



Meeting Date: January 24, 2018
Staff Contact: Stan Allred, Chief Financial Officer

TITLE: C-18-2 – Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2017 and 2016

ACTION: Receipt be Noted

SUMMARY:

Submitted to the Board for review and informational purposes is the Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2017 and 2016. A review of the CAFR was presented to the Water Authority's Audit Committee and the Authority's Internal Auditor. The CAFR consists of four major sections:

1. *The Introductory Section:*

This section includes the Transmittal Letter with the Water Authority's Organizational Chart, and a listing of the Water Authority Officials, as well as other relevant information to assist the reader in understanding the Water Authority's management structure, operations and financial condition.

2. *The Financial Section:*

This section includes the Independent Auditor's Report, Management's Discussion and Analysis of the Financial Statements, the Water Authority's Financial Statements for the Fiscal Years ended June 30, 2017 and 2016, explanatory footnotes, and required supplementary information.

3. *The Statistical Section:*

This section contains tables with general information about the Water Authority and comparative data from prior years.

4. *Other Supplementary Information Section:*

This section includes all state compliance and operational findings required by the New Mexico Office of the State Auditor (OSA).

The Independent Public Accountant (IPA) firm contracted by the Water Authority to perform the financial and compliance audit was REDW, LLP. The Independent Auditor's Report found on page 18, reflects the opinion, which states "the financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority as of June 30, 2017 and 2016, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America."

FISCAL IMPACT:

None.

COMMENTS:

The CAFR was timely submitted to the OSA on November 30, 2017 before the December 1st due date and was officially released on December 13, 2017.

In accordance with Section 12-6-14(B) NMSA 1978 and 2.2.2.13 NMAC, the Water Authority is required to present its CAFR at the next public board meeting after the official release notice from the OSA has been delivered.



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2017 & 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT



6/30/2017

Albuquerque Bernalillo County Water Utility Authority

For the Fiscal Years Ended June 30, 2017 and 2016

Albuquerque, New Mexico

PREPARED BY FINANCIAL/BUSINESS SERVICES DIVISION



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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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INTRODUCTORY SECTION



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LETTER OF TRANSMITTAL

November 29, 2017

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

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Albuquerque Bernalillo County Water Utility Authority ("Water Authority") for the years ended June 30, 2017 and 2016. The Water Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by the Water Authority. Pursuant to NMSA 1978, § 12-6-3, the Water Authority is required to have its financial affairs examined and audited each year and approved by the New Mexico State Auditor's office.

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

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

REDW LLC, Certified Public Accountants, has been retained by the Water Authority to serve as its independent auditors and has issued an unmodified ("clean") opinion on the Water Authority's financial statements for the years ended June 30, 2017 and 2016. The independent auditor's report is located at the front of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. The MD&A is located immediately following the independent auditor's report.

Profile of the Water Authority

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

The Water Authority provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 658,238 residential, commercial, industrial and governmental customers comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the water system.

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

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

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

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

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

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

Summary of Local Economy

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

River runs north to south, dividing the city in to four major quadrants; northeast, northwest, southeast, and southwest.

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

The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has an estimated population of 908,252 residents. Historically, the area has grown at a steady pace of 1-2 percent per year. Despite the growth of the Albuquerque area, commute times are very reasonable, thus enhancing the work/life balance valued by many.

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

In February 2017, the state led the nation in highest unemployment rate at 6.8% compared to 4.7% for the United States. The Albuquerque area unemployment rate is 6.0%. In the five-year forecast, through 2022, the Albuquerque area economy is forecasted to add 25,392 jobs at an average annual growth (AAG) rate of 1.4%. Most growth over the period will be concentrated in the private sector (1.6%); the government sector will also add jobs (0.3%).

Personal income growth in the Albuquerque area is forecasted to be consistent throughout much of the forecast period and relatively stronger than in the rest of the state. In 2017 and 2018, growth is forecasted to average 4.6% in both years before a moderate increase to 4.9% in 2019.

The total housing permits in the City of Albuquerque are expected to slowly increase, with the largest gains between 2018 and 2021. Total housing permits for the rest of 2017 are forecasted to grow by 126 (14.2%) over a year earlier to 1,015 permits. Multi-family permits should make up around 300 per year, with the balance being made up by single-family. Although permits are expected to reach their highest level since before the recession in 2022 at 1,975, this level will only equate to about 40% of the previous peak reached in 2003 (5,716 total permits that year).

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

Long-Term Financial Planning

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

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

and 2016 and will again increase the rate revenue in fiscal year 2018. The Water Authority has operated since fiscal year 2004 with one rate increase of 6% in fiscal year 2007 and one rate increase of 5% in fiscal year 2012.

Effective July 1, 2007, the Water Authority Board approved new policies that will 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 Supply Charge (WSC) based on the building cost or construction cost indices was implemented. This adjustment will allow the Water Authority's capital program to maintain constant dollars with inflationary increases in the future. The Water Supply Charge was established to provide the resources for the Water Authority to begin the planning, acquisition and development of new water sources to meet the demands of new customers outside the established service area without impacting existing customers.

The Water Authority also develops a Decade Plan every two years that guides the Capital Implementation Program (CIP). The projects included in the plan are identified for near-term and future work, and include both 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 operational cornerstone of Water 2120 is the San Juan-Chama Drinking Water Project (DWP), which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After nine years of operation, the DWP – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey. A video documenting this success is available for viewing at: <https://www.youtube.com/watch?v=Z6stQZw2LIM&feature=youtu.be>.

Building on accomplishments such as these, Water Authority staff and leadership will continue to pursue new operational efficiencies and improvements in FY18. The Operations groups have completed documentation for shift procedures and standard operating procedures and are implementing and measuring key performance indicators for the water, wastewater and ground water plant facilities. In addition, we will continue to implement mobile technology to document and complete work assignments in the various groups including field operations. Field operations have developed and submitted a five year "strategic plan" to guide its operational goals and objectives.

Wastewater Collections continues to implement the Capacity Management Operations and Maintenance (CMOM) program. The expanded closed-circuit television (CCTV) inspection of 5% of the small diameter system each year provides for better maintenance and identification of specific rehab needs. Communication with entities potentially impacted by public or private sewage spills continues to be enhanced and documented in the Overflow Emergency Response Plan (OERP) which is a portion of the CMOM. The fleet of combination cleaning units is being renewed and provided with updated nozzles.

Water Distribution Field will begin implementation of the Maximo version upgrade and integration, training, and sustained use of hand-held electronic data recording devices. In FY18, the division will evaluate maintenance reduction potential by eliminating select redundant/inoperable pressure reducing valves monitored with AMR technology.

The Water Authority's certification training programs continue to develop employees' knowledge and skills in various positions, including water and wastewater operations and maintenance, dispatch, and customer service. A committee to update the Wastewater Worker training program will be convened to review and recommend updates to this program in FY18. Each fiscal year, there has been an increase in the number of utility operators obtaining their State of New Mexico Operator certification. In addition to traditional classroom and on-the-job training, employees will be able to access various training subjects online, making training more accessible to employees working non-traditional schedules (i.e. graveyard shift). A new Training Specialist position will be dedicated solely to training the operators at the SWRP. This new position will focus on delivering classroom and on-the-job training from the newly developed Utility Tech Surface Water Plant training program.

Relevant Financial Policies

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

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2016. This was the third year since 2008 that the Water Authority received this prestigious award. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. Staff believes that its current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

The Water Authority received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2017. This is the highest form of recognition in governmental budgeting. To qualify for the Distinguished Budget Presentation Award, the Water Authority's budget document was judged to be proficient in several categories, including presentation as a policy document, financial plan, operations guide and communication device. The Water Authority has been the recipient of this prestigious award since 2005.

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

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

Respectfully submitted,

Mark S. Sanchez
Executive Director

Stanley R. Allred
Chief Financial Officer

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CERTIFICATE OF ACHIEVEMENT AWARD



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Albuquerque Bernalillo County
Water Utility Authority, New Mexico

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

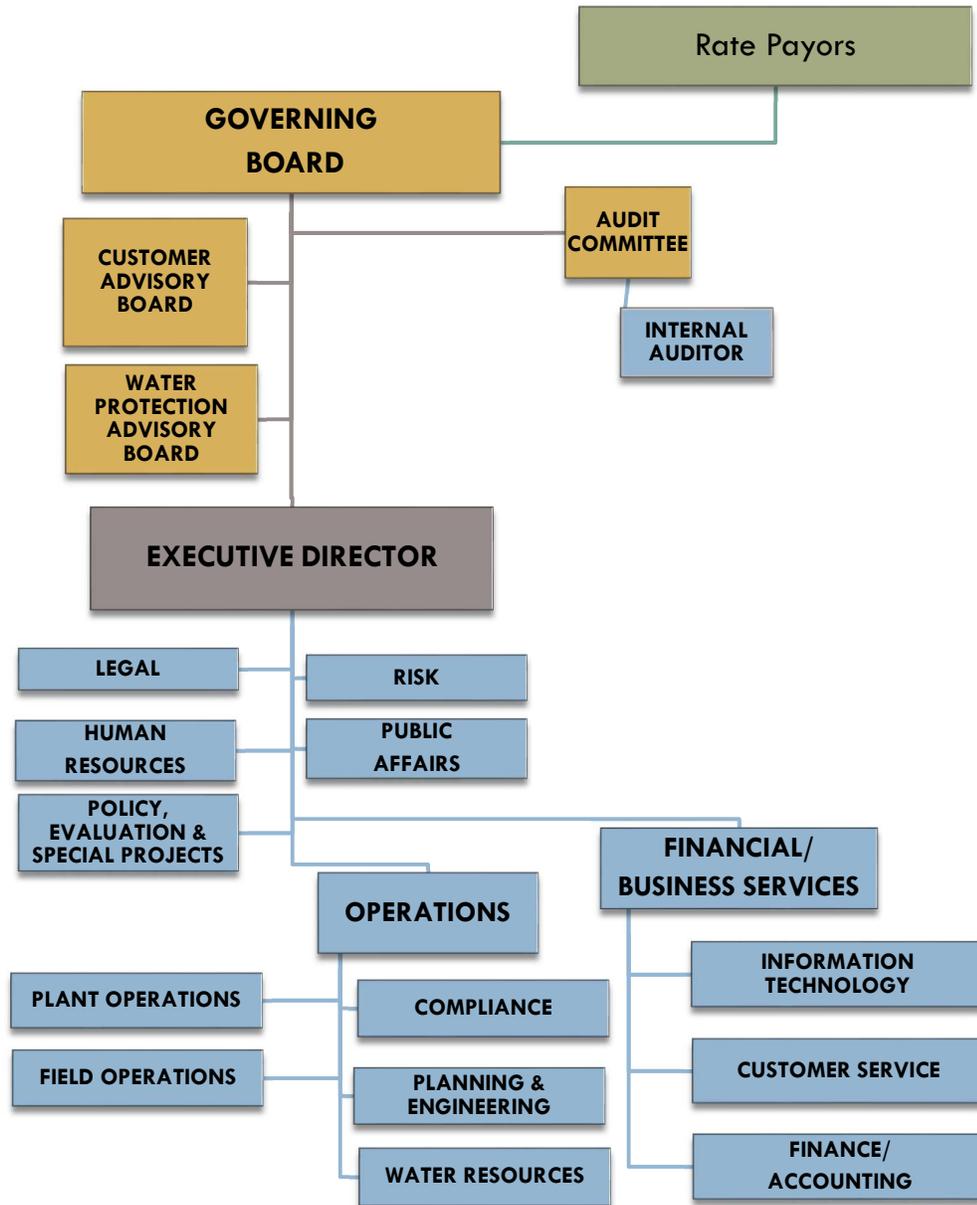
June 30, 2016



Executive Director/CEO

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

ORGANIZATIONAL CHART



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SYSTEM OFFICIALS

GOVERNING BOARD MEMBERS

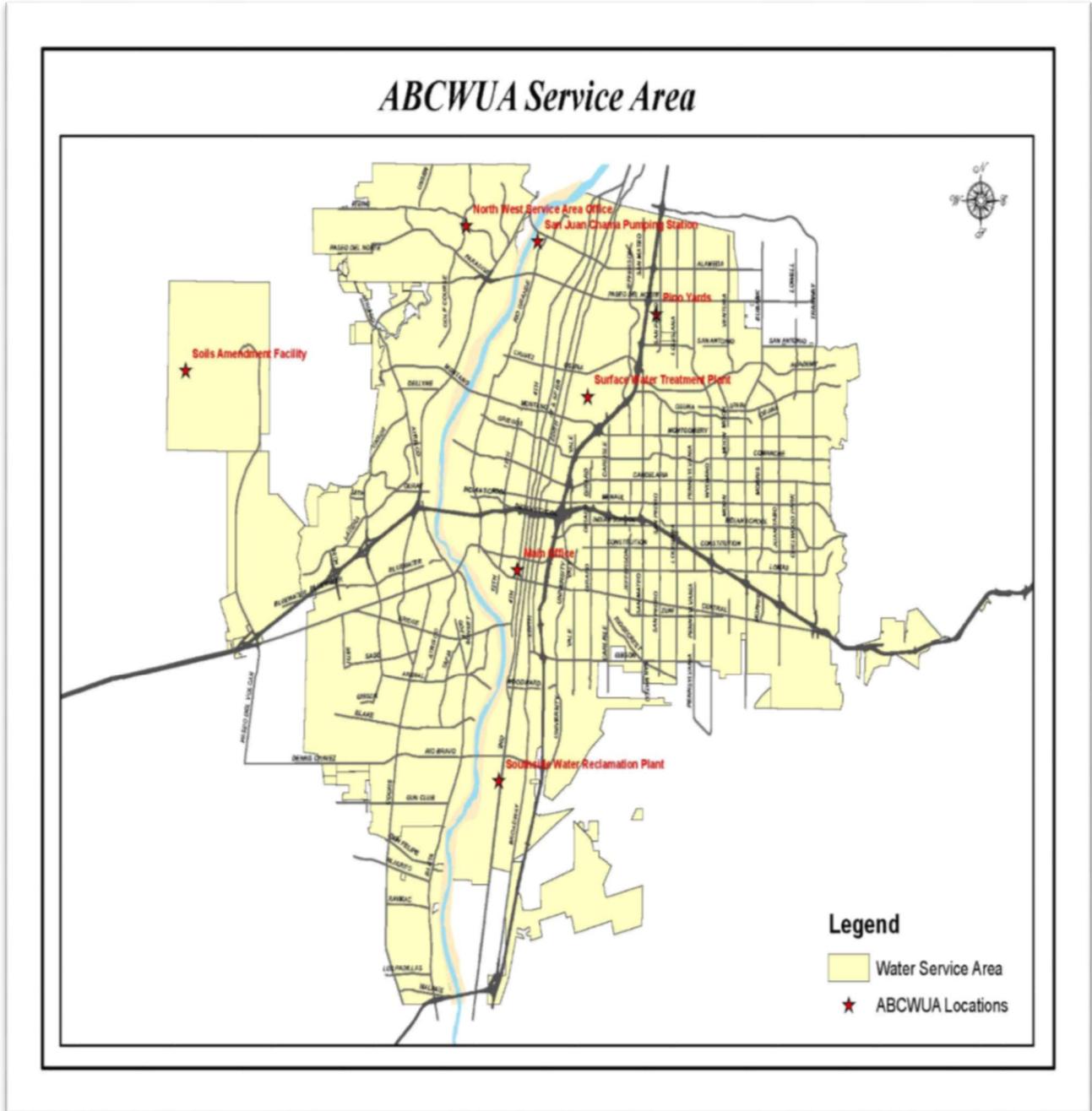
<i>KLARISA J. PENA</i>	<i>CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 5</i>	<i>CHAIR</i>
<i>DEBBIE O'MALLEY</i>	<i>BERNALILLO COUNTY COMMISSIONER, DISTRICT 1</i>	<i>VICE CHAIR</i>
<i>RICHARD R BERRY</i>	<i>CITY OF ALBUQUERQUE, MAYOR</i>	<i>MEMBER</i>
<i>PAT DAVIS</i>	<i>CITY OF ALBUQUERQUE COUNCILOR, DITRICT 6</i>	<i>MEMBER</i>
<i>MAGGIE HART STEBBINS</i>	<i>BERNALILLO COUNTY COMMISSIONER, DISTRICT 3</i>	<i>MEMBER</i>
<i>WAYNE JOHNSON</i>	<i>BERNALILLO COUNTY COMMISSIONER, DISTRICT 5</i>	<i>MEMBER</i>
<i>TRUDY E. JONES</i>	<i>CITY OF ALBQUERQUE COUNCILOR, DISTRICT 8</i>	<i>MEMBER</i>
<i>PABLO R RAEI</i>	<i>VILLAGE OF LOS RANCHOS BOARD TRUSTEE</i>	<i>EX-OFFICIO</i>

