



---

Meeting Date: February 4, 2026  
Staff Contact: Susan Lander, Controller

**TITLE: R-26-1 – Acknowledgement of the FY2025 Audit and the Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2025, and 2024**

**ACTION: Recommend Approval**

**SUMMARY:**

Submitted to the Board for review and informational purposes is the Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2025, and 2024. An exit conference, presented by the auditing firm SJT Group, LLC, was held on November 25, 2025, with members of the Water Authority Board and staff. Key takeaways include:

**1. Audit Results:**

- The independent auditor issued an unmodified ("clean") opinion on the financial statements and compliance with federal programs.
- No material weaknesses, significant deficiencies, or noncompliance issues were identified.
- New Mexico State Statute finding - \$50 duplicate travel reimbursement-fully recovered from employee and processes have been revised to add additional oversight to maintain compliance.

**2. Financial Performance:**

- The Water Authority reported an increase in net position to \$811.1 million in FY2025, up from \$727.5 million in FY2024.
- Operating revenues increased to \$278.6 million in FY2025, driven by water and wastewater system revenue growth due to rate adjustments.
- Total liabilities decreased by \$55.9 million in FY2025, primarily due to reduced debt obligations.

**3. Debt Management:**

- Outstanding long-term debt decreased to \$510.6 million in FY2025, reflecting the maturity of older revenue bonds.
- The Water Authority maintains strong debt coverage ratios, exceeding required thresholds for both senior and subordinate lien obligations.

**4. Capital Investments:**

- Significant capital projects were completed in FY2025, including the Westside Interceptor Project and steel water line replacements.
- The Water Authority continues to prioritize infrastructure rehabilitation and growth-related projects through its Decade Plan.

**5. Operational Metrics:**

- The Water Authority serves approximately 657,511 customers, representing 95% of Bernalillo County residents.
- Water consumption and pumpage data indicate ongoing efforts to reduce water loss and improve efficiency.
- The Water Authority aims to reduce per capita water usage to 110 gallons per day by 2037.

**6. Awards and Recognition:**

- The Water Authority received the GFOA Certificate of Achievement for Excellence in Financial Reporting for FY2024 and the Distinguished Budget Presentation Award for FY2026 with Special Recognition for Long-Range Operating Financial Plans.

**7. Future Planning:**

- The Water Authority uses a ten-year financial plan and reviews rates bi-annually to ensure financial stability.
- A cost-of-service study is planned during FY2026 to assess future system needs.

**8. Challenges:**

- The Water Authority continues to address challenges such as supply chain disruptions, labor shortages, and inflationary pressures.

**9. Environmental and Sustainability Efforts:**

- The Water Authority is committed to long-term water resource planning through its Water 2120 policy, emphasizing conservation and sustainable water management.

Overall, the document highlights the Water Authority's strong financial health, effective debt management, commitment to infrastructure improvement, and focus on sustainability and operational efficiency.

**FISCAL IMPACT:**

None.

**COMMENTS:**

The ACFR was submitted to the New Mexico Office of the State Auditor on December 1, 2025, and was officially released on December 17, 2025.

# ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. R-26-1

**1 RESOLUTION**

**2 ACKNOWLEDGEMENT OF THE FY2025 AUDIT AND THE ANNUAL**  
**3 COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30,**  
**4 2025, AND 2024**

**5** WHEREAS, the Albuquerque Bernalillo County Water Utility Authority (Water  
**6** Authority) is required by statute to contract with an independent auditor to perform the  
**7** required annual audit or agreed upon procedures for Fiscal Year 2025; and

**8** WHEREAS, the Water Authority has directed the accomplishment of the audit for  
**9** FY2025 be completed; and

**10** WHEREAS, this audit has been completed and presented to the Water Authority  
**11** Board per the December 17, 2025 letter from the State of New Mexico Office of the State  
**12** Auditor authorizing release of the FY25 audit; and

**13** WHEREAS, NMAC 2.2.2.10 (M)(4) provides in pertinent part that "Once the audit  
**14** report is officially released to the agency by the state auditor (by a release letter) and the  
**15** required waiting period of five calendar days has passed, unless waived by the agency in  
**16** writing, the audit report shall be presented by the IPA, to a quorum of the governing  
**17** authority of the agency at a meeting held in accordance with the Open Meetings Act, if  
**18** applicable"; now

**19** BE IT RESOLVED BY THE WATER AUTHORITY:

**20** The Water Authority Board accepts and approves the completed audit report and  
**21** findings as indicated within this document.

[+Bracketed Material+] - New  
[-Bracketed Material-] - Deletion



**Albuquerque Bernalillo County  
Water Utility Authority**

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

**Albuquerque, New Mexico**





# TABLE OF CONTENTS

---

<b>Title Page</b>	<b>3</b>
<b>Introductory Section</b>	<b>4</b>
Letter of Transmittal	5
Certificate of Achievement	11
Organizational Chart	12
Government Officials	13
<b>Financial Section</b>	<b>14</b>
Independent Auditor's Report	15
Management's Discussion & Analysis	19
Basic Financial Statements	27
Proprietary Fund Financial Statements	28
Statements of Net Position	29
Statements of Revenues, Expenses, and Change in Net Position	31
Statements of Cash Flows	33
Notes to the Financial Statements (an integral part of the financial statements)	35
Required Supplemental Information	77
Schedule of Proportionate Share of Net Pension Liability	78
Schedule of Pension Contributions	79
Schedule of Net OPEB Liability and Related Ratios - Life Insurance	80
Schedule of Contributions - Life Insurance	83
Schedule of Net OPEB Liability and Related Ratios - New Mexico Retiree Health Care	85
Schedule of Contributions - New Mexico Retiree Health Care	86
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	87
<b>Statistical Section</b>	<b>91</b>
Financial Trends	92
Revenue Capacity	98
Debt Capacity & Debt Service	106
Demographics and Economic Information	111
Operating Indicators	118
Other Financial and Non-Financial Data	125
<b>Other Supplementary Information Section</b>	<b>130</b>
Schedule of Deposits and Investments by Financial Institution	131
Schedule of Pledged Collateral by Financial Institution	132
Independent Auditor's Report on Internal Control Over Financial Reporting	133
Independent Auditor's Report on Compliance for Each Major Federal Program	135
Schedule of Expenditures of Federal Awards (SEFA)	138
Schedule of Findings and Questioned Costs	140
Summary Schedule of Prior Year Audit Findings	144
Exit Conference	145

