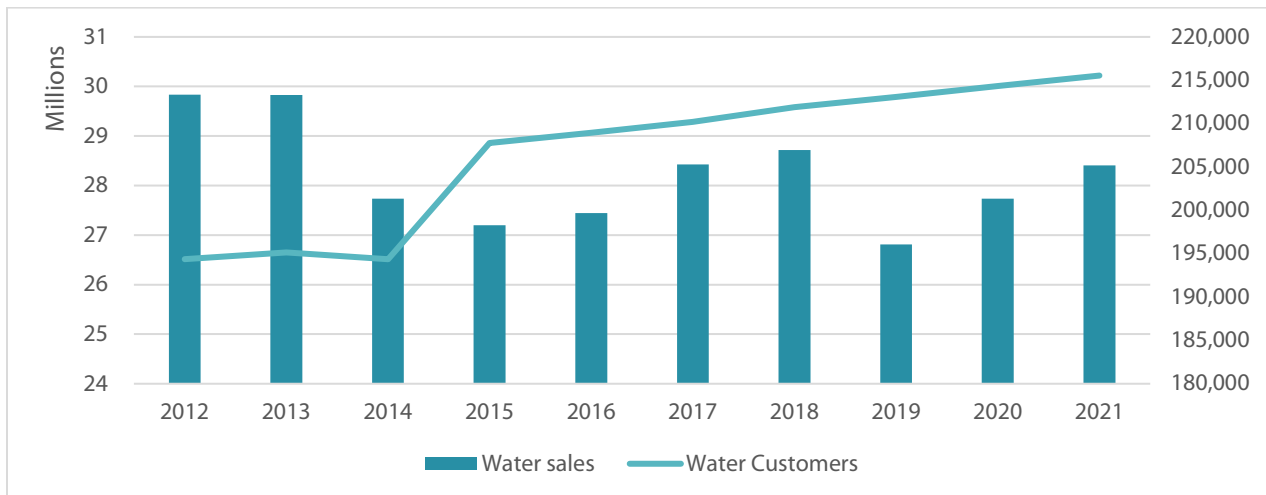
WATER AND WASTEWATER USERS BY CLASS AND METER SIZE CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF AVERAGE NUMBER OF ACCOUNTS:
2012 – 2021



WATER SALES VS. NUMBER OF WATER ACCOUNTS:
2012 – 2021



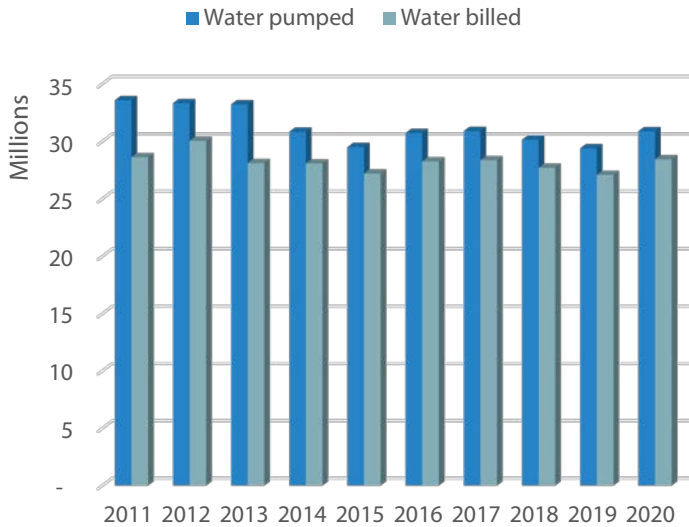
Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER CONSUMPTION

SCHEDULE 7 – LAST TEN CALENDAR YEARS

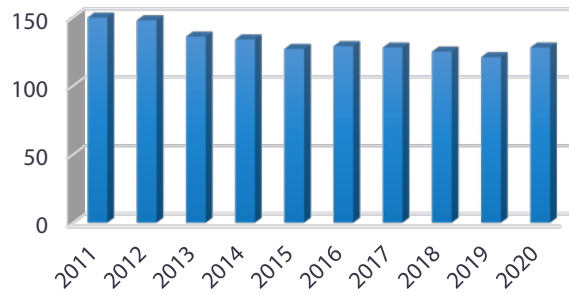
CALENDAR YEARS 2020 – 2011



Calendar year	Water Pumped	Water Billed	% Billed
2020	30,878,760	28,431,768	92.08%
2019	29,392,000	27,073,469	92.11%
2018	30,139,000	27,696,655	91.90%
2017	30,895,000	28,357,626	91.79%
2016	30,720,000	28,250,591	91.96%
2015	29,498,000	27,195,260	92.19%
2014	30,836,000	28,075,612	91.05%
2013	33,222,000	28,113,371	84.62%
2012	33,318,000	30,044,094	90.17%
2011	33,577,000	28,621,945	85.24%