ADMINISTRATIVE MANAGEMENT MEMBERS

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

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SERVICE AREA MAP



FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the years ended June 30, 2017 and 2016, 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, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority, as of June 30, 2017 and 2016, 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, 2017, 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 Funding Progress for Life Insurance Benefit Plan, and the Schedules of Net Pension Liability and Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Water Authority’s financial statements and the budgetary comparison schedule. The other schedules required by 2.2.2 NMAC and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the Water Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority’s internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico
November 29, 2017

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017. 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 6-11 of this report.

FINANCIAL HIGHLIGHTS

The Water Authority's financial position, measured by the change in net position, increased 1.98 percent during fiscal year 2017, compared to 3.54 percent during fiscal year 2016.

- 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 \$634.0 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 \$73.2 million.
- Operating revenues increased from \$210.0 million in 2016 to \$215.2 million in 2017, largely attributed to an increase in consumption levels.
- Capital contributions were \$3.5 million in 2017 compared to \$5.5 million in 2016, a decrease of \$2.0 million.
- Taking advantage of the historically low interest rate environment and the Water Authority's strong credit ratings, the Water Authority issued \$87.9 million in revenue bonds on March 1, 2017.
- The Water Authority redeemed in full, with cash on hand, all current outstanding Super Subordinate Lien long-term liabilities with the New Mexico Finance Authority totaling \$1.2 million.
- Debt service coverage for senior liens increased from 222% to 236% for fiscal year 2017; which continues to remain above the 133% requirement established by the governing board and bond covenants.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Water Authority's basic financial statements. The Water Authority's basic financial statements contain four components: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, and 4) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The Water Authority, for financial statement reporting purposes, is a special purpose government engaged only in a business-type activity. As such, it does not include in its financial statements financial information for individual general ledger funds that are used for internal accounting purposes.

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

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

Measurement Focus / Basis of Accounting:

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

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

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

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

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

Basic Financial Statements:

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

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

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

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

Notes to the Financial Statements:

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements, which can be found on pages 36-60 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.G. starting on page 54.

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)

	FY2017	FY2016	FY2015	FY2017 vs FY2016	FY2016 vs FY2015
Assets:					
Current and other assets	\$207,502	\$171,855	\$166,956	\$35,647	\$4,899
Capital assets	1,182,433	1,187,301	1,220,391	(4,868)	(33,090)
Total assets	1,389,935	1,359,156	1,387,347	30,779	(28,191)
Total deferred outflow of resources	43,485	26,135	32,304	17,350	2,323
Liabilities:					
Long-term liabilities	720,177	680,942	733,412	39,235	(52,470)
Other liabilities	78,147	81,583	74,294	(3,436)	7,289
Total liabilities	798,324	762,525	807,706	35,799	(45,181)
Total deferred inflow of resources	1,090	1,096	11,503	(6)	(1,915)
Net position:					
Net investment in capital assets	560,766	568,245	576,678	(7,479)	(8,433)
Unrestricted	73,241	53,425	23,764	19,816	29,661
Total net position	\$634,007	\$621,670	\$600,442	\$12,337	\$21,228

As would be expected for a utility, the largest portion of the Water Authority’s net position is the net investment in capital assets (88.4 percent). This category reflects the Water Authority’s total investment in capital assets (e.g., infrastructure, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. Capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the Water Authority’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this

debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- Current and non-current assets in FY2017 increased \$30.8 million from FY2016, up \$2.6 million from FY2015. The increase was primarily due to an increase in cash and restricted cash from an unpredicted increase in consumption levels and the receipt of bond proceeds and new capital acquisitions offset by retirements and current year depreciation of \$81.6 million.
- Other current liabilities in FY2017 decreased \$3.4 million from FY2016, increased \$3.9 million from FY2015. The decrease in FY2017 was primarily related to the payoff of super subordinate debt obligations.
- Long-term liabilities in FY2017 increased \$39.2 million from FY2016 and a decrease \$13.2 million from FY2015. The increase in FY2017 was primarily due to the issuance of new long-term debt obligations and the net change in net pension liability.



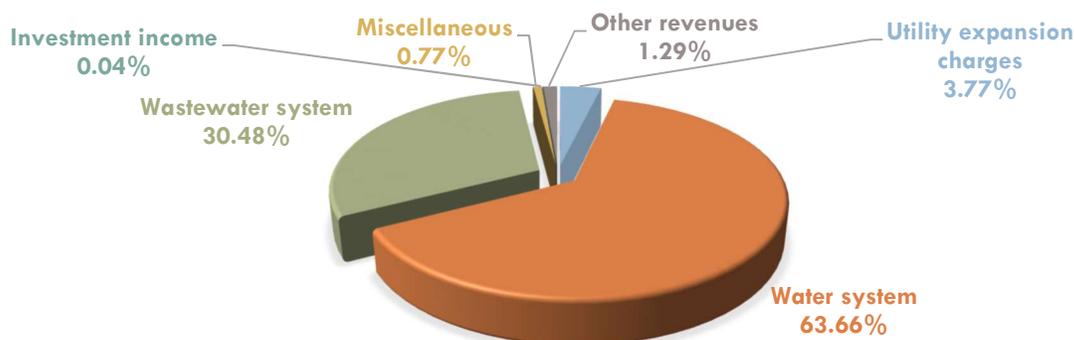
Table 2 presents a summarized comparative statement of revenues, expenses, and changes in net position for the last three fiscal years. Certain fiscal year 2016 and 2015 amounts have been reclassified to conform to the fiscal year 2017 presentation.

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

	FY2017	FY2016	FY2015	FY2017 vs FY2016	FY2016 vs FY2015
Revenues:					
Operating	\$215,194	\$210,056	\$185,202	\$5,138	\$24,854
Non-operating	11,549	15,240	9,742	(3,691)	5,498
Total revenues	226,743	225,296	194,944	1,447	30,352
Expenses:					
Operating	198,770	191,538	190,045	7,232	1,493
Non-operating	19,158	18,034	22,129	1,124	(4,095)
Total Expenses	217,928	209,572	212,174	8,356	(2,602)
Income (Loss) before capital contributions	8,815	15,724	(17,230)	(6,909)	32,954
Capital contributions	3,522	5,504	7,348	(1,982)	(1,844)
Change in net position	12,337	21,228	(9,882)	(8,891)	31,110
Net position, beginning of year	621,670	600,442	610,324	21,228	(9,882)
Net position, end of year	\$634,007	\$621,670	\$600,442	\$12,337	\$21,228

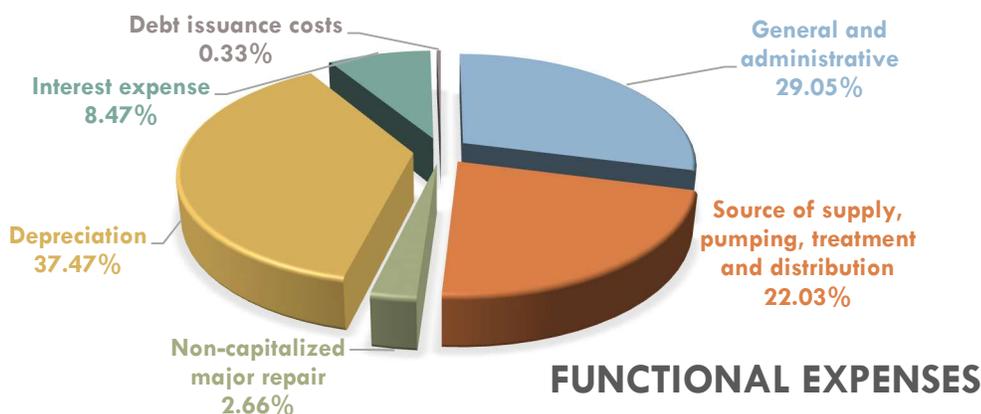
While the statement of net position displays the Water Authority’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end, the statement of revenues, expenses, and changes in net position provide information on the sources of the change in net position during the year. As shown in Table 2, Income before Capital Contributions was \$8.8 million, a decrease of \$6.9 million from FY2016 and an increase of \$26.0 million from FY2015.

Table 2 shows operating revenues increased \$1.4 million from FY2016 and \$30.0 million from FY2015 primarily related to the implementation of a 5.0 % rate revenue increase on July 1, 2016. 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 conversation habits on the part of customers and the customer base.



SOURCE OF REVENUES

FY2017 operating expenses (exclusive of depreciation) increased by \$5.9 million from FY2016 and increased \$10.1 million from FY2015. The primary factors are related to an annual 2.0% cost of living adjustment for employees, adjustments to pension expense, and savings in utility expense from a reduced capacity in surface water plant operations. Non-capitalized major repairs increased primarily due to an increase in meters and information technology professional services valued under the capitalization threshold.



FUNCTIONAL EXPENSES

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

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

The blueprint for the Water Authority’s Basic Program is its Decade Plan, a ten-year capital plan required to be updated biennially in even numbered fiscal years with two, four, six, eight and ten-year planning elements. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. This ensures there is always an approved two-year planning element in place for every approved annual Basic Program budget. Fiscal Year 2017 is the second year of the two-year planning element included in the 2016-2026 Decade Plan approved by the Board in April 2015.

Table 3 presents the Water Authority’s capital assets at June 30, 2017 and 2016.

Table 3
Condensed Capital Assets
(In thousands of dollars)

	FY2017	FY2016	FY2015	FY2017 vs FY2016	FY2016 vs FY2015
Capital assets					
Not being depreciated:					
Land	\$25,170	\$25,170	\$25,724	-	(\$554)
Construction work in progress	22,765	3,792	42,579	18,973	(38,787)
Purchased water rights	49,251	48,863	48,240	388	623
Total capital assets					
Not being depreciated	97,186	77,825	116,543	19,361	(38,718)
Capital assets					
Being depreciated (net):					
Buildings and other improvements	1,075,562	1,099,795	1,094,798	(24,233)	4,997
Machinery and equipment	9,685	9,681	9,051	4	630
Total capital assets					
Being depreciated (net)	1,085,247	1,109,476	1,103,849	(24,229)	5,627
Total capital assets	\$1,182,433	\$1,187,301	\$1,220,392	(\$4,868)	(\$33,091)

Major capital asset additions for the current fiscal year included:

- \$33.3 million – Southside Water Reclamation Plant and collection system improvements
- \$10.7 million – Sanitary wastewater pipeline renewal
- \$9.9 million – Drinking water pipeline renewal
- \$4.8 million – Drinking water plant treatment systems renewal
- \$3.2 million – Private developer and grant funded infrastructure improvements

The Water Authority’s capital assets as of June 30, 2017 total \$1.182 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings, water and wastewater distribution systems, furniture and fixtures and vehicles. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Water Authority’s on-call contractors for small diameter water and wastewater line repair and the repair of a large diameter wastewater line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations that control the surface and groundwater pumping and treatment systems, and making improvements at the Surface Water Treatment Plant.

More capital asset detailed information can be found in Note III.C. on page 43.

LONG-TERM DEBT

At June 30, 2017, the Water Authority had \$767.8 million in long-term debt liabilities outstanding, a net increase of \$34.7 million, or 4.7 percent from the prior year. Long-term debt liabilities consist of bonds payable, loans payable, water rights contract payable, net pension liability, claims payable, post-employment life insurance benefit, and accrued compensated absences. The amount of debt due within one year totaled \$47.6 million.

Table 4 presents a summary of the Water Authority’s outstanding long-term liabilities at June 30, 2017, 2016, and 2015.

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

	FY2017	FY2016	FY2015	FY2017 vs FY2016	FY2016 vs FY2015
Claims payable	\$2,952	\$2,423	\$1,752	\$529	\$671
Compensated absences	3,746	3,387	3,553	359	(166)
Loan agreements	46,221	57,789	67,213	(11,568)	(9,424)
Net pension liability	59,008	38,165	29,352	20,843	8,813
Post-employments life insurance	386	390	416	(4)	(26)
Revenue bonds	647,913	622,197	669,677	25,716	(47,480)
Water rights contract	7,579	8,715	9,817	(1,136)	(1,102)
Total long-term liabilities	\$767,805	\$733,066	\$781,780	\$34,739	(\$48,714)

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 table is the most recent rating received for the Water Authority.