# Our Vision & Mission

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

***The Water Authority’s Mission is to:***

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

# Contact Information

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

**[www.abcwua.org](http://www.abcwua.org)**



San Juan-Chama Diversion Dam



# Introductory Section

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

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



Southside Water Reclamation Plant Outfall Structure



December 1, 2025

*To the:*

- Members of the Board of the Albuquerque Bernalillo County Water Utility Authority
- Customers of the Albuquerque Bernalillo County Water Utility Authority

We are pleased to present the Annual Comprehensive Financial Report ("ACFR") of the Albuquerque Bernalillo County Water Utility Authority ("Water Authority") for the years ended June 30, 2025 and 2024. The Water Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by the Water Authority. Pursuant to NMSA 1978, § 12-6-3, the Water Authority's financial affairs must be examined, audited and approved annually by the New Mexico State Auditor's office.

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

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

SJT Group LLC, Certified Public Accountants, has been retained by the Water Authority to serve as its independent auditor and has issued an unmodified ("clean") opinion on the Water Authority's financial statements for the years ended June 30, 2025 and 2024. The independent auditor's report is located at the front of the Financial Section of this report.

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

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

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information (RSI) demonstrating the Water Authority's progress in funding its obligation to provide pension and OPEB benefits to its employees. This section also contains a schedule of the budget compared to actual results for the Water Authority.



## Profile of the Water Authority

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

The Water Authority provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 657,511 residential, commercial, industrial and governmental customers comprising approximately 95% of the residents of Bernalillo County. About one-third of unincorporated County residents are customers of the water system.

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

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

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

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

## Summary of Local Economy

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

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

The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Tarrant, and Valencia Counties. The MSA has an estimated population of 926,303 residents. Historically, the area has grown at a steady pace of 1–2 percent per year. Despite the growth of the Albuquerque area, commute times are very reasonable, thus enhancing the work/life balance valued by many.

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

As with the rest of the nation, the Water Authority's service area has been impacted by various factors, including slowdowns in Gross Domestic Product, persistent inflationary pressure, the impact of ever-higher interest rates, geopolitical instability as well as projections of slowdown and/or recession, with Albuquerque's unemployment at 4.5% as of June 2025. That is on par with the state's unemployment rate of 4.2%, and the national rate of 4.3%. Moving forward in 2025, the total employment in the Albuquerque MSA is forecast to increase by 1.0%, with gains in nearly every sector; the public sector is predicted to have zero growth.

Private sector gains will mostly be had by a combination of the sectors employing the largest number of people and those hit hardest during the pandemic. Leading the gains will be healthcare and social assistance with an increase of 3.0%.

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

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

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

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

Governments will not add jobs in the aggregate in 2025.

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

The biggest continuing challenge facing the Water Authority is navigating the after-effects of the COVID-19 pandemic. Widespread supply chain disruptions, labor shortages, inventory impairment, price increases, and tariffs have had an effect on operations. Staff have been tasked to monitor expenses and to prioritize projects to better manage reduced resources.

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

### **Long-Term Financial Planning**

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

To plan for the future and to ensure financial stability, an amendment to the Water Authority's Rate Ordinance was approved by the Board in June 2013 which increased rate revenue by 5% in fiscal years 2014, 2015, 2016 and again in 2018. There was no rate increase in fiscal years 2020, 2021 and 2022. A 5% rate revenue adjustment went into effect for fiscal year 2023 and a 12% rate revenue adjustment was approved for fiscal year 2025. No rate revenue adjustment is proposed for fiscal year 2026. The Water Authority will be preparing a cost-of-service study in 2025 to look at future needs of the system.

Effective July 1, 2007, the Water Authority Board approved policies that impact financial planning for the future. A Rate Stabilization Fund was established to help offset fluctuations in revenue in the future and mitigate the need for rate

increases. A Water Resource Charge (WRC) was established to provide the resources for the Water Authority to begin the planning, acquisition, and development of new water sources to meet the demands of new customers outside the established service area without impacting existing customers. An annual adjustment to the Utility Expansion Charge (UEC) and the Water Resource Charge based on the building cost or construction cost indices was implemented. This adjustment will allow the Water Authority's capital program to maintain constant dollars with inflationary increases in the future.

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

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

In September 2020, the Water Authority Board approved a Memorandum of Agreement creating the San Juan-Chama Project Contractors Association (SJCPCA) with various political subdivisions, public entities, and federally recognized Indian tribes for the protection of the San Juan-Chama Project and the associated water supply for the mutual benefit of the water users represented by the parties to the agreement. The Water Authority was elected by the SJCPCA to serve as the fiscal agent. The fiscal agent's duties are to manage the fiscal affairs of the SJCPCA, with the supervision of the SJCPCA Board, to collect an annual assessment from each member and any special assessments approved by the SJCPCA Board, and to manage the investment of SJCPCA funds which shall be held in trust for the members and used for the purposes of the agreement. In May 2021, the Water Authority Board established a fund and budget for the San Juan-Chama Project Contractors Association.

## Major Initiatives

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

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

Selected priorities for FY25 include:

- Continue community outreach programs and communication.
- Develop a long-term strategy for utilizing existing wells that are currently out of service.
- Implement at least one planned Interceptor Rehabilitation project and at least one planned Small Diameter Sanitary Sewer Rehabilitation project.
- Develop a plan to increase renewable and green energy generation at facilities.