Calendar year	Per Capita Water Usage
2020	128
2019	121
2018	125
2017	128
2016	129
2015	127
2014	134
2013	136
2012	148
2011	150

Per Capita Water Usage



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WATER REVENUE - FISCAL YEAR 2021

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$9,132,031	1	6.20%	2,843,232
Albuquerque Public Schools	2,692,712	2	1.83%	550,917
University of New Mexico	1,344,432	3	0.91%	269,947
Kirtland Air Force Base	705,762	4	0.48%	154,602
Bernalillo County	652,986	5	0.44%	178,989
Water Authority	341,117	6	0.23%	35,928
Lovelace Health	275,167	7	0.19%	85,550
Central NM Community College	270,075	8	0.18%	58,994
Sumitomo	252,362	9	0.17%	102,303
Albuquerque Academy	217,017	10	0.15%	105,018
Total	\$15,883,661		10.78%	4,385,480
2021 Total Water Revenue	\$147,199,054			

WATER REVENUE - FISCAL YEAR 2012

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$6,376,402	1	5.68%	2,670,583
Albuquerque Public Schools	2,236,868	2	1.99%	670,264
University of New Mexico	1,028,516	3	0.92%	309,098
Bernalillo County	614,860	4	0.55%	216,554
Kirtland Air Force Base	578,997	5	0.52%	192,614
Central NM Community College	284,977	6	0.25%	81,128
Sumitomo	256,844	7	0.23%	141,671
Lovelace Health	239,824	8	0.21%	103,336
Water Authority	228,333	9	0.20%	75,400
Albuquerque Academy	202,655	10	0.18%	111,988
Total	\$12,048,276		10.73%	4,572,636
2012 Total Water Revenue	\$112,241,738			

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS CONTINUED

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WASTEWATER REVENUE - FISCAL YEAR 2021

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$1,421,964	1	1.86%	745,391
University of New Mexico	1,105,808	2	1.45%	843,083
Albuquerque Public Schools	714,363	3	0.93%	77,065
City of Albuquerque	661,245	4	0.87%	85,860
Creamland Dairies	529,433	5	0.69%	52,623
Lovelace Health	194,892	6	0.25%	63,043
Bernalillo County	150,456	7	0.20%	34,717
Central NM Community College	118,502	8	0.16%	25,399
Sandia Peak Services	98,802	9	0.13%	83,179
Four Hills Mobile Home Park	77,820	10	0.10%	29,974
Total	\$5,073,285		6.64%	2,040,334
2021 Total Wastewater Revenue	\$76,441,792			

WASTEWATER REVENUE - FISCAL YEAR 2012

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$1,125,049	1	1.97%	687,317
University of New Mexico	785,525	2	1.38%	545,296
Albuquerque Public Schools	676,160	3	1.19%	170,825
Creamland Dairies	516,135	4	0.91%	52,696
City of Albuquerque	490,072	5	0.86%	177,032
Bernalillo County	163,398	6	0.29%	68,718
Lovelace Health	156,384	7	0.27%	95,110
Central NM Community College	111,158	8	0.20%	36,631
Sandia Peak Services	95,531	9	0.17%	86,299
Four Hills Mobile Home Park	68,824	10	0.12%	40,341
Total	\$4,188,236		7.35%	1,960,265
2012 Total Wastewater Revenue	\$56,982,228			

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OUTSTANDING DEBT RATIO

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

FISCAL YEAR 2021 – 2012

Fiscal Year	Revenue Bonds	Notes from direct borrowings	Water Rights Contract	Un-Amortized Premium	Leases	Total	Per Capita*	Per Customer*
2021	\$567,270	\$8,565	\$2,679	\$39,671	\$559	\$618,744	915	2,871
2020	595,930	31,560	3,960	52,874	964	685,288	1,009	3,198
2019	577,825	35,873	5,203	46,119	-	665,020	979	3,121
2018	551,950	39,938	6,409	48,088	-	646,385	955	3,050
2017	589,880	44,013	7,579	60,241	-	701,713	1,286	3,419
2016	566,455	54,819	8,715	58,712	-	688,701	1,232	3,296
2015	601,985	63,627	9,817	71,578	-	747,007	1,170	3,250
2014	515,450	131,515	10,887	23,864	-	681,716	1,204	3,198
2013	420,780	210,805	11,925	13,334	-	656,844	1,172	3,366
2012	443,015	229,644	12,932	17,400	-	702,991	1,267	3,617

Note:

1. Per Capita is based on the estimated 2020 population provided by the US Census Bureau.
2. Per customer is based on the number of customers for the Water Authority.
3. Updated FY2017 schedule includes unamortized premium amounts, which includes restated amounts for the per capita and per customer for 2012 – 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
2021	\$241,449	\$112,883	\$128,566	\$49,354	\$23,410	(\$10,488)	2.06	1.33
2020	240,436	120,498	119,938	48,054	23,876	(9,233)	1.91	1.33
2019	235,645	115,118	120,527	45,093	25,534	(10,074)	1.99	1.33
2018	241,177	112,698	128,479	31,018	23,948	(10,447)	2.89	1.33
2017	227,044	111,326	115,718	37,497	23,899	(10,247)	2.26	1.33
2016	226,774	106,897	119,877	43,031	23,794	(10,477)	2.13	1.33
2015	203,834	107,597	96,237	33,819	22,579	(7,205)	1.96	1.33
2014	199,234	108,177	91,057	41,151	31,502	(4,684)	1.34	1.33
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

SENIOR AND SUBORDINATE LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2021	\$241,449	\$112,883	\$128,566	\$58,168	\$25,624	(\$11,512)	1.78	1.20
2020	240,436	120,498	119,938	56,782	26,476	(10,455)	1.65	1.20
2019	235,645	115,118	120,527	53,691	28,485	(11,525)	1.71	1.20
2018	241,177	112,698	128,479	42,216	27,303	(12,153)	2.24	1.20
2017	227,044	111,326	115,718	46,901	27,673	(12,407)	1.86	1.20
2016	226,774	106,897	119,877	43,964	27,865	(12,866)	2.03	1.20
2015	203,834	107,597	96,237	34,491	25,746	(9,046)	1.88	1.20
2014	199,234	108,177	91,057	42,081	31,889	(4,684)	1.31	1.20
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

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 2021 – 2012

Fiscal Year	Population Albuquerque MSA*	Total Personal Income	Per Capita Personal Income	Unemployment Rate
2021	676,444	\$31,499,968	46.567	6.9%
2020	679,121	28,264,337	41.619	8.7%
2019	679,096	27,484,373	40.472	4.8%
2018	676,953	26,162,880	38.648	4.5%
2017	545,852	20,689,428	37.903	6.0%
2016	559,121	20,650,016	36.933	6.1%
2015	557,169	20,035,240	35.959	5.7%
2014	566,059	19,385,257	34.246	6.4%
2013	560,454	18,359,913	32.759	6.8%
2012	554,905	18,192,560	32.785	7.2%

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

*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TOP TEN MAJOR EMPLOYERS

SCHEDULE 12 – CURRENT FISCAL YEAR AND NINE YEARS AGO

FISCAL YEAR 2021 AND 2012

Employer	2021			2012		
	Number of Employees	Rank	% of Albuquerque MSA* Employment	Number of Employees	Rank	% of Albuquerque MSA* Employment
Sandia National Laboratories	14,120	1	3.85%	-	-	0.00%
Presbyterian Health System	13,456	2	3.67%	7,369	4	1.85%
Albuquerque Public Schools	12,000	3	3.27%	14,480	2	3.64%
Kirtland Air Force Base	10,500	4	2.86%	44,090	1	11.07%
University of New Mexico	7,527	5	2.05%	14,300	3	3.59%
University of New Mexico Hospital	6,417	6	1.75%	5,950	6	1.49%
City of Albuquerque	5,800	7	1.58%	6,680	5	1.68%
State of New Mexico	4,950	8	1.35%	5,910	7	1.48%
Lovelace Health System	4,239	9	1.16%	3,700	8	0.93%
Central NM Community College	2,935	10	0.80%	-	-	0.00%
Intel Corporation	-	-	0.00%	3,300	9	0.83%
Bernalillo County	-	-	0.00%	2,300	10	0.58%
Total	81,944		22.34%	108,079		27.15%
Total Employment:			366,863			398,152

Sources: University of New Mexico Bureau of Business and Economic Research (BBER) and Albuquerque Economic Development, Data as of January 2021

*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 2021 - 2012

FUNCTION	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Administration:										
Water Authority	7.0	7.0	15.0	14.0	13.0	8.0	8.0	13.0	12.0	12.0
Legal/Risk	0.0	0.0	0.0	0.0	7.0	5.0	5.0	0.0	0.0	0.0
Risk	5.0	5.0	5.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
Legal	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Resources	15.0	15.0	15.0	14.0	13.0	13.0	13.0	13.0	13.0	12.0
Finance										
Finance	40.0	39.0	29.5	30.5	31.5	31.5	28.5	27.0	23.0	23.0
Customer Service	51.0	52.0	91.0	91.0	90.0	92.0	80.0	80.0	74.0	73.0
Information Technology	37.0	34.0	27.0	26.0	26.0	25.0	27.0	25.0	25.0	22.0
Wastewater Treatment										
Wastewater Treatment	91.0	91.0	91.0	92.0	92.0	99.0	99.0	99.0	109.0	109.0
Groundwater	54.0	53.0	53.0	54.0	55.0	26.0	27.0	28.0	68.0	79.0
San Juan-Chama Water Plant	34.0	34.0	33.0	30.0	28.0	56.0	56.0	57.0	24.0	11.0
Wastewater Collections										
Wastewater Collections	64.0	62.0	62.0	62.0	61.0	60.0	60.0	65.0	63.0	63.0
Water Field Operations	150.0	153.0	123.0	124.0	124.0	117.0	126.0	126.0	122.0	123.0
Compliance										
Compliance	43.5	44.5	44.5	44.5	45.5	46.0	46.0	44.0	44.0	41.0
Water Resources Management	0.0	0.0	0.0	0.0	0.0	40.0	41.0	35.0	36.0	35.0
Planning and Engineering	0.0	27.0	31.0	26.0	23.0	0.0	0.0	0.0	0.0	0.0
Central Engineering	24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Asset Management	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Planning & Util. Development	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Resources	13.0	12.0	12.0	11.0	16.0	0.0	0.0	0.0	0.0	0.0
CIP Funded	0.0	0.0	0.0	7.0	7.0	9.0	9.0	9.0	0.0	0.0
Total	637.5	634.5	633.0	633.0	632.0	627.5	625.5	621.0	613.0	603.0