Rating Agency	Rating	Rating Reflects
Moody’s	Aa2	Excellent Financial Position; Bonds Maintain Positive Investment Qualities
Fitch	AA	Strong Financial Performance; Strong Capacity to Meet Financial Commitments; Significant Capital Reserves
Standard & Poors	AA+	Strong Capacity to Meet Financial Commitments; Strong Financial Reserves

More information about the Water Authority’s long-term liabilities is presented in Note III.D. on page 44.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The economic outlook for both the City of Albuquerque and Bernalillo County continues to show positive trends in several areas. As evidenced by the increase in revenue received by the Water Authority from the prior year, both are showing increased developer activity, which coincides with economic growth. However, employment growth is projected to increase moderately at 1.8% for the remainder of the year.

These positive economic indicators promote the financial health and sustainability of the Water Authority. The Water Authority is committed to fiscal responsibility, which is our assurance we will judiciously spend, earn and generate funds without placing undue hardship on our ratepayers. The adopted fiscal year 2018 budget identifies resources to provide quality water in sufficient quantity, to collect and treat wastewater to acceptable standards, to provide professional utility engineering services, and to provide utility customer services. The budget also establishes the Water Authority’s financial plan and uses the Goals, Objectives, and Performance Plan as guides for the appropriation of funds.

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

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

Helping to guide the Water Authority’s efforts is *Water 2120*, the Water Authority’s 100-year water resources management strategy, which went into effect during fiscal year 2017. *Water 2120* incorporates the latest science regarding the effect of climate change on the availability of surface water supplies. Using climatic hydrologic simulation models from the Office of the State Engineer, Sandia

National Laboratories and the U.S. Bureau of Reclamation and Geological Survey, among other agencies, it takes climate variability into account and for the first time looks at a 100-year time horizon for the greater Albuquerque area. Three different demand scenarios along with three supply alternatives are used to examine the need for new supplies while maintaining a ground water resource for future generations. A portfolio of supply options is used to fill the gaps to meet future demand over the next 100 years.

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

REQUESTS FOR INFORMATION

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash	\$125,990,458	\$101,195,934
Accounts receivable, net of allowance for uncollectible accounts	19,607,343	18,981,742
Notes receivable, current portion	715,219	740,459
Due from other governments	1,295	447,969
Prepaid items	57,380	-
Total current assets	<u>146,371,695</u>	<u>\$121,366,104</u>
NONCURRENT ASSETS:		
Long-term notes receivable	4,174,174	3,958,777
Restricted assets:		
Cash	<u>56,956,621</u>	<u>46,529,971</u>
Total other noncurrent assets	<u>61,130,795</u>	<u>50,488,748</u>
Capital assets, net of accumulated depreciation:		
Buildings and other improvements	1,075,561,839	1,099,794,736
Machinery and equipment	<u>9,684,964</u>	<u>9,680,793</u>
Net depreciable capital assets	<u>1,085,246,803</u>	<u>1,109,475,529</u>
Capital assets, not being depreciated:		
Land	25,170,378	25,170,378
Purchased water rights	49,251,368	48,862,906
Construction work in progress	<u>22,764,278</u>	<u>3,791,893</u>
Total capital assets	<u>1,182,432,827</u>	<u>1,187,300,706</u>
Total noncurrent assets	<u>1,243,563,622</u>	<u>1,237,789,454</u>
TOTAL ASSETS	<u>1,389,935,317</u>	<u>1,359,155,558</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pensions	20,395,732	3,020,719
Deferred amounts on refunding	<u>23,089,446</u>	<u>23,114,769</u>
Total deferred outflows of resources	<u>43,485,178</u>	<u>26,135,488</u>

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

LIABILITIES

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES:		
Accounts payable	\$15,530,540	\$12,910,228
Accrued payroll	1,495,559	2,582,062
Claims payable, current portion	671,543	993,586
Accrued compensated absences, current portion	3,569,503	3,019,584
Deposits	766,608	687,857
Debt obligations, current portion:		
Revenue bonds	37,930,000	37,265,000
Loan agreements	4,285,917	9,710,054
Water rights contract	1,170,372	1,135,776
Accrued interest for debt obligations	12,726,908	13,278,888
Total current liabilities	<u>78,146,950</u>	<u>81,583,035</u>
NONCURRENT LIABILITIES:		
Debt obligations, net of current portion:		
Revenue bonds	609,982,924	584,931,928
Loan agreements	41,934,953	48,078,533
Water rights contract	6,408,817	7,579,189
Total long-term debt obligations	<u>658,326,694</u>	<u>640,589,650</u>
Other non-current liabilities:		
Claims payable, net of current portion	2,280,290	1,429,794
Net pension liability	59,008,103	38,165,167
Post-employment life insurance benefit obligation	385,874	389,848
Accrued compensated absences, net of current portion	176,298	367,674
Total other noncurrent liabilities	<u>61,850,565</u>	<u>40,352,483</u>
Total noncurrent liabilities	<u>720,177,259</u>	<u>680,942,133</u>
TOTAL LIABILITIES	<u>798,324,209</u>	<u>762,525,168</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pensions	1,089,646	1,095,992
Total deferred inflows of resources	<u>1,089,646</u>	<u>1,095,992</u>
NET POSITION		
Net investment in capital assets	560,765,911	568,244,966
Unrestricted	73,240,729	53,424,920
TOTAL NET POSITION	<u>\$634,006,640</u>	<u>\$621,669,886</u>

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



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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Charges for services:		
Water system	\$144,342,932	\$140,551,140
Wastewater system	69,101,050	68,166,636
Miscellaneous	1,750,000	1,339,000
Total operating revenues	<u>215,193,982</u>	<u>210,056,776</u>
OPERATING EXPENSES:		
General and administrative	63,307,749	59,910,588
Source of supply, pumping, treatment and distribution	48,017,762	46,986,703
Non-capitalized major repair	5,795,924	4,285,103
Depreciation	81,648,334	80,357,265
Total operating expenses	<u>198,769,769</u>	<u>191,539,659</u>
OPERATING INCOME	<u>16,424,213</u>	<u>18,517,117</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	86,073	155,431
Interest expense	(18,448,939)	(18,034,371)
Utility expansion charges	8,545,978	9,256,938
Debt issuances costs	(710,270)	-
Lease of stored water income	1,181,658	1,615,215
Other revenues	1,735,797	4,212,925
Total non-operating revenues (expenses), net	<u>(7,609,703)</u>	<u>(2,793,862)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	8,814,510	15,723,255
Developer contributions	3,242,286	4,593,806
Other contributions	279,958	910,524
Total capital contributions	<u>3,522,244</u>	<u>5,504,330</u>
CHANGE IN NET POSITION	12,336,754	21,227,585
NET POSITION:		
Net position, beginning of year	621,669,886	600,442,301
Net position, end of year	<u>\$634,006,640</u>	<u>\$621,669,886</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$214,568,381	\$205,753,264
Cash payments to employees for services	(54,560,327)	(49,750,641)
Cash payments to suppliers for goods and services	(56,661,329)	(55,518,906)
Other operating income	2,937,949	3,906,144
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>106,284,674</u>	<u>104,389,861</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets, net	(73,558,663)	(43,238,648)
Principal payments of long-term debt obligations	(49,206,767)	(45,140,732)
Proceeds from refunding revenue bonds	101,711,170	-
Defeasance of revenue bonds	(30,006,552)	-
Interest paid on debt obligations	(28,460,944)	(27,426,701)
Payment of debt issuance costs	(710,270)	-
Proceeds from sale of assets	-	2,488,129
Capital grants, net	726,632	1,394,782
Utility expansion charges	8,355,821	9,102,578
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(71,149,573)</u>	<u>(102,820,592)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	86,073	155,431
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>86,073</u>	<u>155,431</u>
NET INCREASE IN CASH	35,221,174	1,724,700
CASH, BEGINNING OF YEAR	<u>147,725,905</u>	<u>146,001,205</u>
CASH, END OF YEAR	<u>\$182,947,079</u>	<u>\$147,725,905</u>
FINANCIAL STATEMENT PRESENTATION:		
Cash	\$125,990,458	\$101,195,934
Restricted cash	56,956,621	46,529,971
	<u>\$182,947,079</u>	<u>\$147,725,905</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$16,424,213	\$18,517,117
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	81,648,334	80,357,265
Other non-operating income (expenses), net	2,937,949	3,906,144
Changes in assets and liabilities:		
Increase (decrease) in accounts receivable	(625,601)	(4,303,512)
Increase (decrease) in deposits	78,751	(39,819)
Increase (decrease) in accounts payable	2,620,312	2,409,779
Increase (decrease) in accrued payroll, employee benefits, and deferred amounts related to pensions	2,842,173	3,708,979
Increase (decrease) in compensated absences payable	358,543	(166,092)
TOTAL ADJUSTMENTS	<u>89,860,461</u>	<u>85,872,744</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$106,284,674</u>	<u>\$104,389,861</u>
DISCLOSURE ON NON-CASH TRANSACTIONS:		
Amortization of deferred amounts on refunding	(\$2,946,496)	(\$2,763,922)
Amortization of premium on revenue bonds	12,406,521	12,866,290
Capital contributions received from private developers	3,242,286	4,593,806

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



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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

I. Summary of Significant Accounting Policies

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

The accompanying financial statements present the financial position of the Water Authority at June 30, 2017 and 2016, and the results of its operations for the years ended June 30, 2017 and 2016 in conformity with accounting principles generally accepted in the United States of America.

A Memorandum of Understanding (MOU) between the Water Authority and the City is in effect for fiscal years 2014 through 2018 with an expiration date of June 30, 2018. This 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 61. As of June 30, 2017, the Water Authority does not have any component units.

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

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

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

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

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

C. Assets, liabilities, and net position

1. Accounts receivable

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

2. 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 and donated works of art and similar items are recorded at estimated fair market value at the date of donation. Capital assets received in a service concession arrangement are recorded at the 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	5 – 12.5 years

Interest expense is capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings. The amount of capitalized interest is determined using the interest cost of the borrowings less any interest earned on investments acquired with the proceeds of the related tax-exempt borrowings from the date of the borrowings until the assets are ready for their intended use.

3. 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.

4. Accrued compensated absences

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

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

5. Long-term obligations

Long-term obligation proceeds are used to finance capital improvements, construction activities, expansions, renovations, and other costs as specified in bond indenture and loan agreements. The long-term obligations are payable from the Water Authority's revenues and are recorded in the Water Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the

straight-line method by CUSIP number. Bonds payable are reported net of the applicable bond premium or discount. Amortization expense during fiscal years 2017 and 2016 was \$12,406,521 and \$12,866,290, respectively. Bond issuance costs are expensed as incurred.

6. 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 two items that qualify for reporting in this category. The first is a deferred loss on refunding which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt. The other deferred outflow of resources is related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Water Authority's deferred inflow of resources is related to pensions. See note III. E. for cumulative change and for details of deferred outflows and inflows of resources related to pensions.

7. 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.

8. Statement of cash flows

For the purposes of the statement of cash flows, the Water Authority considers all cash and investments with an original maturity of three months or less to be cash equivalents.

9. Estimated amounts reported in financial statements

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

10. New accounting pronouncements

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, 2017.

- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- GASB Statement No. 81 – Irrevocable Split-Interest Agreements
- GASB Statement No. 83 – Certain Asset Retirement Obligations
- GASB Statement No. 84 – Fiduciary Activities
- GASB Statement No. 85 – Omnibus 2017
- GASB Statement No. 86 – Certain Debt Extinguishments Issues
- GASB Statement No. 87 – Leases

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

II. Stewardship, Compliance and Accountability

The budgetary data is prepared consistent with the basis of accounting described in Note I.B with these exceptions; debt service principal payments, certain cash transfers, capital contributions and capital outlay. The annual budget is formulated by the Water Authority’s Management and submitted to the Water Authority Board by April 1 for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments on the proposed budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the Water Authority Board and is subject to approval by the New Mexico Department of Finance and Administration (DFA). Once approved notification is received from DFA, a formal appropriation and encumbrance system to control expenditures is maintained by the Water Authority’s financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Water Authority’s budget by program. For fiscal year 2017, expenses may not exceed budgetary appropriations at the general ledger fund level. The Water Authority uses general ledger funds for internal accounting purposes. However, since the Water Authority is accounted for like an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

III. Detailed Notes

A. Cash

At June 30, 2017, the carrying amount of the Water Authority’s deposits was \$182,942,629 and the bank balance was \$184,255,256. The difference represents outstanding checks, deposits, and other reconciling items. In addition, the Water Authority has \$4,450 cash on hand. Cash, including restricted and unrestricted balances, were comprised of the following at June 30, 2017 and 2016:

Cash:	June 30, 2017	June 30, 2016
Restricted	\$56,956,621	\$46,529,971
Unrestricted	125,990,458	101,195,934
Total cash reported in statements of net position	\$182,947,079	\$147,725,905

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 returned. 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). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2017, there were no bank balances exposed to custodial credit risk.

Pledged collateral by bank. Securities eligible as collateral are those defined under State Law (6-10-16 NMSA 1978). Collateral shall be held in a custodial bank per 6-10-21, NMSA 1978 and shall be assigned to the Water Authority per 6-10-18, NMSA 1978. Securities accepted as

collateral may be subject to additional restrictions as specified by the Water Authority’s Investment Committee.

The pledged collateral by bank at June 30, 2017 is as follows:

	Rio Grande Credit Union	Sunflower Bank	Wells Fargo Bank	Bank of Albuquerque
Total amount on deposit	\$249,092	\$25,040,680	\$140,482,852	\$18,482,632
Less FDIC coverage	(250,000)	(250,000)	(250,000)	(250,000)
Total uninsured public funds	-	24,790,680	140,232,852	18,232,632
50% collateral requirement	-	12,395,340	70,116,426	9,116,316
Pledged securities, fair value	-	25,500,000	153,049,448	22,869,657
Pledged in excess of requirement	-	\$13,104,660	\$82,933,022	\$13,753,341

The Water Authority’s Investment Policy further requires that deposits be collateralized at 102%, which results in the amount pledged in excess of the requirement. Such collateral shall be held by an independent third party financial institution acceptable to the Water Authority.

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

Accounts receivable are primarily revenues earned from the Water Authority’s water and wastewater utility billing system. These are considered 100 percent collectible since a lien can be placed on the customer’s property. They also include some miscellaneous receivables for other services. Accounts receivable at June 30, 2017, and 2016 were \$19,607,343 and \$18,981,742, respectively, net of an allowance for uncollectible accounts of \$680,552 and \$628,092.

Notes receivable are for utility expansion charges. The borrower can pay the Water Authority for the extension of water and wastewater lines over a ten-year period at 7 percent interest. Notes receivable at June 30, 2017, and 2016 were \$4,889,393 and \$4,699,236, respectively.

Due from other governments are primarily Federal and State grants that related to capital improvement projects and the Water Authority also has various miscellaneous receivables. Due from other governments as of June 30, 2017, and 2016 were \$1,295 and \$447,969, respectively.