- Continue design, development and construction of projects funded from the ARPA funds received from Bernalillo County.
- Continue to focus on physical and cybersecurity to safeguard all Water Authority assets.

### Relevant Financial Policies

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

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

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

### Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its annual comprehensive financial report for the Fiscal Year ended June 30, 2024. This was the eleventh time since 2008 that the Water Authority received this prestigious award. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized annual comprehensive financial report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. Staff believes that its current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

The Water Authority received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2026 with Special Recognition for Long-Range Operating Financial Plans. This is the highest form of recognition in governmental budgeting. To qualify for the Distinguished Budget Presentation Award, the Water Authority's budget document was judged to be proficient in several categories, including presentation as a policy document, financial plan, operations guide and communication device. The Water Authority has been the recipient of this prestigious award since 2005.

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

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

Respectfully submitted,

*Mark S. Sanchez*

Executive Director

*Marta J. Ortiz*

Chief Financial Officer

# GFOA Certificate of Achievement Award



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

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

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2024

*Christopher P. Morill*

Executive Director/CEO

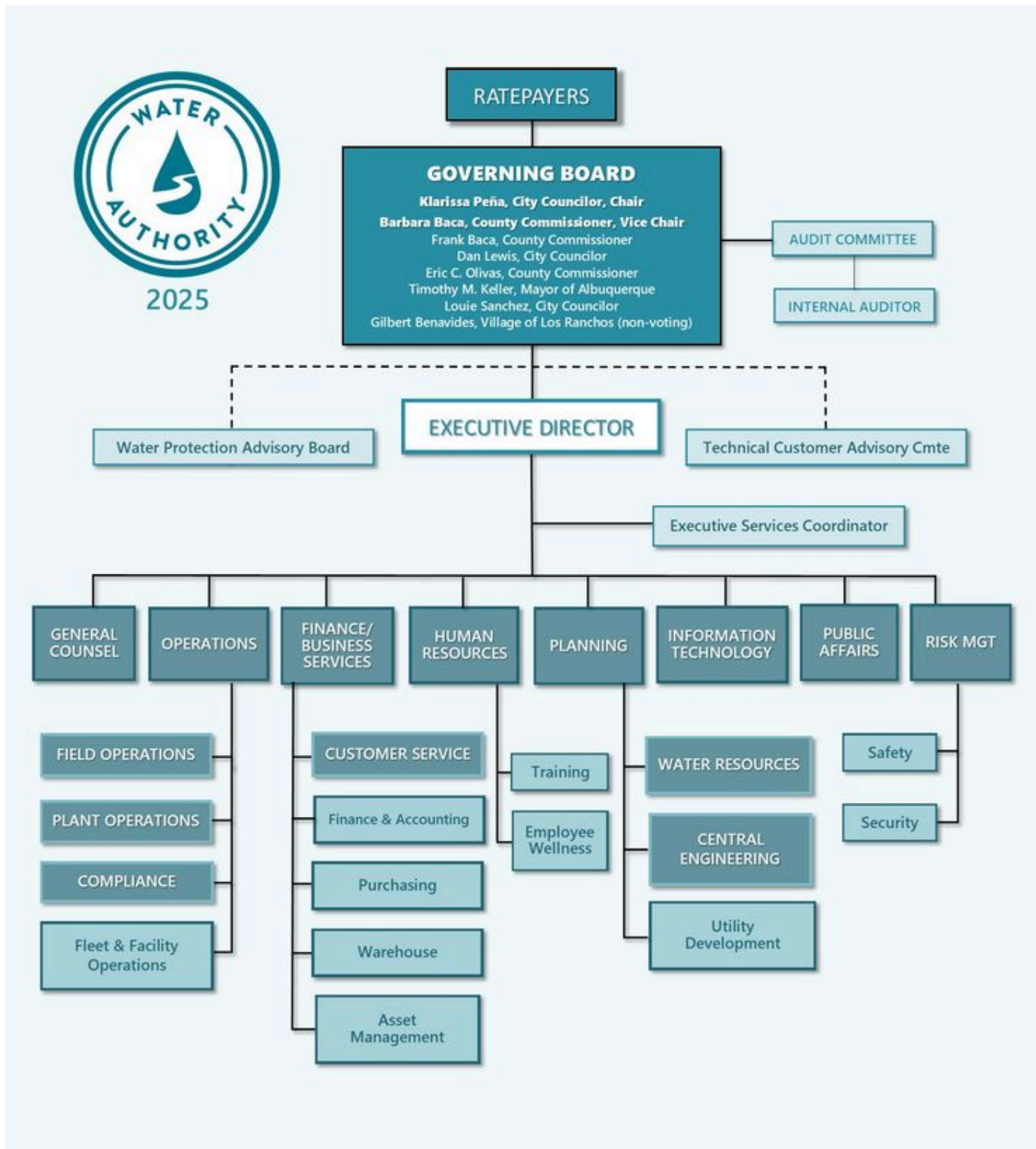
As of 2024, the Albuquerque Bernalillo County Water Utility Authority has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) for the Fiscal Year 2024 Annual Comprehensive Financial Report.