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2020 - 2016

FUNCTION	2020	2019	2018	2017	2016
Estimated Population (Service Area)	685,486	683,207	680,946	676,298	670,779
Number of Meters (Billed)	210,357	209,029	207,858	206,606	208,140
Estimated Persons Per Meter	3.26	3.27	3.28	3.27	3.22
Annual Pumpage (1,000 Gallons)	30,878,760	29,392,000	30,139,000	30,895,000	30,720,000
Annual Water Billed (1,000 Gallons)	28,431,768	27,073,469	27,696,655	28,357,626	28,250,591
Average Daily Pumpage (Gallons)	84,599,000	80,526,027	82,572,603	84,643,836	84,164,384
Peak Day Pumpage (Gallons)	141,450,000	147,000,000	147,000,000	150,600,000	159,000,000
Peak Day Consumption (Gallons)	140,223,000	145,000,000	143,000,000	147,300,000	141,000,000
Average Daily Production Per Meter (Gallons)	402	385	397	410	404
Well Pumping Capacity (Per 24-hour period)	176,000,000	176,000,000	176,000,000	176,000,000	178,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION CONTINUED

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2015 - 2011

FUNCTION	2015	2014	2013	2012	2011
Estimated Population (Service Area)	658,238	656,305	643,881	638,887	634,284
Number of Meters (Billed)	208,200	206,944	205,316	203,912	201,884
Estimated Persons Per Meter	3.16	3.17	3.14	3.13	3.14
Annual Pumpage (1,000 Gallons)	29,498,000	30,836,000	33,222,000	33,318,000	33,577,000
Annual Water Billed (1,000 Gallons)	27,195,260	28,075,612	28,113,371	30,044,094	28,621,945
Average Daily Pumpage (Gallons)	80,816,438	84,482,192	91,019,178	91,282,192	91,991,781
Peak Day Pumpage (Gallons)	146,000,000	144,000,000	157,000,000	175,000,000	182,000,000
Peak Day Consumption (Gallons)	148,000,000	150,000,000	148,000,000	164,000,000	161,500,000
Average Daily Production Per Meter (Gallons)	388	408	443	448	456
Well Pumping Capacity (Per 24-hour period)	184,000,000	183,000,000	187,000,000	196,000,000	282,000,000
Storage Capacity (Gallons)	245,000,000	253,000,000	249,000,000	249,000,000	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

CAPITAL STATISTICS BY FUNCTION

SCHEDULE 15 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2020 - 2016

FUNCTION	2020	2019	2018	2017	2016
Fire Hydrants	16,076	15,948	15,853	15,731	15,646
Number of Miles of Lines:					
Water	2,783	2,767	2,756	2,739	2,729
Wastewater	1,926	1,920	1,914	1,908	1,904
San Juan-Chama	38	38	38	37	37

CALENDAR YEAR 2015 - 2011

FUNCTION	2015	2014	2013	2012	2011
Fire Hydrants	15,572	15,344	15,249	15,110	14,996
Number of Miles of Lines:					
Water	2,721	2,691	2,680	2,663	2,650
Wastewater	1,900	1,879	1,875	1,869	1,866
San Juan-Chama	37	37	37	37	37