C. Capital assets

Capital asset activity of the Water Authority for the years ended June 30, 2017 and 2016, are as follows:

	Balances at June 30, 2016	Additions	Transfers/ Deletions	Balances at June 30, 2017
Capital assets not being depreciated:				
Land	\$25,170,378	-	-	\$25,170,378
Construction work in progress	3,791,893	19,656,503	(684,118)	22,764,278
Purchased water rights	48,862,906	388,462	-	49,251,368
Total capital assets not being depreciated	77,825,177	20,044,965	(684,118)	97,186,024
Capital assets being depreciated:				
Buildings and other improvements	2,226,929,800	54,486,359	7,841,291	2,289,257,450
Machinery and equipment	48,415,367	2,269,625	(10,222,481)	40,462,511
Total capital assets being depreciated	2,275,345,167	56,755,984	(2,381,190)	2,329,719,961
Less accumulated depreciation:				
Buildings and other improvements	(1,127,135,064)	(79,403,374)	(7,157,173)	(1,213,695,611)
Machinery and equipment	(38,734,574)	(2,244,960)	10,201,987	(30,777,547)
Total accumulated depreciation	(1,165,869,638)	(81,648,334)	3,044,814	(1,244,473,158)
Total capital assets being depreciated, net	1,109,475,529	(24,892,350)	663,624	1,085,246,803
Total capital assets, net	\$1,187,300,706	\$(4,847,385)	\$(20,494)	\$1,182,432,827

	Balances at June 30, 2015	Additions	Transfers/ Deletions	Balances at June 30, 2016
Capital assets not being depreciated:				
Land	\$25,724,125	\$584	(\$554,331)	\$25,170,378
Construction work in progress	42,578,965	3,417,695	(42,204,767)	3,791,893
Purchased water rights	48,240,385	622,521	-	48,862,906
Total capital assets not being depreciated	116,543,475	4,040,800	(42,759,098)	77,825,177
Capital assets being depreciated:				
Buildings and other improvements	2,140,964,306	40,133,489	45,832,005	2,226,929,800
Machinery and equipment	48,779,592	3,658,165	(4,022,390)	48,415,367
Total capital assets being depreciated	2,189,743,898	43,791,654	41,809,615	2,275,345,167
Less accumulated depreciation:				
Buildings and other improvements	(1,046,166,891)	(77,340,934)	(3,627,239)	(1,127,135,064)
Machinery and equipment	(39,728,832)	(3,016,331)	4,010,589	(38,734,574)
Total accumulated depreciation	(1,085,895,723)	(80,357,265)	383,350	(1,165,869,638)
Total capital assets being depreciated, net	1,103,848,175	(36,565,611)	42,192,965	1,109,475,529
Total capital assets, net	\$1,220,391,650	\$(32,524,811)	\$(566,133)	\$1,187,300,706

D. Long-term liabilities

A summary of long-term liabilities of the Water Authority for the years ended June 30, 2017 and 2016, are as follows:

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

	Balances at June 30, 2015	Additions	Deletions	Balances at June 30, 2016	Amounts Due In One Year
Revenue bonds	\$601,985,000	-	(\$35,530,000)	\$566,455,000	\$37,265,000
Loan agreements	63,327,060	-	(8,508,529)	54,818,531	9,710,054
Water rights contract	9,817,168	-	(1,102,203)	8,714,965	1,135,776
Unamortized premiums	71,578,274	-	(12,866,290)	58,711,984	-
Accrued compensated absences	3,553,350	2,760,525	(2,926,617)	3,387,258	3,019,584
Total long-term liabilities	\$750,260,852	\$2,760,525	(\$60,933,639)	\$692,087,738	\$51,130,414

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, 2017, the net revenues were 236% of the annual debt service on all outstanding senior lien obligations.

The Series 2017 bonds sold at a purchase price equal to \$101,711,170 (representing the \$87,970,000 par amount plus a net original issue premium of \$13,741,170). Deposit proceeds of the Series 2017 Bonds were placed in an escrow fund, resulting in

the defeasance of the Series 2009A-1 Bonds. The net present value (NPV) savings equals \$3,122,416 or 11.45 percent. The average interest rate is 4.60 percent with an average life of 15.43 years.

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, 2017, the net revenues were 186% of the annual debt service on all outstanding subordinate lien obligations.

3. Super Subordinate Lien Obligations

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

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

On February 3, 2017, the Water Authority entered into a reimbursable loan/grant agreement in the amount of \$1,673,874 with the NMFA/WTB which consists of an available loan amount of \$669,550 and grant funds totaling \$1,004,324. As of June 30, 2017, the Water Authority had not received any loan proceeds related to this agreement. Payments due for the loan portion start twenty-four (24) months after the closing date of the project beginning June 1, 2019. This loan/grant will be used to fund the Water Storage, Conveyance and Delivery Project.

Additionally, the Water Authority redeemed in full, with cash on hand, all current outstanding Super Subordinate Loan long-term liabilities with the NMFA, totaling \$1,170,438.

4. Revenue bonds and loan agreements outstanding

Revenue Bonds:	June 30, 2017	June 30, 2016
\$133,390,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2006A, due in annual installments of \$1,245,000 to 11,000,000 through 7/1/2026; interest at 4.25% to 5.165%; call provision of 100% beginning 7/1/2016	-	\$6,910,000
\$135,990,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2009A-1, due in annual installments of \$250,000 to \$9,285,000 through 7/1/2034; interest at 3.00% to 5.50%; call provision of 100% beginning 7/1/2019	24,070,000	58,655,000
\$62,950,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013A, due in annual installments of \$715,000 to \$5,840,000 through 7/1/2038; interest at 3.00% to 5.00%, call provision of 100% beginning 7/1/2023	53,870,000	57,465,000
\$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	38,205,000	47,660,000
\$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	96,180,000	97,270,000
\$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	77,645,000	86,555,000
\$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	211,940,000	211,940,000
\$87,970,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2017, due in annual installments of \$3,880,000 to \$5,865,000 through 7/1/2034; interest at 3.38% to 5.00%; call provision of 100% beginning 7/1/2027	87,970,000	-
Total revenue bonds outstanding	589,880,000	566,455,000
Plus: Unamortized premium	58,032,924	55,741,928
Net revenue bonds outstanding	\$647,912,924	\$622,196,928

Loan Agreements:	June 30, 2017	June 30, 2016
\$77,005,000 Senior Lien New Mexico Finance Authority Public Project Revolving Fund Loan (2007), due in annual installments of \$1,550,000 to \$6,705,000 through 5/1/2025; interest at 4.00% to 5.00%; prepayment provision of 100% beginning 5/1/2015	-	\$5,540,000
\$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	7,389,202	7,882,496
\$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	768,338	815,597
\$50,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 51 (2009), due in annual installments of \$1,445 to \$2,613 through 6/1/2029; interest at 0.00%; no prepayment provision	-	33,470
\$100,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 79 (2009), due in annual installments of \$2,745 to \$5,234 through 6/1/2029; interest at 0.00%; no prepayment provision	-	67,042
\$200,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 177 (2010), due in annual installments of \$9,765 to \$10,239 through 6/1/2030; interest at 0.00%; no prepayment provision	-	141,045
\$53,400,000 Senior Lien New Mexico Finance Authority Public Project Revolving Fund Loan (2011), due in annual installments of \$605,000 to \$4,770,000 through 6/1/2036; interest at 3.00% to 5.00%; prepayment provision of 100% beginning 6/1/2021	35,855,000	39,410,000
\$452,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 205 (2011), due in annual installments of \$22,067 to \$23,141 through 7/1/2031; interest at 0.00%; no prepayment provision	-	363,399
\$640,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 206 (2011), due in annual installments of \$31,246 to \$32,764 through 7/1/2031; interest at 0.00%; no prepayment provision	-	514,547
\$63,354 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 207 (2011), due in annual installments of \$3,093 to \$3,245 through 7/1/2031; interest at 0.00%; no prepayment provision	-	50,935
Total loan agreements outstanding	44,012,540	54,818,531
Plus: Unamortized premium	2,208,330	2,970,056
Net loan agreements outstanding	\$46,220,870	\$57,788,587

Future maturities of revenue bonds and loan agreements as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$42,215,917	\$28,103,231	\$70,319,148
2019	53,691,483	26,524,420	80,215,903
2020	56,027,256	23,904,345	79,931,601
2021	52,633,241	21,310,635	73,943,876
2022	55,139,441	18,697,109	73,836,550
2023-2027	235,278,041	55,788,035	291,066,076
2028-2032	94,757,161	18,807,497	113,564,658
2033-2037	41,640,000	3,467,385	45,107,385
2038-2039	2,510,000	127,000	2,637,000
Total	\$633,892,540	\$196,729,657	\$830,622,197

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, 2017 and 2016, is \$7,579,189 and \$8,714,965, respectively.

Future water rights contract maturities as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$1,170,372	\$230,862	1,401,234
2019	1,206,021	195,213	1,401,234
2020	1,242,757	158,477	1,401,234
2021	1,280,611	120,623	1,401,234
2022	1,319,619	81,615	1,401,234
2023	1,359,809	41,420	1,401,229
Total	\$7,579,189	\$828,210	\$8,407,399

6. Refunded bonds

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, 2017, is as follows:

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

E. Defined benefit pension plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

The 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- 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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member of the PERA Fund.

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

2. *Benefits provided.* For a complete description of the benefits provided to eligible retirees, see Note 1 in the PERA audited financial statements available at the above website. Following is a general summary of eligibility criteria, benefits, and contribution rates as of July 1, 2014:

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

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

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

Statutorily required contributions to the pension plan from the Water Authority were \$3,129,931 and employer paid member benefits that were “picked up” by the employer were \$3,477,339 for the year ended June 30, 2017.

4. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ended June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six district membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates

are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups.

The Water Authority's proportion share of the net pension liability for the membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Employer contributions on behalf of the employee were excluded from the calculation. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For year ended June 30, 2017, the Water Authority reported a liability of \$59,008,103 for its proportionate share of the net pension liability. At June 30, 2016 and 2015, the Water Authority's proportion was 3.6934 percent and 3.7432 percent, respectively.

For the year ended June 30, 2017, the Water Authority recognized pension expense of \$6,591,508. At June 30, 2017, the Water Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,948,289	\$575,885
Changes of assumptions	3,460,133	9,812
Net difference between projected and actual earnings on pension plan investments	10,857,379	-
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	-	503,949
Water Authority contributions subsequent to the measurement date	3,129,931	-
Total	<u>\$20,395,732</u>	<u>\$1,089,646</u>

\$3,129,931 reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:

2018	\$3,460,201
2019	3,460,201
2020	6,520,009
2021	2,735,744
2022	-

5. *Actuarial assumptions.* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015, for each of the membership groups. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Below is the summary of actuarial methods and assumptions:

Actuarial valuation date:	June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of pay, Open
Amortization period:	Solved for based on statutory rates
Asset valuation method:	Fair value
Actuarial assumptions:	
Investment rate of return	- 7.48% annual rate, net of investment expense
Projected benefit payment	- 100 years
Payroll growth	- 2.75% for first 10-years, then 3.25% annual rate
Projected salary increases	- 2.75% to 14.00% annual rate
Includes inflation at	- 2.25% annual rate first 10-years, 2.75% all other years
Mortality Assumption	- RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	- July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5%	1.79%
Credit Oriented Fixed Income	15.0%	5.77%
Real Assets	20.0%	7.35%
Total	100%	

6. *Discount rate:* The rate is 7.25% for the first 10-years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48 % and will be used as the discount rate used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.
7. *Sensitivity of the Water Authority’s proportionate share of the net pension liability to changes in the discount rate.* The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Water Authority’s net pension liability in the PERA Fund Division that the Water Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Water Authority’s proportionate share of the net pension liability	\$87,975,835	\$59,008,103	\$34,980,811

8. *Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in PERA’s audited comprehensive annual financial report and can be obtained at the following web address: <http://www.pera.org/financial-overview>.
9. *Payables to the pension plan.* As of June 30, 2017, there was \$305,755 PERA employee/employer contributions payable of which \$120,659 of employer-only contributions was for pay period ended June 23, 2017 and \$133,061 was for the accrual through June 30, 2017.

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 2017 and the three preceding years were as follows:

ICMA 401(a)	Employer Contributions	Total Payroll
Fiscal Year ended:		
6/30/2014	\$115,961	\$609,998
6/30/2015	152,683	803,174
6/30/2016	212,224	1,116,379
6/30/2017	271,617	1,428,810

G. Post-employment benefits

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

1. Post-employment Life Insurance Benefit Plan

Plan Description

- a. *Plan administration.* The City of Albuquerque (City) administers the Albuquerque Pooled Other Post-Employment Benefit (OPEB) Trust Fund – a cost sharing multiple-employer OPEB plan the provides life insurance benefits for employees of the City and Water Authority. The

OPEB Trust Fund was established, by Resolution, as an irrevocable trust and operates pursuant to the OPEB agreement with the City and the Water Authority to defray future expenses related to post-employment benefits other than pensions.

The Board of Trustees consists of five members. Two members are appointed based on positions with the City and the remaining members are appointed by the City Chief Administrative Officer. The OPEB Trust Fund is reported as a fiduciary fund in the City's CAFR and can be obtained at the following web address: <http://www.cabq.gov/dfa/treasury/investor-information/comprehensive-annual-financial-reports/comprehensive-annual-financial-reports/>.

- b. *Plan membership.* The benefit rules 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. New Water Authority employees hired after July 1, 2013 are not offered employer paid life insurance in any amount. At June 30, 2017, the OPEB membership for the Water Authority consisted of the following:

Inactive plan members (retirees)	177
Active plan members	<u>498</u>
	<u>675</u>

- c. *Funding Policy.* The City and the Water Authority have set the contribution rate each year based on an actuarial valuation. The contributions are expected to match or exceed the annual required contribution (ARC) calculated in the actuarial study in accordance with in the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan for the remainder of the 30-year closed period.

Monthly invoices for retiree life insurance premiums are paid out of the trust. When expected benefit claims exceed retiree premiums, the City and the Water Authority can treat the implicit subsidy as a contribution towards the OPEB liability.

Total contributions for the fiscal year ended June 30, 2017 exceeded the annual required contribution and include amounts for actual employer contributions as well as the implicit subsidy.

- d. *Annual OPEB cost and net OPEB obligation.* The OPEB Trust Fund annual OPEB cost is calculated based on the ARC of the participating employer's an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows only the components of the Water Authority's annual OPEB cost as of June 30, 2017 and 2016, the amount contributed to the Plan, and the changes in the Water Authority's net OPEB obligation to the Plan.