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

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



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



# Board Members

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

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



**Klarissa Peña, Chair**  
City Councilor



**Barbara Baca, Vice Chair**  
County Commissioner



**Eric Olivas**  
County Commissioner



**Louie Sanchez**  
City Councilor



**Dan Lewis**  
City Councilor



**Tim Keller**  
Mayor of Albuquerque



**Frank A. Baca**  
County Commissioner



**Gilbert Benavides "Ex-Officio"**  
Village of Los Ranchos

# Financial Section

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

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

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

**Basic Financial Statements** – These include:

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

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



Southside Water Reclamation Plant Primary Clarifier



## Independent Auditor's Report

The Board of Directors of the  
Albuquerque Bernalillo County Water Utility Authority  
and  
Mr. Joseph M. Maestas, PE, CFE  
New Mexico State Auditor

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as required supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2025, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as required supplementary information, presents fairly, in all material respects, the budgetary comparison of the Water Authority for the year ended June 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability, schedule of pension contributions, schedules of changes in the net OPEB liability, schedules of OPEB contributions, and notes to required supplementary information related to pensions on pages 19-26 and 77-86 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Authority's basic financial statements. The other schedules required by 2.2.2 NMAC on pages 131-132 and the schedule of expenditures of federal awards on page 138, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Information**

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025, on our consideration of the Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico  
December 1, 2025

# Management's Discussion & Analysis

For Years Ended June 30, 2025 and 2024

As management of the Albuquerque Bernalillo County Water Utility Authority (Water Authority), we offer readers of the Water Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2025. The purpose of management's discussion and analysis (MD&A) is to help readers understand what the financial statements and notes in this financial report say about the Water Authority's financial health and any changes that occurred since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the staff's knowledge of the Water Authority's finances.

## *Requests for Information*

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, One Civic Plaza NW, Room 5012, Albuquerque, New Mexico, 87102.

## Overview of the Basic Financial Statements

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

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

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

The statement of revenues, expenses, and changes in net position presents information detailing the changes in the Water Authority's net position for the fiscal year by showing how much money came in (revenues), how much was spent (expenses), and how the net position changed during the year. The key components:

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

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

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

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

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

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

The Water Authority uses:

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

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

## Financial Summary & Detailed Analysis

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

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

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

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

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

While the statement of net position displays the Water Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end, the statement of revenues, expenses, and changes in net position provides information on the sources of the change in net position during the year.

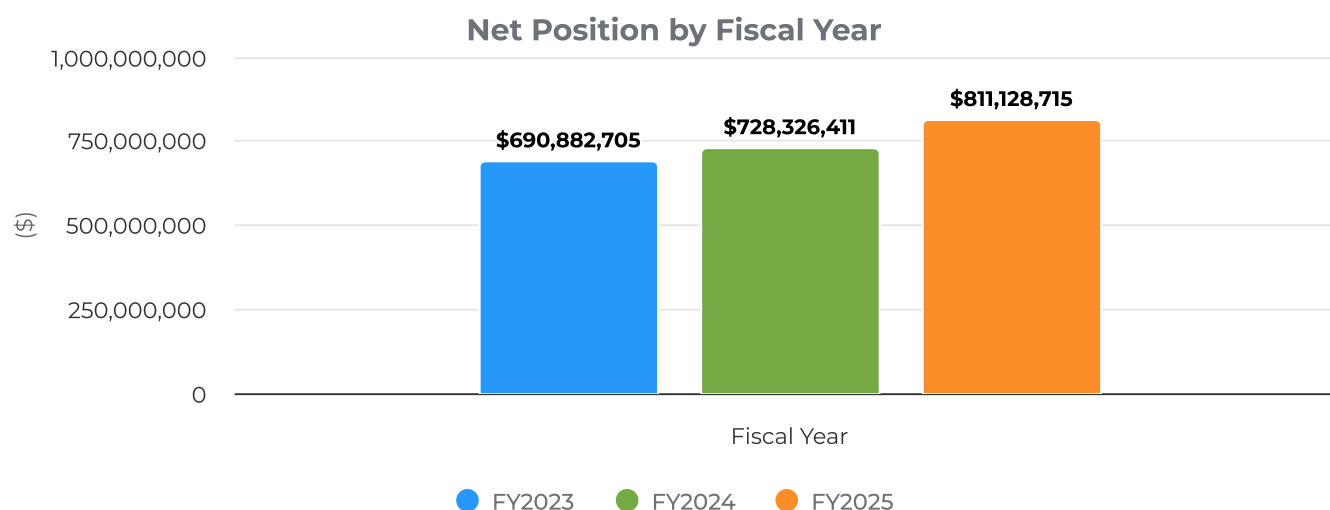
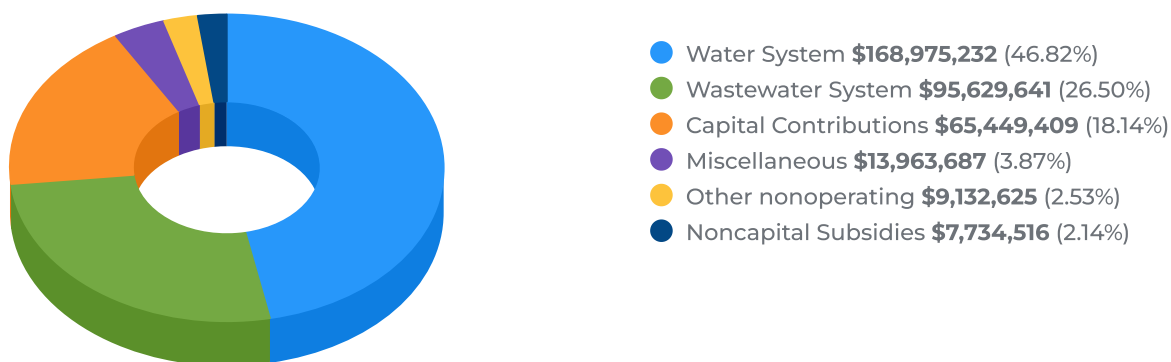


Table 2 presents the Water Authority's condensed Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2025, 2024 and 2023.