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA

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

FISCAL YEAR 2021 - 2017

FUNCTION	2021	2020	2019	2018	2017	Average	Maximum
Groundwater Diversion	75,722.0	40,871.0	40,718.2	31,174.1	34,746.7	36,470.4	40,718.2
	(24.67)	(13.32)	(13.27)	(10.16)	(11.32)	(11.88)	(13.32)
System Wells Only	74,742.0	36,209.3	39,791.7	30,434.7	34,040.3	34,934.1	39,791.7
	(24.35)	(11.80)	(12.97)	(9.92)	(11.09)	(11.38)	(12.97)
Surface Water Diversion	20,584.2	59,657.7	51,088.5	66,371.0	62,716.3	59,863.0	66,371.0
	(6.71)	(19.44)	(16.65)	(21.63)	(20.44)	(19.51)	(21.63)
Recovered Surface Water from River	2.9	43.6	0.0	0.0	0.0	N/A	1,077.2
	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	N/A	(0.35)
Total System Water Diversion	95,329.1	103,716.0	90,880.2	96,805.7	96,756.6	96,582.4	103,716.0
	(31.06)	(33.80)	(29.61)	(31.54)	(31.53)	(31.47)	(33.80)
Groundwater Use	74,742.0	39,417.40	39,791.7	30,434.7	34,040.3	35,575.8	39,791.7
	(24.35)	(12.84)	(12.97)	(9.92)	(11.09)	(11.59)	(12.97)
Surface Water Use	20,587.1	64,298.6	51,088.5	66,370.0	62,716.3	61,006.4	66,370.0
	(6.71)	(20.95)	(16.65)	(21.63)	(20.44)	(19.88)	(21.63)
Percent Groundwater Use	78.4%	38.0%	43.8%	31.4%	35.2%	36.8%	43.8%
Percent Surface Water Use	21.6%	62.0%	56.2%	68.6%	64.8%	63.2%	68.6%
GPCD*	128.0	128.0	121.0	125.0	128.0	127.3	129.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December 31, 2019		17,875.0	4,916.7	8,547.2	26,422.2	48,200.0	74,622.2

Note – *GPCD is calculated by calendar year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA CONTINUED

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

FISCAL YEAR 2016 - 2012

FUNCTION	2016	2015	2014	2013	2012*	Average	Maximum
Groundwater Diversion	34,842.0 (11.35)	40,497.3 (13.20)	53,198.7 (17.33)	55,723.5 (18.16)	59,556.9 (19.41)	54,291.1 (17.69)	62,479.1 (20.36)
System Wells Only	34,194.7 (11.14)	39,377.1 (12.83)	51,842.3 (16.89)	54,189.8 (17.66)	58,052.0 (18.92)	52,902.8 (17.24)	61,052.9 (19.89)
Surface Water Diversion	59,481.5 (19.38)	54,033.9 (17.61)	42,660.6 (13.90)	49,732.2 (16.21)	46,074.6 (15.01)	47,319.3 (15.42)	54,033.9 (17.61)
Recovered Surface Water from River	1,077.2 (0.35)	-	-	-	-	N/A	N/A
Total System Water Diversion	94,753.4 (30.88)	93,411.0 (30.44)	94,502.9 (30.79)	103,922.0 (33.86)	104,126.6 (33.93)	100,222.1 (32.66)	105,148.0 (34.26)
Groundwater Use	34,194.7 (11.14)	39,377.1 (12.83)	51,842.3 (16.89)	54,189.8 (17.66)	58,052.0 (18.92)	52,902.8 (17.24)	61,052.9 (19.89)
Surface Water Use	60,558.8 (19.73)	54,033.9 (17.61)	42,660.6 (13.90)	49,732.2 (16.21)	46,074.6 (15.01)	47,319.3 (15.42)	54,033.9 (17.61)
Percent Groundwater Use	36.1%	42.2%	54.9%	52.1%	55.8%	52.8%	58.1%
Percent Surface Water Use	63.9%	57.8%	45.1%	47.9%	44.2%	47.2%	57.8%
GPCD*	129.0	127.0	134.0	136.0	148.0	140.0	155.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December 31, 2014		17,875.0	4,916.7	8,397.1	26,272.1	48,200.0	74,472.1

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS

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

FISCAL YEAR 2021 - 2017

RATIO TYPE	2021	2020	2019	2018	2017
Operating Ratio Calculation:					
Operating Revenues	\$225,663	\$225,609	\$219,984	\$226,396	\$215,194
/Operating Expenses	221,095	225,733	213,186	203,113	198,770
(1) Operating Ratio:	1.0	1.0	1.0	1.1	1.1

Operating Revenues	225,663	225,609	219,984	226,396	215,194
/Operating Expenses (excl. Depr./Amort.)	134,434	140,220	128,866	120,482	117,122
(1) Operating Ratio, excl. Depr./Amort.:	1.7	1.6	1.7	1.9	1.8

Days Cash on Hand Calculation:					
Unrestricted Cash	154,904	159,849	172,815	148,814	125,990
/Operating Expense (excl. Depr./Amort.)	368	384	353	330	321
(2) Days Cash on Hand:	420.5	416.1	489.5	450.8	392.6

Days of Working Capital Calculation:					
Current Unrestricted Assets	178,580	182,178	193,538	169,525	146,372
Less: Current Liabilities	(93,757)	(107,680)	(96,912)	(88,883)	(78,147)
/Operating Expenses (excl. Depr./Amort.)	368	384	353	330	321
(3) Days of Working Capital:	230.5	194.0	273.7	244.3	212.6