	2017	2016
Net OPEB obligation at beginning of year	\$389,848	\$415,763
Plus: Projected annual OPEB costs:		
Interest on net OPEB obligation at beginning of year	19,492	19,649
Annual required contribution (ARC) for current fiscal year	43,046	41,530
ARC adjustment for current fiscal year	(23,466)	(22,783)
Less: Net Employer contribution	(43,046)	(64,311)
Expected net OPEB obligation at end of year	\$385,874	\$389,848

The Water Authority's annual OPEB cost, the employer OPEB contributions, and the percentage of annual OPEB cost contributed to the Plan for 2017 were as follows:

Fiscal Year-ended	Annual Cost	Employer Contributions	Percentage Contributed
6/30/2015	\$38,446	\$36,175	94.1%
6/30/2016	38,396	41,530	108.2%
6/30/2017	39,072	43,046	110.2%

- e. *Funding Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the OPEB was 62.3% funded using the criteria established by GASB 45. The Water Authority actuarial accrued liability for benefits was \$1,319,185 (\$112,500 for active employees and \$1,206,685 for retired employees). The Water Authority plan assets as of June 30, 2017, totaled \$839,532. The covered payroll (annual payroll of active employees covered by the Plan) was \$28,461,386 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 1.7%. The ARC as a percent of payroll is 0.2% of which 0.1% is the normal cost as a percent of payroll. The ARC per active employee is \$86. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City and Water Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.
- f. *Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the OPEB Trust Fund as understood by the City, the Water Authority, and its members and include the types of benefits provided at the time of each valuation and the historical pattern of paying for the OPEB Trust Fund. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation indicates the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the City Plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASB Statement No. 45 is to match recognition of retiree life expense with the

periods during which the benefit is earned and the actuary believes that EAN funding method effectively meets that goal in most circumstances. Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs.

The OPEB Trust Fund pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASB Statement No. 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 5.0 percent investment rate of return on expected long-term returns on the OPEB Trust Fund investments calculated on the funded level of the OPEB at the valuation date.

2. State Retiree Health Care Plan

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

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

The RHCA issues a publicly available financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained at the following website: www.nmrhca.state.nm.us/Pages/audit-reports.aspx

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory Authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the Water Authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Water Authority's contributions (employer and employee) to the RHCA for the years ended June 30, 2017, 2016, and 2015, were \$983,240, \$948,912 and \$931,393, respectively, which equal the required contributions for each year.

H. Risk management

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

In fiscal year 2017, the Water Authority was insured for general liability and auto liability up to \$5,000,000 per occurrence with a \$6,000,000 general liability aggregate subject to a \$100,000

retention per loss/auto accident. Other liability insurance coverage included errors and omissions with a \$5,000,000 per occurrence and aggregate limit subject to a \$100,000 deductible. The Water Authority also carried \$1,000,000 coverage for cyber liability (\$25,000 deductible) and \$5,000,000 coverage (with a \$50,000 deductible) for pollution exposures. Water Authority property was insured up to \$500,000,000 per loss with a self-insured retention of \$100,000 per loss. For worker's compensation coverage, the Water Authority retained the risk of losses up to \$750,000 and purchased an excess liability insurance policy which will pay the cost of any loss above the \$750,000 self-insured retention. Crime (Employee Theft/Computer Crime/Forgery/Robbery & Burglary) coverage carries a limit of \$1,000,000 per loss subject to a retention of \$10,000. The Water Authority transferred claims liability risk by the purchase of commercially available insurance beginning in fiscal year 2014. All claims accrued prior to June 30, 2013, are the sole responsibility of the City of Albuquerque Risk Management Program.

The claims liabilities reported are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include estimated amounts for claims that have been incurred but not reported (IBNRs) as of June 30, 2017, and 2016.

The amounts and change in claims liability in fiscal years 2017 and 2016 were:

	2017	2016
Claims liability at July 1	\$2,423,380	\$1,752,030
Current year claims/adjustments	1,874,440	2,015,626
Claims liquidated	(1,345,987)	(1,344,276)
Claims liability at June 30	\$2,951,833	\$2,423,380

The components of the claims liability at June 30 are:

	2017	2016
Current portion	\$671,543	\$993,586
Noncurrent portion	2,280,290	1,429,794
Total claims liability	\$2,951,833	\$2,423,380

I. Commitments and contingencies

Construction Commitments. At June 30, 2017, the uncompleted construction and other commitments for construction improvements and replacements was \$64,427,003. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

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

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

J. Reclassification of prior year presentation

Certain fiscal year 2016 amounts have been reclassified to conform to the fiscal year 2017 presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to revenues and expenses for the reporting of franchise fees. These fees are not a revenue source for the Water Authority, rather a pass-through source to the designated entity. An adjustment was also made to deferred outflows of resources and deferred inflows of resources to consistently account for the net difference between projected and actual earnings on pension plan investments.

K. Subsequent events

In preparing these financial statements, the Water Authority has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, the date the financial statements were finalized. There are no material events to be reported.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

SCHEDULE OF FUNDING PROGRESS – LIFE INSURANCE BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability Entry Age Normal	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL Percentage of Covered Payroll
06/30/2013	-	\$5,100,685	\$5,100,685	0.00%	\$25,842,595	19.74%
06/30/2014	818,273	1,212,912	394,639	67.5%	28,661,693	1.4%
07/01/2015	798,900	1,282,408	483,508	62.3%	27,106,082	1.8%

Note: This schedule represents the funding progress for only the Water Authority portion of the OPEB Trust Fund total unfunded actuarial accrued liability.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

SCHEDULE OF THE WATER AUTHORITY'S PROPORTIONATE SHARE OF PERA'S NET PENSION LIABILITY

MUNICIPAL GENERAL PLAN 3
LAST 10 FISCAL YEARS (*)

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

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

SCHEDULE OF THE WATER AUTHORITY'S PENSION CONTRIBUTIONS

MUNICIPAL GENERAL PLAN 3
LAST 10 FISCAL YEARS (*)

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

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN

Change in Accounting Principle. For the year ended June 30, 2017, the Water Authority implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

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

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

Changes of Assumptions. The PERA Annual Actuarial Valuation as of June 30, 2016, is available at the web address listed above. The summary of Key Findings for the PERA Fund (on page 2 of the report) states "New economic assumptions were adopted for the June 30, 2016 valuations." The impact of this change result in a decrease in the accrued liability of PERA and a decrease in the expected dollar amount of future contributions. For details about changes in the actuarial assumptions, see Appendix B on page 54 of the PERA Annual Actuarial Valuation referenced above.



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STATISTICAL SECTION



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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

INDEX TO STATISTICAL SECTION

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

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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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 2017 – 2013

	2017	2016	2015	2014	2013
Net investment in capital assets	\$560,766	\$568,245	\$576,678	\$595,695	\$617,398
Restricted for:					
Capital projects	-	-	-	-	-
Unrestricted	73,241	53,425	23,764	51,027	48,331
Total net position	\$634,007	\$621,670	\$600,442	\$646,722	\$665,729

FISCAL YEARS 2012 – 2008

	2012	2011*	2010	2009	2008
Net investment in capital assets	\$636,174	\$668,171	\$692,921	\$725,767	\$698,063
Restricted for:					
Capital projects	-	-	11,072	13,672	10,553
Unrestricted	47,416	33,590	31,272	16,858	40,412
Total net position	\$683,590	\$701,761	\$735,265	\$756,297	\$749,028

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

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION

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

FISCAL YEARS 2017 – 2013

	2017*	2016*	2015*	2014*	2013*
Operating revenues:					
Water revenues	\$144,343	\$140,551	\$119,707	\$113,061	\$113,875
Wastewater revenues	69,101	68,167	64,171	61,327	58,031
Miscellaneous revenues	1,750	1,339	1,323	1,232	1,142
Non-operating revenues:					
Investment income	86	155	44	160	42
Utility expansion charges	8,546	9,257	7,541	7,872	8,197
Other revenues	2,917	5,828	2,158	8,245	1,659
Total revenues	226,743	225,297	194,944	191,897	182,946
Operating expenses:					
General and administrative	63,307	59,910	53,996	54,966	53,433
Source of supply, pumping, treatment and distribution	48,018	46,987	46,525	46,538	48,260
Noncapitalized major repair	5,796	4,285	6,429	5,642	-
Depreciation and amortization	81,648	80,357	83,094	84,788	87,087
Non-operating expense:					
Interest expense	18,449	18,034	19,857	27,546	24,566
Other expense	710	-	2,273	812	-
Total expenses	217,928	209,573	212,174	220,292	213,346
Income (loss) before capital contributions	8,815	15,724	(17,230)	(28,395)	(30,400)
Capital contributions	3,522	5,504	7,348	9,388	4,132
Change in net position	\$12,337	\$21,228	(\$9,882)	(\$19,007)	(\$26,268)

*The 2013-2017 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 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.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

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

FISCAL YEARS 2012 – 2008

	2012	2011	2010	2009	2008
Operating revenues:					
Charges for services	\$177,055	\$158,515	\$153,145	\$147,146	\$152,232
Water revenues	-	-	-	-	-
Wastewater revenues	-	-	-	-	-
Miscellaneous revenues	-	-	-	-	-
Non-operating revenues:					
Investment income	148	209	866	2,648	6,443
Utility expansion charges	8,035	6,240	6,834	6,346	11,075
Other revenues	1,470	1,331	1,535	7,777	1,018
Total revenues	186,708	166,295	162,380	163,917	170,768
Operating expenses:					
General and administrative	57,877	55,810	40,632	37,383	33,435
Source of supply, pumping, treatment and distribution	42,655	44,946	54,365	52,346	46,106
Noncapitalized major repair	-	-	-	-	-
Depreciation and amortization	84,849	83,447	81,443	72,295	60,906
Non-operating expense:					
Interest expense	23,806	25,324	24,977	21,682	21,782
Other expense	348	414	516	360	405
Total expenses	209,535	209,941	201,933	184,066	162,634
Income (loss) before capital contributions	(22,827)	(43,646)	(39,553)	(20,149)	8,134
Capital contributions	5,058	10,538	18,917	27,811	11,939
Change in net position	(\$17,769)	(\$33,108)	(\$20,636)	\$7,662	\$20,073

Source: Water Authority Financial/Business Services Division

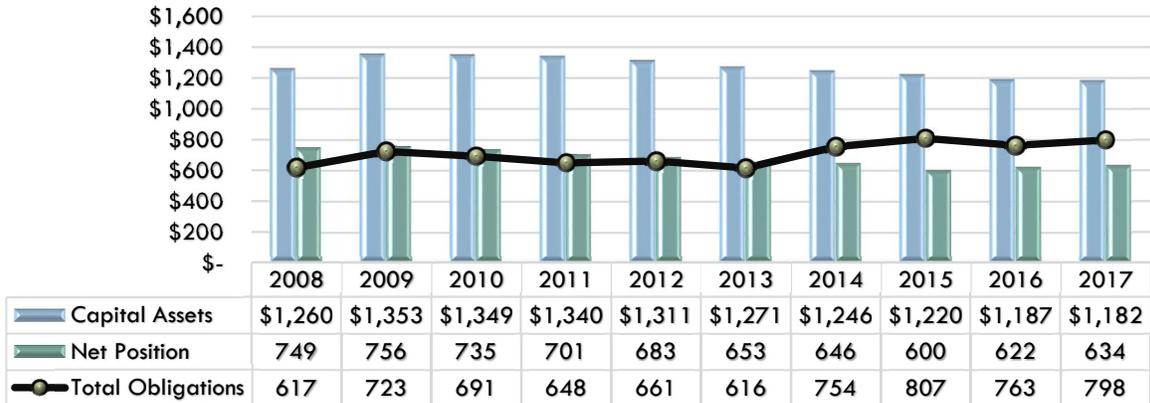
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TREND ANALYSIS FOR NET POSITION AND OPERATIONS

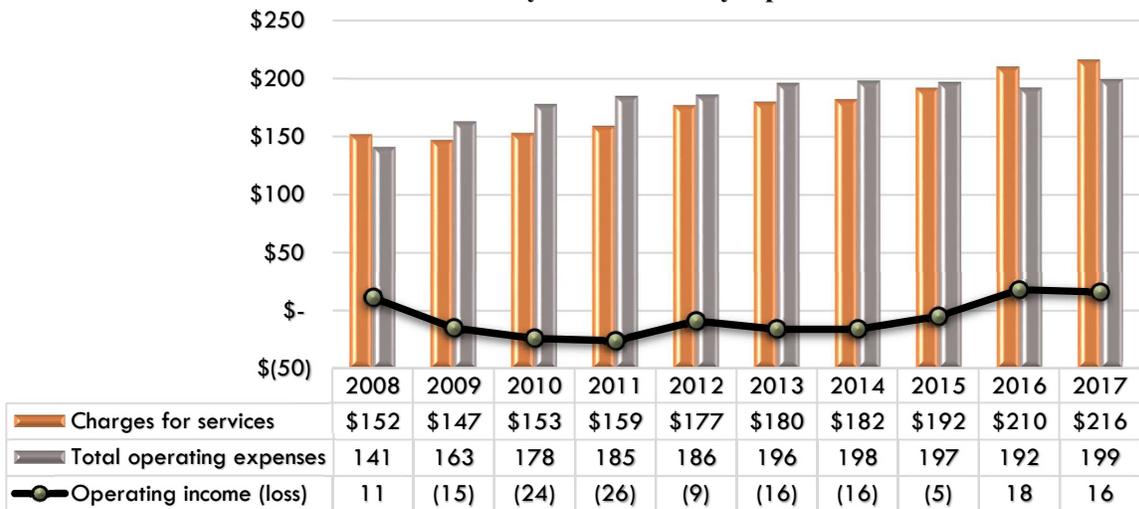
SCHEDULE 3 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2017 – 2008

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

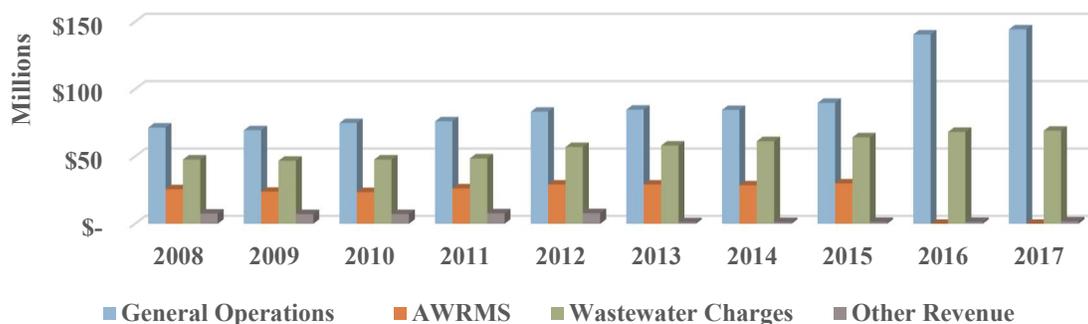
FISCAL YEARS 2017 – 2008

Fiscal Year	General operations (2)	AWRMS (1)	Wastewater charges	Other revenue	Total operating revenue
2017	\$144,342,932	-	\$69,101,050	\$1,750,000	\$215,193,982
2016	140,551,140	-	68,166,636	1,339,000	210,056,776
2015	89,768,328	29,939,349	64,171,110	1,323,000	185,201,787
2014	84,500,221	28,561,586	61,327,115	1,232,000	175,620,922
2013	84,713,861	29,161,139	57,072,020	8,053,146	173,048,483
2012	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690
2011	76,072,550	26,219,494	48,504,637	7,718,145	158,514,826
2010	74,773,904	23,483,160	47,685,066	7,202,722	153,144,852
2009	69,395,141	23,803,266	46,805,468	7,141,714	147,145,589
2008	71,398,950	25,630,246	47,683,918	7,519,231	152,232,345

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

(2) The 2013-2017 General operations revenues are excluding franchise fees as revenue for the Water Authority. They are a pass-through, therefore, should not be included as revenue for the Water Authority.