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

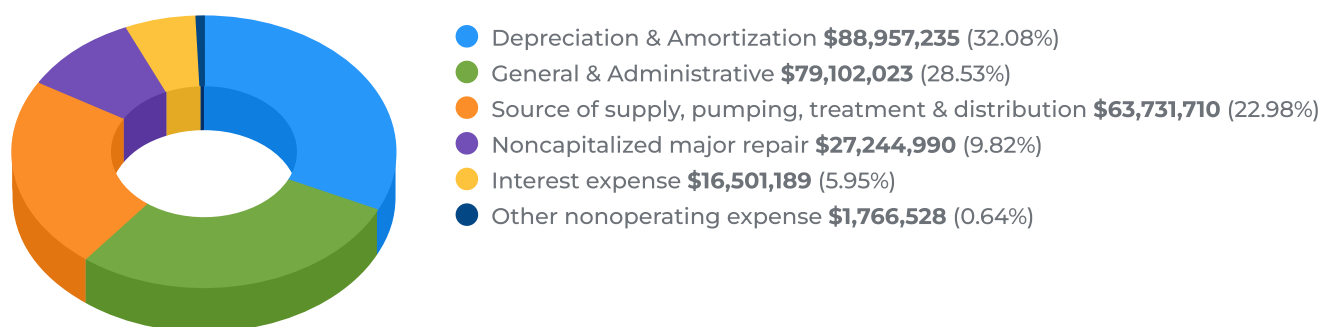
- Total revenues increased \$63.6 million from FY2024 and increased \$76.8 million from FY2023. The increases in water system and wastewater system revenue are the result of the rate revenue adjustments approved by the Board in FY2023 (average 5%) and FY2025 (average 12%).
- Miscellaneous revenue decreased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

## Source of Revenues



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

## Functional Expenses



## Capital Assets

The Water Authority's Capital program is composed of different categories of projects, each with its own funding rules. The Basic Program is funded by recurring revenues generated from the water/wastewater rate structure. Special Projects are done outside the Basic Program but are funded from the same revenue stream that funds the Basic Program. The Rate Ordinance states that, on average, 50 percent of the cost of capital projects which constitute the normal (Basic) capital program of the water and wastewater system shall be paid with cash rather than from borrowed funds. The balance of capital funding is obtained through revenue bond or loan financing. The rate structure is designed to provide sufficient



revenue to meet the cash requirement and to meet the debt service obligations incurred to finance the remainder of the Basic Program. System growth projects are funded through Utility Expansion Charge (UEC) revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriation to Water Authority capital projects. The current Rate Ordinance requires no less than \$30.0 million for the Basic rehabilitation program. Additionally, \$2.0 million is budgeted annually for the Automated Meter Infrastructure (AMI) program.

The blueprint for the Water Authority's Basic Program is its Decade Plan, a ten-year capital plan required to be updated annually. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. This ensures there is always an approved planning element in place for every approved annual Basic Program budget.

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

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

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

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

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

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

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

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

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

## Long-term Debt

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

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

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

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

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

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

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

## Currently Known Facts, Decisions, or Conditions

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

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

### ***Employee unions' new contracts***

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

### ***Electricity rate increases***

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

### ***Pension plan rate changes***

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

# Basic Financial Statements

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

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

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



San Juan-Chama Water Treatment Plant Dewatering Facility

# Proprietary Fund Financial Statements

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

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

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

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



Mission Avenue Site Fleet Maintenance Facility

## Statements of Net Position

**June 30, 2025**

(With Comparative Amounts for June 30, 2024)

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



(continued from above)↑

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

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

# Statements of Revenues, Expenses, and Change in Net Position

## For the Year Ended June 30, 2025

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

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

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

(Intentionally left blank)

## Statements of Cash Flows

### For the Year Ended June 30, 2025

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

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

(continued from above)↑

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

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



# Notes to the Financial Statements

An integral part of the financial statements

For the Fiscal Years Ended June 30, 2025 and 2024

## Notes Contents

1. Summary of Significant Accounting Policies
  - a. Reporting Entity
  - b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
  - c. New Accounting Pronouncements
  - d. Assets, Liabilities, and Net Position
  - e. Estimated Amounts Reported in the Financial Statements
2. Stewardship, Compliance and Accountability
3. Cash and Investments
4. Accounts and Leases Receivable, Notes Receivable, and Due from Other Governments
5. Capital Assets
6. Capital Assets Held for Sale
7. Long-term Obligations
8. Defined Benefit Pension Plan — Public Employees Retirement Association
9. Defined Contribution Retirement Plan
10. Post Employment Benefit Obligations (OPEB)
  - a. Retiree Life Insurance Plan
  - b. New Mexico Retiree Health Care Authority Plan
11. Risk Management
12. Certain Risk Disclosures
13. Commitments and Contingencies
14. Subsequent Events

## Summary of Significant Accounting Policies

### **Reporting Entity**

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

As a political subdivision of the state, the Water Authority is governed by an eight-member board consisting of three Albuquerque City Councilors, three Bernalillo County Commissioners, the Mayor of Albuquerque, and a non-voting member from the Village of Los Ranchos. The Water Authority has the primary accountability for fiscal matters. Therefore, the Water Authority is a reporting entity as defined by GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61. As of June 30, 2025 and 2024, the Water Authority does not have any component units.

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

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

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

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

The accompanying financial statements present the financial position of the Water Authority at June 30, 2025 and 2024, and the results of its operations for the years ended June 30, 2025 and 2024 in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note.

### ***New Accounting Pronouncements***

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

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

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

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

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

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

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

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

## ***Assets, Liabilities, and Net Position***

### **Cash, deposits, and investments**

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

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

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

### **Prepaid items**

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

### **Accounts and leases receivable**

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

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

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

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

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

significantly affect the amount of the lease receivable. See Note “Leases” for additional accounting policies related to leases.