Current Ratio Calculation:					
Unrestricted Cash	154,904	159,849	172,815	148,814	125,990
+ Receivables, net	23,677	22,328	20,724	20,711	20,380
/Current Liabilities	93,757	107,680	96,912	88,883	78,147
(4) Current Ratio:	1.9	1.7	2.0	1.9	1.9

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

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

FISCAL YEAR 2016 - 2012

RATIO TYPE	2016	2015	2014	2013	2012
Operating Ratio Calculation:					
Operating Revenues	\$210,057	\$192,312	\$182,350	\$179,678	\$177,055
/Operating Expenses	191,540	197,155	198,721	195,437	185,893
(1) Operating Ratio:	1.1	1.0	0.9	0.9	1.0

Operating Revenues	210,057	192,312	182,350	179,678	177,055
/Operating Expenses (excl. Depr.)	111,183	114,060	113,933	108,349	100,609
(1) Operating Ratio, excl. Depreciation:	1.9	1.7	1.6	1.7	1.8

Days Cash on Hand Calculation:					
Unrestricted Cash	101,196	68,886	60,636	38,582	47,108
/Operating Expense (excl. Depr.)	305	295	297	297	276
(2) Days Cash on Hand:	332.2	233.6	205.2	130.0	170.9

Days of Working Capital Calculation:					
Current Unrestricted Assets	121,366	85,288	78,784	57,201	64,820
Less: Current Liabilities	(81,583)	(74,295)	(66,823)	(67,802)	(68,707)
/Operating Expenses (excl. Depr.)	305	295	297	297	276
(3) Days of Working Capital:	130.6	37.3	40.3	(35.7)	(14.1)

Current Ratio Calculation:					
Unrestricted Cash	101,196	68,886	60,836	38,582	47,108
+ Receivables, net	20,170	16,401	17,948	18,603	17,619
/Current Liabilities	81,583	74,295	66,823	67,802	68,707
(4) Current Ratio:	1.5	1.1	1.2	0.8	0.9

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

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

FISCAL YEAR 2021 - 2012

Notes for Financial Benchmarks:

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

Source: Water Authority Financial/Business Services Division

**OTHER
SUPPLEMENTARY
INFORMATION SECTION**



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
REVENUES:				
<i>OPERATING:</i>				
Water service	\$90,578,000	\$90,578,000	\$105,126,729	\$14,548,729
Water facilities rehab	32,402,000	32,402,000	37,759,889	5,357,889
Wastewater service	64,869,000	64,869,000	42,120,865	(22,748,135)
Wastewater facilities rehab	27,602,000	27,602,000	34,320,927	6,718,927
Water resources management	4,500,000	4,500,000	4,371,675	(128,325)
COA administrative fees	2,023,000	2,023,000	2,022,568	(432)
Investment income	1,000,000	1,000,000	213,834	(786,166)
Miscellaneous revenue	14,834,000	14,834,000	1,863,580	(12,970,420)
<i>CAPITAL:</i>				
Transfer from operating	33,618,000	36,418,000	36,418,000	-
Transfer from debt service	4,000,000	4,000,000	4,000,000	-
Transfer from capital	-	-	-	-
Loan proceeds	-	800,000	1,918,827	1,118,827
Bond proceeds	-	-	-	-
Federal grants	-	-	916,066	916,066
State grants	-	1,200,000	683,247	(516,753)
Lease of water rights	-	-	809,838	809,838
Water resource charge	-	-	1,612,875	1,612,875
Interest income	-	-	23,957	23,957
<i>DEBT SERVICE:</i>				
Utility Expansion Charges	8,000,000	8,000,000	9,060,038	1,060,038
Water resource charge	-	-	-	-
Interest income	-	-	442,808	442,808
Miscellaneous revenue	-	-	21,150	21,150
Bond proceeds	-	47,800,000	47,800,000	-
Transfer from capital	-	-	-	-
Transfer from operating	81,815,000	81,815,000	81,815,000	-
TOTAL REVENUES	\$365,241,000	\$417,841,000	\$413,321,873	(\$4,519,127)