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

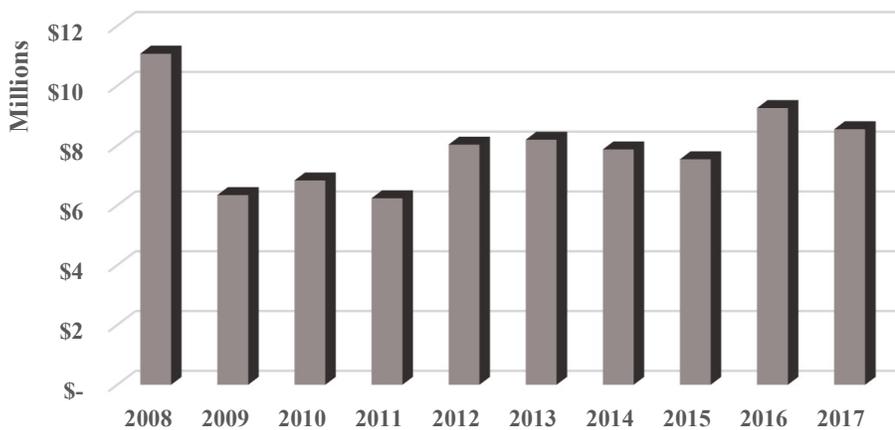
REVENUE FROM UTILITY EXPANSION CHARGES

SCHEDULE 5 – LAST TEN FISCAL YEARS

FISCAL YEARS 2017 – 2008

Fiscal Year	Utility expansion charges
2017	\$8,545,978
2016	9,256,938
2015	7,541,201
2014	7,872,237
2013	8,197,016
2012	8,035,123
2011	6,240,073
2010	6,834,261
2009	6,346,401
2008	11,074,840

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:

2017 – 2013

Class	2017*	2016	2015	2014	2013
Residential	181,814	187,479	186,461	174,193	174,909
Multi-family	7,801	7,268	7,115	6,569	6,430
Commercial	11,913	11,901	11,923	11,303	11,321
Institutional	3,650	2,187	2,150	2,196	2,391
Industrial	119	110	113	99	99
Other metered	616	-	-	-	-
<i>Subtotal</i>	<i>205,913</i>	<i>208,945</i>	<i>207,762</i>	<i>194,360</i>	<i>195,150</i>
Solid waste only	1,362	-	-	-	-
Other non-metered	2,940	-	-	-	-
Total	210,215	208,945	207,762	194,360	195,150

2012 – 2008

Class	2012	2011	2010	2009	2008
Residential	174,277	173,339	172,787	171,983	153,959
Multi-family	6,393	6,364	6,349	6,231	7,644
Commercial	11,287	11,226	11,272	11,367	9,998
Institutional	2,316	2,279	2,223	2,119	2,013
Industrial	102	99	106	113	110
Other	-	-	-	-	-
Total	194,375	193,307	192,737	191,813	173,724

* 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:

2017 – 2013

Meter size	2017*	2016	2015	2014	2013
¾"	182,232	185,894	184,743	171,395	171,874
1" and 1 ¼"	17,796	17,392	17,447	17,474	17,645
1 ½"	2,381	2,300	2,269	2,238	2,249
2"	2,509	2,386	2,349	2,303	2,352
3"	603	590	575	578	634
4"	282	278	276	270	286
6"	68	64	63	60	63
8" and over	42	41	40	42	47
<i>Subtotal</i>	205,913	208,945	207,762	194,360	195,150
Non-metered	4,302	-	-	-	-
Total	210,215	208,945	207,762	194,360	195,150

2012 – 2008

Meter size	2012	2011	2010	2009	2008
¾"	171,103	169,984	169,414	168,632	151,172
1" and 1 ¼"	17,717	17,820	17,820	17,611	17,621
1 ½"	2,221	2,195	2,195	2,169	1,968
2"	2,320	2,228	2,228	2,179	1,839
3"	634	714	714	834	766
4"	273	268	268	275	264
6"	61	58	58	67	53
8" and over	46	40	40	46	41
Total	194,375	193,307	192,737	191,813	173,724

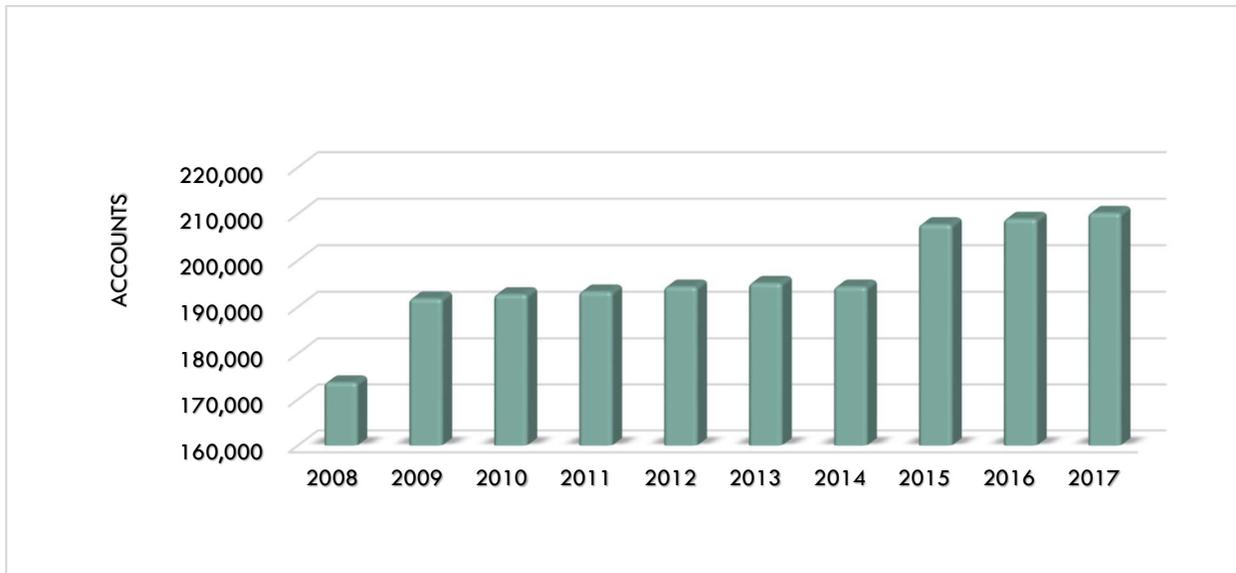
* Fiscal Year 2017 the water users by meter size are illustrated between metered and non-metered accounts. Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

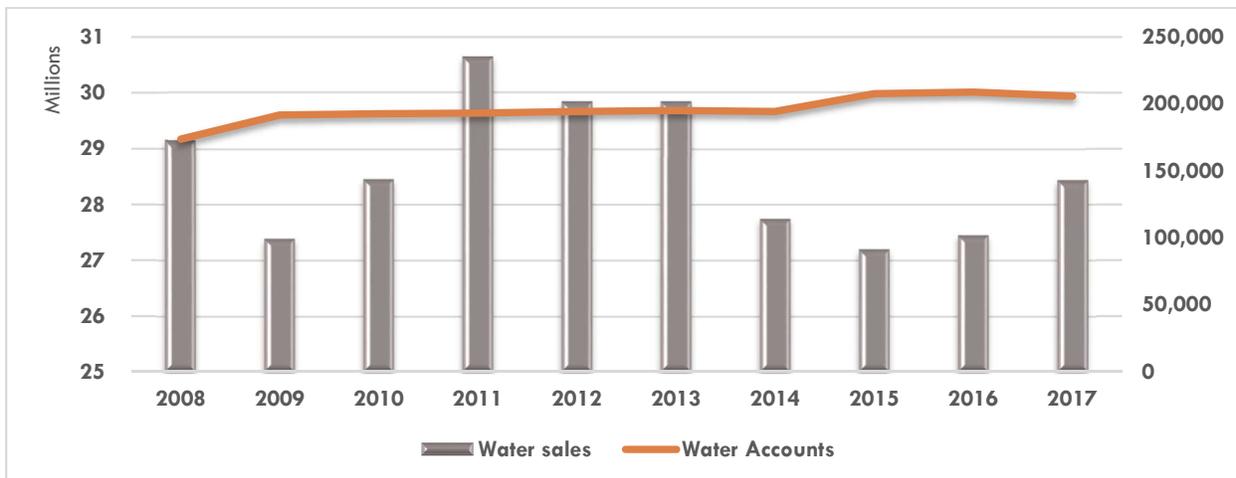
WATER AND WASTEWATER USERS BY CLASS AND METER SIZE
CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF AVERAGE NUMBER OF ACCOUNTS:
2008 – 2017



WATER SALES VS. NUMBER OF WATER ACCOUNTS:
2008 – 2017



Source: Water Authority Financial/Business Services Division

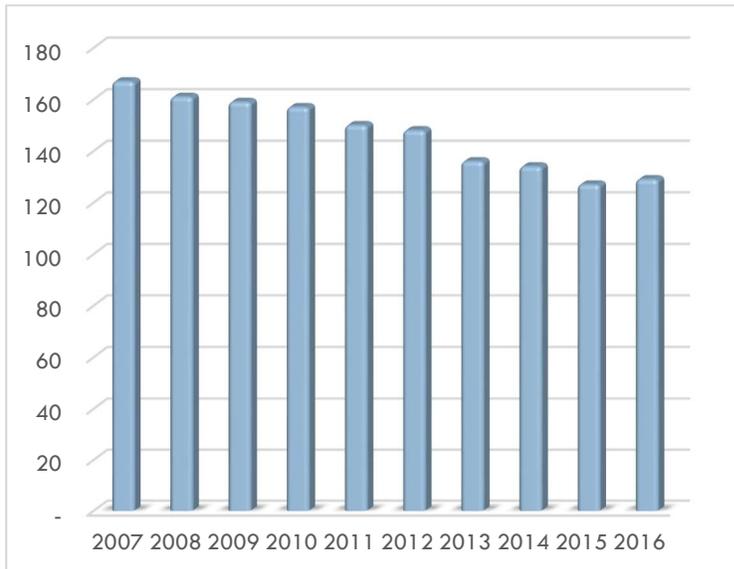
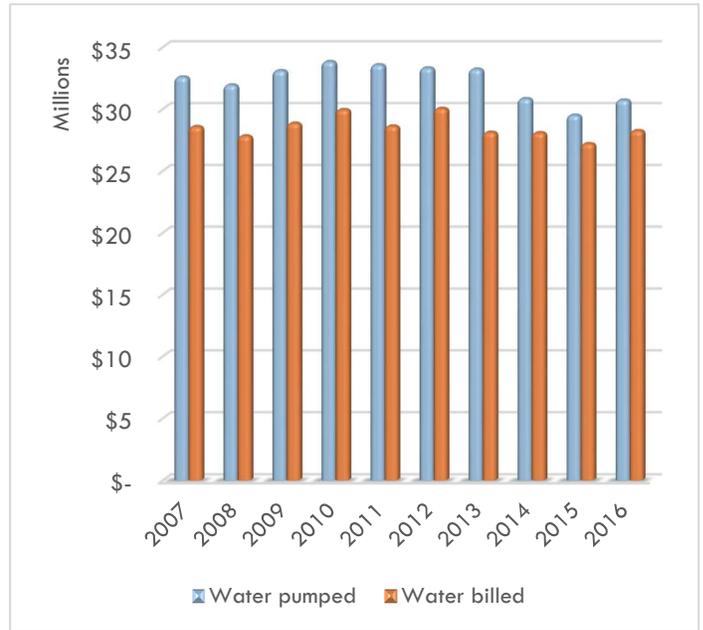
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER CONSUMPTION

SCHEDULE 7 – LAST TEN CALENDAR YEARS

CALENDAR YEARS 2016 – 2007

Calendar year	Water Pumped	Water Billed	% Billed
2016	30,720,000	28,250,591	91.96%
2015	29,498,000	27,195,260	92.19%
2014	30,836,000	28,075,612	91.05%
2013	33,222,000	28,113,371	84.62%
2012	33,318,000	30,044,094	90.17%
2011	33,577,000	28,621,945	85.24%
2010	33,830,964	29,949,844	88.53%
2009	33,098,373	28,844,216	87.15%
2008	31,940,000	27,816,110	87.09%
2007	32,589,000	28,573,691	87.68%



Calendar year	Per Capita Water Usage
2016	129
2015	127
2014	134
2013	136
2012	148
2011	150
2010	157
2009	159
2008	161
2007	167

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WATER REVENUE - FISCAL YEAR 2017

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$9,134,660	1	5.98%	2,884,365
Albuquerque Public Schools	3,169,349	2	2.08%	742,653
University of New Mexico	1,299,145	3	0.85%	136,463
Bernalillo County	828,899	4	0.54%	231,851
Kirtland Air Force Base	684,830	5	0.45%	148,765
Water Authority	324,528	6	0.21%	86,736
Lovelace Health	291,783	7	0.19%	93,113
Central NM Community College	278,331	8	0.18%	64,731
Sumitomo	270,565	9	0.18%	110,990
Albuquerque Academy	255,004	10	0.17%	104,396
Total	\$16,537,094		10.83%	

2017 Total Water Revenue	\$152,676,463
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WATER REVENUE - FISCAL YEAR 2008