### Capital assets

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

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

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

Buildings and other improvements: 25 – 50 years

Machinery and equipment: 05 – 12.5 years

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

### Accounts and leases payable

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

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

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

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

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



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

### **Subscription-based information technology arrangements**

The Water Authority accounts for subscription-based information technology arrangements (SBITAs) according to GASB Statement No. 96. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology software, alone or in combination with tangible capital assets (the underlying information technology assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a non-cancellable right to use the underlying information technology assets. The term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

The Water Authority recognizes SBITAs as a SBITA liability and an intangible right-to-use asset (SBITA asset) in the financial statements. The SBITA liabilities are recognized for SBITAs with an initial individual value of \$5,000 or more in total future payments. At the commencement of a SBITA, the Water Authority initially measures the SBITA liability at the present value of payments expected to be made during the term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability plus other payments to the SBITA vendor associated with the contract that are reasonably certain of being required. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

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

- The Water Authority uses a rate of 5% for all SBITAs.
- The SBITA term includes the non-cancellable period of the SBITA; the term of the SBITA contract, including options to extend regardless of their probability of being exercised, must be more than 12 months.
- SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and option payments if the Water Authority is reasonably certain to exercise the option.

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

### **Accrued compensated absences**

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

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



**Long-term obligations**

Long-term obligation proceeds are used to finance capital improvements, construction activities, expansions, renovations, and other costs as specified in bond indenture and loan agreements. The long-term obligations are payable from the Water Authority's revenues and are recorded in the Water Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method by CUSIP number. Bonds payable are reported net of the applicable bond premium or discount. The decrease in unamortized premiums for fiscal year 2025 consists of \$7,305,184 in amortization expense, which is reported as a portion of interest expense. Amortization expense during fiscal year 2024 was \$8,624,682. Bond issuance costs are expensed as incurred.

**Deferred outflows/inflows of resources**

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

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

See Note "Defined Benefit Pension Plan" for cumulative change and for details of deferred outflows and inflows of resources related to pensions and see Note "Post-Employment Benefit Obligations" for cumulative change and for details of deferred outflows and inflows of resources related to other post-employment benefits.

**Net position**

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

- Net investment in capital assets
- Restricted
- Unrestricted

*Net investment in capital assets* — This category represents the value of capital assets—such as buildings and equipment—net of accumulated depreciation and reduced by any outstanding debt used to acquire, construct or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. If there are significant unspent-related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is included in the calculation.

*Restricted net position* — The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position is reported as restricted when constraints placed on an asset's use are either:

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

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

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

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

### ***Estimated amounts reported in financial statements***

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

## **Stewardship, Compliance and Accountability**

The budgetary data is prepared consistent with the basis of accounting described in Note "Summary of Significant Accounting Policies" with these exceptions: debt service principal payments, refunding bond proceeds and related transactions, certain cash transfers, capital contributions and capital outlay.

The annual budget is formulated by the Water Authority's management and submitted to the Water Authority Board in April for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments on the proposed budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the Water Authority Board and is subject to approval by the New Mexico Department of Finance and Administration (DFA). Once approved, notification is received from DFA, and a formal appropriation and encumbrance system to control expenditures is maintained by the Water Authority's financial system.

The appropriated amounts reflected in the accompanying required supplementary information represent the Water Authority's budget by program. For FY2025, expenses may not exceed budgetary appropriations at the fund level. The Water Authority uses general ledger funds for internal accounting purposes. However, since the Water Authority is accounted for as an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

## **Cash and Investments**

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

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

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

### Custodial credit risk

*Deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the Water Authority's deposits may not be recovered. The Water Authority is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account (Section 6-10-17 NMSA 1978). Furthermore, the Water Authority Investment Policy requires all deposits with financial institutions to be collateralized in an amount not less than 102% of the uninsured balance in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). Such collateral is held by an independent third-party financial institution acceptable to the Water Authority. At June 30, 2025 and 2024, \$112,019,264 and \$99,901,640, respectively, of the Water Authority's bank balance was exposed to custodial credit risk as uninsured but collateralized with securities held by the pledging financial institution's trust department. Pledged collateral at June 30, 2025 and 2024 consisted of the following:

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

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

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

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

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. The following are the Water Authority's investment balances at June 30, 2025 and 2024:

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

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

### Credit risk

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

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

The U.S. Treasury bills and the State Treasurer's LGIP are rated AAAM by Standard & Poor's.

### Concentration of credit risk

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

### Interest rate risk

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

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

An acceptable method for reporting interest rate risk is weighted average maturity (WAM). As of June 30, 2025, the Water Authority's portfolio has no investments that matured beyond 12 months; the LGIP WAM (R) was 18 days and the WAM (F) was 75 days. The U.S. Treasury bill WAM was 70 days.

## Accounts and Leases Receivable, Notes Receivable, and Due from Other Governments

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

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

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

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

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

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

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

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

## Capital Assets

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

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



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

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

## Capital Assets Held for Sale

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

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

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

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

## Long-term Obligations

At June 30, 2025, the Water Authority has outstanding revenue bonds and notes from direct borrowings with the New Mexico Finance Authority (NMFA) totaling \$387,145,000 and \$123,477,817, respectively. NMFA does not have the option or remedy to accelerate the Water Authority's payment obligations under the outstanding loan agreements in the event of a default.

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

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

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

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

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

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

## Senior Lien Obligations

Water Authority senior lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these bonds, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding senior lien obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2025, the net revenues were 178% of the annual debt service on all outstanding senior lien obligations.

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

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

## Subordinate Lien Obligations

Water Authority subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these loan agreements, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 120% of the annual debt service requirements on all outstanding subordinate lien obligations. If the annual net revenues are less than 120% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2025, the net revenues were 158% of the annual debt service on all outstanding subordinate lien obligations.