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, 2021

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
EXPENSES:				
<i>OPERATING:</i>				
Administration	\$1,864,000	\$1,864,000	\$1,823,363	\$40,637
Risk	4,803,000	4,803,000	5,047,681	(244,681)
Legal	796,000	796,000	944,632	(148,632)
Human resources	1,847,000	1,847,000	1,740,199	106,801
Finance	3,961,000	4,014,006	4,187,916	(173,910)
Fleet maintenance	3,693,000	3,693,000	3,336,950	356,050
Customer service	5,276,000	5,192,967	4,827,160	365,807
Information technology	8,323,000	8,362,949	9,089,491	(726,542)
Wastewater plant	11,669,000	11,669,000	11,908,314	(239,314)
SJC water treatment plant	4,528,000	4,528,000	4,161,682	366,318
Groundwater operations	6,793,000	6,823,581	6,406,743	416,838
Wastewater collection	7,228,000	7,228,000	7,123,588	104,412
Water field operations	20,519,000	20,519,000	17,979,520	2,539,480
Compliance	5,604,000	5,563,497	4,688,370	875,127
Planning and engineering	3,755,000	3,755,000	3,503,630	251,370
Asset management	552,000	552,000	557,220	(5,220)
Water resources	4,599,000	4,599,000	3,177,308	1,421,692
General government*	23,798,000	23,798,000	24,173,625	(375,625)
San Juan-Chama	2,747,000	2,747,000	2,522,182	224,818
Transfer to debt service	81,815,000	81,815,000	81,815,000	-
Transfer to capital	33,618,000	36,418,000	36,418,000	-
<i>CAPITAL:</i>				
Capital expense	71,670,000	126,501,750	106,158,437	20,343,313
Transfer to other funds	-	-	-	-
<i>DEBT SERVICE:</i>				
Debt service	85,900,000	85,900,000	83,792,460	2,107,540
Transfer to capital	4,000,000	4,000,000	4,000,000	-
TOTAL EXPENSES	\$399,358,000	\$456,989,750	\$429,383,471	\$27,606,279

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
NET EFFECT:				
Revenues over (under) expenses	(\$34,117,000)	(\$39,148,750)	(\$16,061,598)	(\$23,087,152)

Revenues (expenses) not budgeted:	
Depreciation	(86,167,169)
Amortization on premium and discounts	8,394,779
Gain (loss) on capital assets	(16,083)
Non-budgeted miscellaneous expenses	2,542,305
Miscellaneous revenues	11,716
Net expenses over revenues not budgeted	(75,234,452)

Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	58,168,241
Principal payments on water rights contract	1,280,611
Expenses recorded in capital general ledger funds	84,241,528
Bond proceeds	(47,800,000)
Loan proceeds	(1,918,827)
Unrealized gain (loss) in fair value of investments	(101,265)
Capital contributions	5,127,248
Net changes to conform to generally accepted accounting principles	\$98,997,536

Change in net position	\$7,701,486
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF DEPOSITS AND INVESTMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021

BY FINANCIAL INSTITUTION

Account Name	Type of Account	Bank Balance	Outstanding	Book Balance
Bank of Albuquerque:				
Lockbox	Checking	\$32,115,241	-	\$32,115,241
Wells Fargo Bank:				
General Fund	Checking	117,114,763	(1,368,613)	115,746,150
SAF Reserve	Savings	1,486,000	-	1,486,000
Money Market Reserve	Savings	9,500,000	-	9,500,000
Flex Spending	Checking	259,043	-	259,043
Rio Grande Credit Union:				
Money Market	Savings	249,164	-	249,164
NM State Treasurer's Office				
LGIP	Investments	11,002,011	-	11,002,011
US Bank:				
Treasury Money Market	Investments	587	-	587
Cash on hand		-	-	2,815
Total Cash Deposits		\$171,726,809	(\$1,368,613)	\$170,361,011

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL

FOR THE FISCAL YEARS ENDED JUNE 30, 2021

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Bank of Albuquerque, N.A.:				
FN MA3864	31418DJJ2	\$1,029,094	12/01/2034	2.500%
FN MA3864	31418DJJ2	1,029,094	12/01/2034	2.500%
FN MA3864	31418DJJ2	1,543,641	12/01/2034	2.500%
FN MA3864	31418DJJ2	18,009,142	12/01/2034	2.500%
FN MA3864	31418DJJ2	2,058,187	12/01/2034	2.500%
FN MA3864	31418DJJ2	2,058,187	12/01/2034	2.500%
FHMS K055 A1	3137BPVZ9	722,412	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	722,412	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	722,412	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	2,167,236	04/24/2025	2.263%
FN AL6163	3138ENZ51	201,976	11/01/2021	2.674%
FN AL6163	3138ENZ51	302,964	11/01/2021	2.674%
FNR 2016-2 PB	3136AREU8	3,842,305	02/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	355,853	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	1,423,414	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	1,626,713	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	1,957,194	06/25/2046	2.000%
FNR 2009-06 LC	31397M5D5	2,328,322	07/25/2035	4.240%
Location of collateral: Bank of Oklahoma – Oklahoma City, OK				