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	6,027,021	1	6.21%	1,927,086
Albuquerque Public Schools	1,384,736	2	1.43%	322,670
Tanoan Country Club	466,305	3	0.48%	212,920
University of NM Physical Plant	829,600	4	0.86%	155,287
Lovelace Health	502,888	5	0.52%	126,077
Presbyterian Health	581,345	6	0.60%	93,294
Albuquerque Academy	179,735	7	0.19%	82,843
Four Hills Mobile Home Park	199,527	8	0.21%	65,250
University of NM Hospital	350,003	9	0.36%	63,935
Towne Park	136,675	10	0.14%	52,082
Total	\$10,657,835		10.84%	

2008 Total Water Revenue	\$97,029,196
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS CONTINUED

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WASTEWATER REVENUE - FISCAL YEAR 2017

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$1,273,411	1	1.84%	746,335
University of New Mexico	901,821	2	1.31%	566,858
Albuquerque Public Schools	758,774	3	1.10%	130,320
Creamland Dairies	648,381	4	0.94%	49,381
City of Albuquerque	643,308	5	0.93%	93,915
Lovelace Health	196,583	6	0.28%	56,804
Bernalillo County	190,554	7	0.28%	59,627
Central NM Community College	113,967	8	0.16%	29,383
Sandia Peak Services	80,507	9	0.12%	76,759
Four Hills Mobile Home Park	73,920	10	0.11%	33,565
Total	\$4,881,225			

2017 Total Wastewater Revenue	\$69,101,505
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WASTEWATER REVENUE - FISCAL YEAR 2008

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
New Mexico Utilities	\$2,938,391	1	6.16%	2,976,498
Kirkland Air Force Base	890,374	2	1.87%	788,400
University of NM Physical Plant	477,542	3	1.00%	472,281
City of Albuquerque	434,911	4	0.91%	214,243
Albuquerque Public Schools	418,583	5	0.88%	128,450
Lovelace Health	121,791	6	0.26%	96,602
Sandia Peak Services	70,610	7	0.15%	89,190
University of NM Hospital	185,847	8	0.39%	69,672
Presbyterian Health	127,285	9	0.27%	57,340
Creamland Dairies	304,093	10	0.64%	53,910
Total	\$5,969,427		12.52%	

2008 Total Wastewater Revenue	\$47,683,918
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OUTSTANDING DEBT RATIO

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

FISCAL YEAR 2017 – 2008

Fiscal Year	Revenue Bonds	Loan Agreements	Water Rights Contract	Lines of Credit	Un-Amortized Premium	Total	Per Capita	Per Customer
2017	\$589,880	\$44,013	\$7,579	-	\$60,241	\$701,713	1,286	3,419
2016	566,455	54,819	8,715	-	58,712	688,701	1,232	3,296
2015	601,985	63,627	9,817	-	71,578	747,007	1,170	3,250
2014	515,450	131,515	10,887	-	23,864	681,716	1,204	3,198
2013	420,780	210,805	11,925	-	13,334	656,844	1,172	3,366
2012	443,015	229,644	12,932	-	17,400	703,023	1,267	3,617
2011	467,145	193,620	13,910	103	12,631	687,409	1,239	3,556
2010	489,210	206,642	14,858	760	12,529	723,999	1,322	3,768
2009	515,345	209,584	15,779	3,524	17,397	761,629	1,400	3,971
2008	407,925	219,780	16,672	-	10,189	654,566	1,215	3,768

Note:

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

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
2017	\$227,044	\$111,326	\$115,718	\$37,497	\$23,899	(\$12,407)	2.36	1.33
2016	226,774	106,897	119,877	43,031	23,794	(12,866)	2.22	1.33
2015	203,834	107,597	96,237	33,819	22,579	(9,046)	2.03	1.33
2014	199,234	108,177	91,057	41,151	31,502	(4,684)	1.34	1.33
2013	184,338	96,611	87,727	39,732	23,773	-	1.38	1.33
2012	180,272	94,085	86,187	38,674	22,878	-	1.40	1.33
2011	166,652	88,790	77,862	37,329	29,146	-	1.17	1.33
2010	158,528	87,768	70,760	34,094	33,953	-	1.03	1.33
2009	160,800	83,177	77,623	34,996	27,345	-	1.24	1.33
2008	166,580	72,541	94,039	34,460	24,007	-	1.61	1.33

SENIOR AND SUBORDINATE LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2017	\$227,044	\$111,326	\$115,718	\$46,901	\$27,673	(\$12,407)	1.86	1.20
2016	226,774	106,897	119,877	43,964	27,865	(12,866)	2.03	1.20
2015	203,834	107,597	96,237	34,491	25,746	(9,046)	1.88	1.20
2014	199,234	108,177	91,057	42,081	31,889	(4,684)	1.31	1.20
2013	184,338	96,611	87,727	41,265	24,197	-	1.34	1.20
2012	180,272	94,085	86,187	41,574	23,404	-	1.33	1.20
2011	166,652	88,790	77,862	38,270	32,089	-	1.11	1.20
2010	158,528	87,768	70,760	36,413	34,570	-	1.00	1.20
2009	160,800	83,177	77,623	37,235	27,909	-	1.19	1.20
2008	166,580	72,541	94,039	37,858	23,927	-	1.52	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 2017 – 2008

Fiscal Year	Population Albuquerque MSA*	Total Personal Income	Per Capita Personal Income	Unemployment Rate
2017	545,852	\$20,689,428	\$37,903	6.0%
2016	559,121	20,650,016	36,933	6.1%
2015	557,169	20,035,240	35,959	5.7%
2014	566,059	19,385,257	34,246	6.4%
2013	560,454	18,359,913	32,759	6.8%
2012	554,905	18,192,560	32,785	7.2%
2011	554,905	17,664,291	31,833	7.6%
2010	549,411	16,695,501	30,388	8.0%
2009	543,971	16,278,876	29,926	7.8%
2008	538,586	16,255,603	30,182	4.6%

Source: US Census Bureau and 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 2017 AND 2008

Employer	2017			2008		
	Number of Employees	Rank	% of Albuquerque MSA* Employment	Number of Employees	Rank	% of Albuquerque MSA* Employment
Albuquerque Public Schools	14,810	1	9.54%	14,000	3	3.38%
Kirtland Air Force Base (civilian)	10,125	2	3.87%	35,690	1	8.62%
Sandia National Laboratories	9,852	3	3.82%	-		0.00%
Presbyterian Hospital	7,310	4	2.25%	7,315	4	1.77%
UNM Hospital	6,021	5	1.97%	4,595	8	1.11%
City of Albuquerque	5,500	6	1.79%	6,500	5	1.57%
State of New Mexico	4,950	7	1.59%	5,605	6	1.35%
University of New Mexico	4,210	8	1.58%	15,435	2	3.73%
Lovelace Health System	4,000	9	0.99%	3,400	9	0.82%
Bernalillo County	2,425	10	0.00%	-		0.00%
Kirtland Air Force Base (military)	-		0.00%	4,860	7	1.17%
Intel Corporation	-		0.00%	3,300	10	0.80%
Total			18.47%			24.33%
Total Employment:			374,775			413,897

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

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

*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FULL-TIME EQUIVALENT WATER AUTHORITY EMPLOYEES BY FUNCTION

SCHEDULE 13 – LAST TEN FISCAL YEARS

FISCAL YEAR 2017 - 2008

FUNCTION	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administration:										
Water Authority	13.0	8.0	8.0	13.0	12.0	12.0	12.0	12.0	12.0	10.0
Legal/Risk	7.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Resources	13.0	13.0	13.0	13.0	13.0	12.0	19.0	19.0	19.0	12.0
Financial/Business Services:										
Finance	31.5	31.5	28.5	27.0	23.0	23.0	23.0	20.0	20.0	7.0
Customer Service	90.0	92.0	80.0	80.0	74.0	73.0	75.0	77.0	62.0	58.0
Information Technology	26.0	25.0	27.0	25.0	25.0	22.0	22.0	19.0	19.0	17.0
Plant:										
Wastewater Treatment	92.0	99.0	99.0	99.0	109.0	109.0	107.0	106.0	105.0	97.0
Groundwater	55.0	26.0	27.0	28.0	68.0	79.0	55.0	59.0	58.0	58.0
San Juan-Chama Water Treatment Plant	28.0	56.0	56.0	57.0	24.0	11.0	9.0	22.0	20.0	20.0
Field:										
Wastewater Collections	61.0	60.0	60.0	65.0	63.0	63.0	61.0	61.0	61.0	62.0
Water Field Operations	124.0	117.0	126.0	126.0	122.0	123.0	146.0	130.0	129.0	138.0
Other:										
Compliance	45.5	46.0	46.0	44.0	44.0	41.0	38.0	38.0	39.0	56.0
Water Resources Management	0.0	40.0	41.0	35.0	36.0	35.0	33.0	33.0	32.0	38.0
Planning and Engineering	23.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Resources	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CIP Funded	7.0	9.0	9.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	632.0	627.5	625.5	621.0	613.0	603.0	600.0	596.0	576.0	573.0

Note: In FY2017, Water Resources Management function separated into two divisions; Planning and Engineering and Water Resources.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2016 - 2012

FUNCTION	2016	2015	2014	2013	2012
Estimated Population (Service Area)	670,779	658,238	656,305	643,881	638,887
Number of Meters (Billed)	208,140	208,200	206,944	205,316	203,912
Estimated Persons Per Meter	3.22	3.16	3.17	3.14	3.13
Annual Pumpage (1,000 Gallons)	30,720,000	29,498,000	30,836,000	33,222,000	33,318,000
Annual Water Billed (1,000 Gallons)	28,250,591	27,195,260	28,075,612	28,113,371	30,044,094
Average Daily Pumpage (Gallons)	84,164,384	80,816,438	84,482,192	91,019,178	91,282,192
Peak Day Pumpage (Gallons)	159,000,000	146,000,000	144,000,000	157,000,000	175,000,000
Peak Day Consumption (Gallons)	141,000,000	148,000,000	150,000,000	148,000,000	164,000,000
Average Daily Production Per Meter (Gallons)	404	388	408	443	448
Well Pumping Capacity (Per 24-hour period)	178,000,000	184,000,000	183,000,000	187,000,000	196,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	253,000,000	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

OPERATING INDICATORS BY FUNCTION CONTINUED

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2011 - 2007

FUNCTION	2011	2010	2009	2008	2007
Estimated Population (Service Area)	634,284	623,700	543,971	533,253	530,600
Number of Meters (Billed)	201,884	200,498	194,087	174,005	172,394
Estimated Persons Per Meter	3.14	3.11	2.80	3.10	3.09
Annual Pumpage (1,000 Gallons)	33,577,000	33,830,964	33,098,373	31,940,000	32,598,000
Annual Water Billed (1,000 Gallons)	28,621,945	29,949,844	28,844,216	27,816,110	28,573,691
Average Daily Pumpage (Gallons)	91,991,781	92,687,573	90,680,474	87,506,849	89,309,589
Peak Day Pumpage (Gallons)	182,000,000	226,902,542	186,819,804	155,329,700	174,986,400
Peak Day Consumption (Gallons)	161,500,000	160,000,000	144,030,800	149,870,000	147,670,000
Average Daily Production Per Meter (Gallons)	456	462	467	503	518
Well Pumping Capacity (Per 24-hour period)	282,000,000	282,000,000	314,250,000	294,000,000	294,000,000
Storage Capacity (Gallons)	249,000,000	228,700,000	228,700,000	211,000,000	211,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	-	-	-	-
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	-	-
Surface Water Storage Capacity (Gallons)	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 2016 - 2012

FUNCTION	2016	2015	2014	2013	2012
Fire Hydrants	15,646	15,572	15,344	15,249	15,110
Number of Miles of Lines:					
Water	2,729	2,721	2,691	2,680	2,663
Wastewater	1,904	1,900	1,879	1,875	1,869
San Juan-Chama	37	37	37	37	37

CALENDAR YEAR 2011 - 2007

FUNCTION	2011	2010	2009	2008	2007
Fire Hydrants	14,996	14,879	14,778	14,577	14,093
Number of Miles of Lines:					
Water	2,650	2,636	2,626	2,599	2,520
Wastewater	1,866	1,863	1,858	1,846	1,820
San Juan-Chama	37	37	37	-	-

Source: Water Authority Financial/Business Services Division



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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA

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

CALENDAR YEAR 2016 - 2012

FUNCTION	2016	2015	2014	2013	2012	Average	Maximum
Groundwater Diversion	32,196.0 (10.49)	41,599.9 (13.56)	38,176.6 (12.44)	55,785.3 (18.18)	59,556.9 (19.41)	45,462.9 (14.81)	59,556.9 (19.41)
System Wells Only	32,196.0 (10.49)	40,864.4 (13.32)	36,781.7 (11.99)	54,426.7 (17.73)	58,052.0 (18.92)	44,464.2 (14.49)	58,052.0 (18.92)
Surface Water Diverted from River	64,221.9 (20.93)	51,340.0 (16.73)	59,397.6 (19.35)	42,543.0 (13.86)	46,074.6 (15.01)	52,715.4 (17.18)	64,221.9 (20.93)
Recovered Surface Water from ASR	0.0 (0.00)	1,077.2 (0.35)	0.0 (0.00)	0.0 (0.00)	0.0 (0.00)	N/A N/A	1,077.2 (0.35)
Total System Water Diversion	96,417.9 (31.42)	93,281.6 (30.40)	96,179.6 (31.34)	96,969.7 (31.60)	104,126.6 (33.93)	97,395.0 (31.74)	104,126.6 (33.93)
Groundwater Use	32,196.0 (10.49)	40,864.4 (13.32)	36,781.7 (11.99)	54,426.7 (17.73)	58,052.0 (18.92)	44,464.2 (14.49)	58,052.0 (18.92)
Surface Water Use	64,221.0 (20.93)	52,417.2 (17.08)	59,397.6 (19.35)	42,543.0 (13.86)	46,074.6 (15.01)	52,930.7 (17.25)	64,221.0 (20.93)
Percent Groundwater Use	33.4%	43.8%	38.2%	56.1%	55.8%	45.7%	56.1%
Percent Surface Water Use	66.6%	56.2%	61.8%	43.9%	44.2%	54.3%	66.6%
GPCD	129.0	127.0	134.0	136.0	148.0	134.8	148.0

Water Rights Holdings	Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December, 2016	17,875.0	4,916.7	8,547.2	26,422.2	48,200.0	74,622.2