## Super Subordinate Lien Obligations

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

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

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

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

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

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

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

Revenue bonds	2024	2025
\$55,265,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013B, due in annual installments of \$2,420,000 to \$9,455,000 through 7/1/2024; interest at 5.00%; no call provision	\$ 2,420,000	\$ -
\$97,270,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014A, due in annual installments of \$1,090,000 to \$11,385,000 through 7/1/2026; interest at 2.00% to 5.00%; call provision of 100% beginning 7/1/2024	32,550,000	21,640,000
\$87,005,000 Subordinate Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014B, due in annual installments of \$450,000 to \$10,695,000 through 7/1/2025; interest at 1.00% to 5.00%; call provision of 100% beginning 7/1/2024	17,205,000	8,635,000
\$211,940,000 Senior Lien Joint Water & Wastewater System Refunding and Improvement Revenue Bonds, Series 2015, due in annual installments of \$3,210,000 to \$18,765,000 through 7/1/2033; interest at 2.85% to 5.00%; call provision of 100% beginning 7/1/2025	122,120,000	104,845,000
\$87,970,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2017, due in annual installments of \$3,880,000 to \$6,585,000 through 7/1/2034; interest at 3.38% to 5.00%; call provision of 100% beginning 7/1/2027	61,760,000	56,600,000
\$75,085,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2018, due in annual installments of \$5,285,000 to \$8,610,000 through 7/1/2030; interest at 5.00%; call provision of 100% beginning 7/1/2026	52,305,000	45,880,000
\$69,440,000 Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020, due in annual installments of \$6,000,000 to \$6,385,000 through 7/1/2032; interest at 5.00%; call provision of 100% beginning 7/1/2028	57,440,000	51,055,000
\$47,800,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Taxable Series 2020A, due in annual installments of \$1,170,000 to \$6,660,000 through 7/1/2038; interest at 0.423% to 2.699%, call provision of 100% beginning 7/1/2029	35,200,000	28,585,000
\$73,255,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2021, due in annual installments of \$1,125,000 to \$6,915,000 through 7/1/2046; interest at 3.00% to 5.00%; call provision of 100% at 7/1/2029	73,255,000	69,905,000
Total revenue bonds outstanding	454,255,000	387,145,000
Plus: unamortized premiums	24,935,410	18,504,675
Net revenue bonds outstanding	\$ 479,190,410	\$ 405,649,675



Notes from direct borrowings	2024	2025
\$10,426,232 Subordinate Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2008), due in annual installments of \$218,951 to \$638,537 through 5/1/2030; interest at 1.75%; prepayment provision of 100% beginning 11/7/2009	\$ 3,472,816	\$ 2,894,616
\$2,724,282 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2019), due in annual installments of \$116,731 to \$158,073 through 5/1/2040; interest at 2.00%; no prepayment provision	2,124,170	-
\$1,515,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2020), due in annual installments of \$43,553 to \$58,122 through 5/1/2052; interest at 1.00%; no prepayment provision	1,457,686	1,413,798
\$113,425,000 Senior Lien New Mexico Finance Authority Loan (2023), due in annual installments of \$3,830,595 to \$11,985,300 through 7/1/2048; interest at 5.00-5.250%; call provision of 100% at 7/1/2033	113,425,000	113,425,000
\$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2021), due in annual installments of \$36,444 to \$41,097 through 6/1/2042; interest at 0.25%; no prepayment provision	760,824	682,887
\$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2022), due in annual installments of \$36,365 to \$41,101 through 6/1/2043; interest at 0.25%; no prepayment provision	764,472	725,325
\$200,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2023), due in annual installments of \$9,108 to \$10,274 through 6/1/2044; interest at 0.25%; no prepayment provision	191,337	182,461
\$770,827 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2022), due in annual installments of \$39,668 through 6/1/2043; interest at 0.25%; no prepayment provision	169,396	770,827
\$710,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2023), due in annual installments of \$46,865 through 6/1/2044; interest at 0.25%; no prepayment provision	42,332	624,436
\$770,000 Senior Lien New Mexico Finance Authority (2024), due in annual installments of \$1,802 to \$78,062 through 5/1/2036; interest at 0.25%; no prepayment provision	-	139,847
\$370,000 Super Subordinate Lien New Mexico Finance Authority (2024), due in annual installments of \$19,053 to \$19,054 through 6/1/2045; interest at 0.25%; no prepayment provision	-	310,175
\$4,000,000 Super Subordinate Lien New Mexico Environment Department (2025), due in annual installments of \$200,210 date not yet determined; interest at 0.01%; no prepayment provision	-	2,078,720
\$200,000 Super Subordinate Lien New Mexico Finance Authority (2025), due in annual installments of \$10,300 through 6/1/2046; interest at 0.25%; no prepayment provision	-	189,875
\$20,000 Super Subordinate Lien New Mexico Finance Authority (2025), due in annual installments of \$1,026 to \$1,048 through 6/1/2046; interest at 0.25%; no prepayment provision	-	20,000
\$90,250 Super Subordinate Lien New Mexico Finance Authority (2025), due in annual installments of \$4,656 to \$4,657 through 6/1/2047; interest at 0.25%; no prepayment provision	-	19,850
Total notes from direct borrowings	122,408,033	123,477,817
Plus: unamortized premiums	7,312,310	6,437,861
Net notes from direct borrowings	\$ 129,720,343	\$ 129,915,678

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

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

### Prior Year Debt Refunding (Defeasements)

The Water Authority has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the Water Authority satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. The refunded debt for the Series 2013A Bonds was paid in full at June 30, 2025.

### Leases

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

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

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

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

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

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

### Subscription-Based Information Technology Arrangements (SBITA's)

The Water Authority has entered into SBITAs for the use of various vendor information technology software and has recorded intangible right-to-use SBITA assets as a result of implementing GASB 96. SBITA asset activity for the years ended June 30, 2025 and June 30, 2024, is as follows:

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

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

The Water Authority recognizes a subscription liability associated with SBITAs, measured as the present value of the remaining subscription payments. This is measured at the applicable Incremental Borrowing Rate (IBR) of 3.7%. The IBR is an estimation made by the Water Authority based on current State of New Mexico borrowing rates at June 30, 2025.