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2021

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Wells Fargo Bank, N.A.:				
FMAC FEPC	3131XJDW9	\$1,776,908	03/01/2042	3.500%
FMAC FEPC	31329KUK8	4,413,827	07/01/2035	3.000%
FMAC FEPC	3132A5HB4	6,689,752	07/01/2047	3.500%
FMAC FEPC	3132A9Q67	3,220,099	07/01/2030	2.500%
FMAC FEPC	3132ADWV6	9,804,895	03/01/2030	3.000%
FMAC FEPC	3132DMG41	4,127,000	01/01/2050	3.000%
FMAC FEPC	31334W2R1	11,754,840	07/01/2049	3.500%
FMAC FEPC	3133A13P5	7,806,119	02/01/2050	3.000%
FMAC FEPC	3133A2F96	12,216,734	02/01/2050	3.000%
FMAC FEPC	3133KHLN4	4,189,572	02/01/2050	3.000%
FNMA FNMS	3138E0RA9	15,536,231	12/01/2041	3.500%
FNMA FNMS	3138ML5J9	12,168,656	12/01/2042	3.000%
FNMA FNMS	3138W5GZ5	6,469,286	07/01/2043	3.500%
FNMA FNMS	3138WFYL4	12,223,065	11/01/2030	2.500%
FNMA FNMS	3138WGXA7	2,507,852	04/01/2036	3.000%
FNMA FNMS	3140FCTG3	13,330,802	02/01/2047	3.500%
FNMA FNMS	3140GQ4C7	1,289,668	08/01/2047	3.500%
FNMA FNMS	3140JM2M3	8,217,333	02/01/2049	4.000%
FNMA FNMS	3140JQTX1	283,452	09/01/2049	3.000%
FNMA FNMS	31418DGL0	4,273,562	10/01/2049	3.000%
Location of collateral: Bank of New York Mellon – New York, NY				
Total Collateral of Cash Deposits		\$184,400,211		

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number and Pass- Through Entity's Identifying Numbers	Total Federal Expenditures
U.S. Department of Environmental Protection Agency <i>Passed-Through</i> New Mexico Finance Authority (NMFA)		
Capitalization Grants for Drinking Water State Revolving Funds	66.468 DW-4202	\$22,219
Capitalization Grants for Drinking Water State Revolving Funds	66.468 DW-4877	164,861
Capitalization Grants for Drinking Water State Revolving Funds	66.468 DW-5028	1,905,818
Total U.S. Department of Environmental Protection Agency		<u>\$2,092,898</u>
Total Expenditures of Federal Awards		<u><u>\$2,092,898</u></u>

The accompanying notes are an integral part of this schedule.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1 – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Water Authority under programs of the federal government for the year ended June 30, 2021. The information in the schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Water Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Water Authority.

Note 2 – Summary of significant accounting policies

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

Note 3 – Assistance Listing Numbers

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

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

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

The Board of Directors of the
Albuquerque Bernalillo County Water Utility Authority
and
Mr. Brian Colón, Esq.
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, 2021, 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 18, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Section 12-6-5 NMSA 1978 and which is described in the accompanying schedule of findings and questioned costs as item 2021-001.

The Water Authority's Response to Finding

The Water Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Water Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 communication is not suitable for any other purpose.

REDWLL

Albuquerque, New Mexico
November 18, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited the Albuquerque Bernalillo County Water Utility Authority's (the "Water Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Water Authority's major federal program for the year ended June 30, 2021. The Water Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Water Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the Water Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Water Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

REDWLL

Albuquerque, New Mexico
November 18, 2021

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program

Assistant Listing Number
66.468

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

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

Auditee qualified as low-risk auditee? yes no

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

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

2021-001 – 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 twenty-five deposits tested in the amount of \$34,835.

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, due to employee turnover, the Water Authority's internal control policies and procedures were not followed in these instances and the deposits were made after the next succeeding business day.

Effect: The Water Authority did not comply with the applicable requirements.

Auditors' Recommendations: We recommend that the Water Authority continue to train and monitor new employees to ensure compliance with State Statutes and ensure cash receipts are deposited by the close of the next succeeding business day.

Management's Response: Management concurs with this finding. The Customer Service Administrator will continue to monitor training and performance of staff to ensure proper procedures are followed and the Water Authority is compliant with Section 6-10-3 NMSA 1978. The corrective action plan to address this finding will be completed by September 1, 2021.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

None.



CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2021-001 Public Money Act

Corrective action plan: The Customer Service Administrator will monitor training of new employees and ensure all employees are trained on proper cash receipt procedures. Staff performance will be audited and additional training provided on proper procedures, if necessary.

Person(s) responsible: Duane Hamar, Customer Service Administrator

Estimated completion date: September 1, 2021

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

EXIT CONFERENCE

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

A virtual exit conference was held on Wednesday, November 17, 2021 with the Water Authority with the following present:

On behalf of the Water Authority:

Steven Michael Quezada, Chair

Mark S. Sanchez, Executive Director

Stan Allred, Chief Financial Officer/Chief Operations Officer

Charles Kolberg, General Counsel

Susan J. Lander, Controller

On behalf of REDW LLC:

James Montoya, CPA Principal

Jesse Jiron, CPA Senior Manager