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA CONTINUED

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

CALENDAR YEAR 2011 - 2007

FUNCTION	2011	2010	2009	2008	2007	Average	Maximum
Groundwater Diversion	62,479.1 (20.36)	61,617.5 (20.08)	80,821.7 (26.34)	99,295.1 (32.36)	101,267.5 (33.00)	81,096.2 (26.43)	101,267.5 (33.00)
System Wells Only	61,052.9 (19.89)	60,181.6 (19.61)	79,436.8 (25.88)	97,858.5 (31.89)	99,862.3 (32.54)	79,678.4 (25.96)	99,862.3 (32.54)
Surface Water Diverted from River	44,095.1 (14.37)	45,099.0 (14.70)	23,936.8 (7.80)	3,046.0 (0.99)	2,119.9 (0.69)	23,659.4 (7.71)	45,099.0 (14.70)
Recovered Surface Water from ASR	-	-	-	-	-	-	-
Total System Water Diversion	105,148.0 (34.26)	105,280.6 (34.31)	103,373.6 (33.68)	100,904.5 (32.88)	101,982.2 (33.23)	103,337.8 (33.67)	105,280.6 (34.31)
Groundwater Use	61,052.9 (19.89)	60,181.6 (19.61)	79,436.8 (25.88)	97,858.5 (31.89)	99,862.3 (32.54)	79,678.4 (25.96)	99,862.3 (32.54)
Surface Water Use	44,095.1 (14.37)	45,099.0 (14.70)	23,341.0 (7.61)	3,046.0 (0.99)	2,119.9 (0.69)	23,540.2 (7.67)	45,099.0 (14.70)
Percent Groundwater Use	58.1%	57.2%	77.3%	97.0%	97.9%	77.2%	97.9%
Percent Surface Water Use	41.9%	42.8%	22.7%	3.0%	2.1%	22.8%	42.8%
GPCD	155.0	157.0	159.0	161.0	167.0	159.8	167.0

Water Rights Holdings	Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December, 2011	17,875.0	4,624.2	8,254.7	26,129.7	48,200.0	74,329.7

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS

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

FISCAL YEAR 2017 - 2013

RATIO TYPE	2017	2016	2015	2014	2013
Operating Ratio Calculation:					
Operating Revenues	\$215,194	\$210,057	\$192,312	\$182,350	\$179,678
/Operating Expenses	198,770	191,540	197,155	198,721	195,437
(1) Operating Ratio:	1.1	1.1	1.0	0.9	0.9

Operating Revenues	215,194	210,057	192,312	182,350	179,678
/Operating Expenses (excl. Depr.)	117,122	111,183	114,060	113,933	108,349
(1) Operating Ratio, excl. Depreciation:	1.8	1.9	1.7	1.6	1.7

Days Cash on Hand Calculation:					
Unrestricted Cash	125,990	101,196	68,886	60,636	38,582
/Operating Expense (excl. Depr.)	321	305	295	297	297
(2) Days Cash on Hand:	392.6	332.2	233.6	205.2	130.0

Days of Working Capital Calculation:					
Current Unrestricted Assets	146,372	121,366	85,288	78,784	57,201
Less: Current Liabilities	(78,147)	(81,583)	(74,295)	(66,823)	(67,802)
/Operating Expenses (excl. Depr.)	321	305	295	297	297
(3) Days of Working Capital:	212.6	130.6	37.3	40.3	(35.7)

Current Ratio Calculation:					
Unrestricted Cash	125,990	101,196	68,886	60,836	38,582
+ Receivables, net	20,381	20,170	16,401	17,948	18,603
/Current Liabilities	78,147	81,583	74,295	66,823	67,802
(4) Current Ratio:	1.9	1.5	1.1	1.2	0.8

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

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

FISCAL YEAR 2012 - 2008

RATIO TYPE	2012	2011	2010	2009	2008
Operating Ratio Calculation:					
Operating Revenues	\$177,055	\$158,515	\$153,145	\$147,146	\$152,232
/Operating Expenses	185,893	184,962	176,836	162,513	141,179
(1) Operating Ratio:	1.0	0.9	0.9	0.9	1.1

Operating Revenues	177,055	158,515	153,145	147,146	152,232
/Operating Expenses (excl. Depr.)	100,609	101,113	94,996	89,821	79,880
(1) Operating Ratio, excl. Depreciation:	1.8	1.6	1.6	1.6	1.9

Days Cash on Hand Calculation:					
Unrestricted Cash	47,108	57,387	37,288	56,758	72,514
/Operating Expense (excl. Depr.)	276	277	260	246	219
(2) Days Cash on Hand:	170.9	207.2	143.3	230.6	331.3

Days of Working Capital Calculation:					
Current Unrestricted Assets	64,820	71,989	53,910	71,455	92,877
Less: Current Liabilities	(68,707)	(70,704)	(67,090)	(73,191)	(68,257)
/Operating Expenses (excl. Depr.)	276	277	260	246	219
(3) Days of Working Capital:	(14.1)	4.6	(50.6)	(7.1)	112.5

Current Ratio Calculation:					
Unrestricted Cash	47,108	57,387	37,288	56,758	72,514
+ Receivables, net	17,619	14,602	16,622	14,632	20,363
/Current Liabilities	68,707	70,704	67,090	73,191	68,257
(4) Current Ratio:	0.9	1.0	0.8	1.0	1.4

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

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

FISCAL YEAR 2017 - 2008

Notes for Financial Benchmarks:

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

Source: Water Authority Financial/Business Services Division

OTHER SUPPLEMENTARY INFORMATION SECTION



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

The Board of Directors of the Albuquerque
Bernalillo County Water Utility Authority
and
Mr. Timothy Keller
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 Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the year ended June 30, 2017, 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 29, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2017-001, 2017-002 and 2017-003.

The Water Authority’s Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority’s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

REDW LLC

Albuquerque, New Mexico
November 29, 2017

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

Condition: Based on our testing of fourteen capital asset disposals, it was determined that the Water Authority did not provide written notification to the New Mexico Office of the State Auditor 30-days prior to the dispositions. Furthermore, the Water Authority did not obtain approval from DFA for the sale of a capital asset item with a resale value of \$12,988. Also, during fiscal year 2017, the Water Authority did not have a designated committee to oversee the disposition of capital assets.

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

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

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

Management's Response: The Water Authority concurs with this finding. A task force committee has been created, which is reviewing the processes and procedures for the disposition of capital assets in its entirety. The committee members include the Purchasing Officer, the Warehouse Manager, the Controller, and the Treasurer. The committee will identify capital asset internal control systems, including requirements and time frames for implementation and make recommendations in revising the policies and procedures to incorporate the requirements under 2.2.2.10(U) New Mexico Administrative Code (NMAC), sections 13-6-1 to 13-6-2 NMSA 1978 and DFA for the disposition of capital assets.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

2017-002 – Public Money Act
(Other noncompliance)

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

Condition: Based on our testing of thirty daily deposits, it was determined that the Water Authority did not deposit a cash receipt in the amount of \$1,025.96 before the close of the next succeeding business day.

Cause: Internal controls were not in place to ensure that all cash receipts were deposited by the close of the next succeeding business day.

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

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

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

2017-003 – The Audit Act
(Other noncompliance)

Criteria: According to 2.2.2.10(W)(2) New Mexico Administrative Code (NMAC), the Water Authority shall conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of The Audit Act (12-6-10 NMSA 1978). According to Section 12-6-10 NMSA 1978, upon completion of the physical inventory count, the inventory shall be certified by the governing authority to verify correctness of the results.

Condition: While the Water Authority completed a physical inventory, the inventory was not certified by the Water Authority's governing board to verify correctness of the results.

Cause: Internal controls were not in place to ensure compliance with the applicable board certification requirement.

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

Auditor's Recommendation: We recommend that the Water Authority follow state Statutes and ensure annual physical inventory counts are certified by the Water Authority's governing board as to the correctness of the results.

Management's Response: The Water Authority concurs with this finding. The Chief Financial Officer will present the results of the annual physical inventory counts to the governing board for verification purposes, prior to each fiscal year end.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PRIOR AUDIT FINDINGS

2016-001 Developer Contributions and Capital Assets
Status: Resolved

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
REVENUES:				
<i>OPERATING:</i>				
Water service	\$87,677,000	\$87,677,000	\$105,570,500	\$17,893,500
Water facilities rehab	30,902,000	30,902,000	34,517,906	3,615,906
Wastewater service	54,124,000	54,124,000	41,644,324	(12,479,676)
Wastewater facilities rehab	25,562,000	25,562,000	27,456,726	1,894,726
Water resources management	4,500,000	4,500,000	4,362,949	(137,051)
COA administrative fees	1,750,000	1,750,000	1,750,000	-
Transfer from capital	921,000	921,000	792,961	(128,039)
Investment income	100,000	100,000	86,073	(13,927)
Miscellaneous revenue	3,345,000	3,345,000	1,756,289	(1,588,711)
Franchise fees	8,111,000	8,111,000	-	(8,111,000)
<i>CAPITAL:</i>				
Transfer from operating	21,000,000	21,000,000	21,000,000	-
Transfer from debt service	4,474,000	4,474,000	4,474,000	-
<i>DEBT SERVICE:</i>				
Utility Expansion Charges	8,000,000	8,000,000	8,545,978	545,978
Transfer from Operating	70,628,000	70,628,000	70,628,000	-
TOTAL REVENUES	\$321,094,000	\$321,094,000	\$322,585,706	\$1,491,706

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, 2017

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
EXPENSES:				
<i>OPERATING:</i>				
Administration	\$2,511,000	\$2,511,000	\$2,726,163	(215,163)
Legal	-	439,583	459,035	(19,452)
Risk	4,595,000	4,155,417	4,239,454	(84,037)
Human resources	1,409,000	1,440,588	1,313,201	127,387
Finance	4,060,000	3,944,390	3,893,669	50,721
Customer service	8,934,000	8,966,629	8,587,494	379,135
Information technology	6,964,000	7,079,610	7,072,446	7,164
Wastewater plant	11,412,000	11,361,413	10,747,375	614,038
SJC water treatment plant	3,387,000	3,486,857	3,415,003	71,854
Groundwater operations	6,302,000	6,252,730	5,985,005	267,725
Wastewater collection	6,480,000	6,480,000	6,539,779	(59,779)
Water field operations	19,898,000	19,898,000	19,134,162	763,838
Compliance	5,269,000	5,237,412	4,512,527	724,885
Planning and engineering	2,854,000	3,124,013	2,870,760	253,253
Water resources	4,267,000	3,964,358	3,586,769	377,589
General government	29,373,000	30,873,000	22,015,336	8,857,664
San Juan-Chama	2,247,000	2,247,000	2,377,966	(130,966)
Transfer to debt service	70,628,000	70,628,000	70,628,000	-
Transfer to capital	21,000,000	21,000,000	21,000,000	-
<i>CAPITAL:</i>				
Capital expense	65,903,000	121,479,092	80,090,072	41,389,020
Transfer to operating	921,000	921,000	792,960	128,040
<i>DEBT SERVICE:</i>				
Debt service	76,264,000	76,264,000	75,746,787	517,213
Transfer to capital	4,474,000	4,474,000	4,474,000	-
TOTAL EXPENSES	\$359,152,000	\$416,228,092	\$362,207,963	\$54,020,128

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, 2017

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
NET EFFECT:				
Revenues over (under) expenses	(\$38,058,000)	(\$95,134,092)	(\$39,622,257)	(\$52,528,422)

Revenues (expenses) not budgeted:	
Depreciation	(81,648,334)
Amortization on premium and discounts	9,460,025
Non-budgeted miscellaneous expenses	(4,114,973)
Lease of stored water	1,181,658
Net expenses over revenues not budgeted	(75,121,624)

Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	48,070,991
Principal payments on water rights contract	1,135,776
Expenses recorded in capital general ledger funds	73,583,878
Capital contributions	3,522,244
Capital outlay	767,746
Net changes to conform to generally accepted accounting principles	\$127,080,635

Changes in net position	\$12,336,754
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF DEPOSITS AND INVESTMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

BY FINANCIAL INSTITUTION

Account Name	Type of Account	Bank Balance	Outstanding	Book Balance
Bank of Albuquerque:				
Lockbox	Checking	\$18,482,632	-	\$18,482,632
Wells Fargo Bank:				
General Fund	Checking	132,237,265	(67,645)	132,169,620
Accounts Payable ZBA*	Checking	-	(1,231,682)	(1,231,682)
Payroll ZBA*	Checking	-	(13,300)	(13,300)
Depository ZBA*	Checking	-	-	-
Money Market	Savings	185,839	-	185,839
Money Market Reserve	Savings	8,024,264	-	8,024,264
Flex Spending	Checking	35,484	-	35,484
Rio Grande Credit Union:				
Money Market	Savings	249,092	-	249,092
Sunflower Bank				
Money Market	Savings	25,040,680	-	25,040,680
Total Cash Deposits		\$184,255,256	(\$1,312,627)	\$182,942,629

*Zero Balance Account(ZBA) – “Sweep” of daily activity into the General Fund Account.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Bank of Albuquerque, N.A.:				
FNA 2014-M2 ASV2	3136AJDR4	\$862,832	06/25/2021	2.78%
FNA 2014-M2 ASV2	3136AJDR4	1,294,248	06/25/2021	2.78%
FNA 2014-M2 ASV2	3136AJDR4	1,553,097	06/25/2021	2.78%
FHMS K043 A1	3137BGJZ3	7,497,090	10/25/2023	2.53%
FHMS K055 A1	3137BPVZ9	961,979	04/24/2025	2.26%
FHMS K055 A1	3137BPVZ9	2,885,938	04/24/2025	2.26%
FHMS KJ08 A1	3137BS6P3	1,452,453	01/25/2035	1.65%
FHMS KJ08 A1	3137BS6P3	2,904,905	01/25/2035	1.65%
FHR 3810 EA	3137A6WK4	3,457,115	02/15/2025	3.10%
Location of collateral: Bank of Oklahoma – Oklahoma City, OK				
Sunflower Bank:				
FHLB Letter of Credit	46153	25,500,000	09/19/2017	
Location of collateral: Federal Home Loan Bank of Dallas – Dallas, TX				
Wells Fargo Bank, N.A.:				
FMAC FGPC	3128P8CT6	96,964,874	08/01/2036	3.00%
FNMA FNRM	3136A7FV9	20,710,452	06/25/2027	1.75%
FMAC FGRM	3137ASJL9	20,332,815	07/15/2027	1.50%
FNMA FNMS	3138MPDX0	13,534,705	02/01/2043	3.00%
FNMA FNMS	31418ADQ8	1,506,602	03/01/2032	3.50%
Location of collateral: Bank of New York Mellon – New York, NY				
Total Collateral of Cash Deposits		\$201,419,105		

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

EXIT CONFERENCE

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

An exit conference was held on Monday, November 27, 2017 at the office of the Water Authority with the following present:

On behalf of the Water Authority:

Wayne Johnson, Board Member

Mark S. Sanchez, Chief Executive Officer

Stanley R. Allred, Chief Financial Officer

Peter Auh, General Counsel

Marta J. Ortiz, Controller

On behalf of REDW LLC:

James Montoya, Principal

Jesse Jiron, Senior Audit Associate