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

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

### Compensated Absences

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

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

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

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

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

## Defined Benefit Pension Plan – Public Employees Retirement Association

### Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual

basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **General Information about the Pension Plan**

#### *Plan description.*

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

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

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

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

#### *Benefits provided.*

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

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

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

#### *Contributions and funding policy.*

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

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

Statutorily required contributions to the pension plan from the Water Authority during fiscal years 2025 and 2024 were \$4,594,438 and \$4,410,595, respectively; and the employer paid member benefits that were “picked up” by the employer were \$4,321,497 for the year ended June 30, 2025, and \$4,340,336 for the year ended June 30, 2024.

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

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

At June 30, 2024, the Water Authority reported a liability of \$77,093,018 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2023 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2022. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2023. The Water Authority's proportion of the net pension liability was based on a projection of the Water Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2023, the Water Authority's proportion was 3.64079%, which was a decrease of 0.02247% from its proportion measured as of June 30, 2022.



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

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

In fiscal years 2024 and 2025, the \$4,410,595 and \$4,594,438, respectively, reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date will be recognized as a reduction of the Water Authority's net pension liability in the years ending June 30, 2025 and 2026, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

#### *Actuarial assumptions.*

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

Actuarial assumptions		2024	2025
Actuarial valuation date:		June 30, 2022	June 20, 2023
Actuarial cost method:		Entry age normal	Entry age normal
Amortization period:		25 years	25 years
Amortization method:		Level percentage of payroll	Level percentage of payroll
Actuarial assumptions:			
Investment rate of return:		7.25% annual rate, net of investment expense	7.25% annual rate, net of investment expense
Projected salary increases:		3.25% - 13.50% annual rate	3.25% - 13.50% annual rate
Includes inflation rate:		2.50%	2.50%
Mortality assumption:		The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generational. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.	Pre-retirement mortality: PUB-2010 General Employees Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For non-public safety group, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates:		July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)	The Board adopted new actuarial assumptions on May 30, 2024 based on the 2024 actuarial experience study prepared as of June 30, 2023. Experience study was conducted for July 1, 2018 to June 30, 2023.

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

*Long-term expected rate of return:*

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

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

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

#### *Discount rate.*

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2024 and June 30, 2023. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

#### *Sensitivity of the Water Authority's proportionate share of the net pension liability to changes in the discount rate.*

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

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

## Defined Contribution Retirement Plan

### *Plan description.*

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

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

### *Benefits provided.*

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

### *Contributions.*

The contribution requirements for defined contribution plan members and the Water Authority are established within the signed agreement with ICMA Retirement Corporation dated February 25, 2004, and as amended October 21, 2015. The contribution requirements may be amended by acts of both parties. Under the plan, the employer contributes 19.01% of earnings for all participating employees. A mandatory employee participation contribution is required with employees making a one-time election to contribute one of 3.29%, 5%, 7%, 10% for employees scheduled to work 20 hours or more per week for the plan year.

Total contributions and total payroll to the plan for 2025 and the three preceding years were as follows:

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

## Post-Employment Benefit Obligations

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

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

## Retiree Life Insurance Plan

### *Summary of Significant Accounting Policies.*

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

### *Plan description.*

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

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

### *Benefits provided.*

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

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

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

*Employees covered by benefit terms.*

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

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

*Contributions.*

The Water Authority has set the contribution rate each year based on an actuarial valuation. The Water Authority has been and continues to pre-fund its OPEB liability, contributing 100% or more of the Actuarially Determined Contribution (ADC) each year. The ADC consists of two basic components, which have been adjusted with interest to the Water Authority's fiscal year-end: 1) The amounts attributed to service performed in the current fiscal year (the normal cost) and 2) amortization of the unfunded actuarial accrued liability (UAAL). Therefore, the discount rate used in this valuation is 5.0%, the long-term expected return on trust assets. Contributions to the trust for the year ended June 30, 2025, were \$5,407 and were \$41,548 for the year ended June 30, 2024.

*Total OPEB Plan liability.*

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

*Actuarial Assumptions and Other Inputs.*

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

	2024	2025
Actuarial valuation date:	January 1, 2024	January 1, 2024
Measurement date:	Last day of the current fiscal year (June 30, 2024)	Last day of the current fiscal year (June 30, 2025)
Funding method:	Entry Age Normal Cost, level percent of pay	Entry Age Normal Cost, level percent of pay
Asset valuation method:	Market value of assets	Market value of assets
Long-term return on assets:	5.0% as of June 30, 2024 net of plan investment expenses	5.0% as of June 30, 2025 net of plan investment expenses
Discount rates:	5.0% as of June 30, 2024 net of plan investment expenses	5.0% as of June 30, 2025 net of plan investment expenses
Participants valued:	Only current active employees hired prior to July 1, 2013 and retired participants are valued. This plan is closed to new members.	Only current active employees hired prior to July 1, 2013 and retired participants are valued. This plan is closed to new members.
Salary increase:	3.25% per year	3.25% per year
General inflation:	2.5% per year	2.5% per year



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

Demographic actuarial assumptions	2024	2025
Mortality improvement:	MacLeod Watts Scale 2022 on a fully generational basis from 2014 forward.	MacLeod Watts Scale 2022 on a fully generational basis from 2014 forward.
Participation rates:	Active participants: 100% of actives projected to survive in service to retirement are assumed to be eligible for the retiree life insurance benefit. Employees retiring on Disability are assumed to elect to receive a lump sum payment equal to one-half of the face amount of their retiree life insurance. Retired participants: Existing coverage is assumed apply until the retiree's death.	Active participants: 100% of actives projected to survive in service to retirement are assumed to be eligible for the retiree life insurance benefit. Employees retiring on Disability are assumed to elect to receive a lump sum payment equal to one-half of the face amount of their retiree life insurance. Retired participants: Existing coverage is assumed apply until the retiree's death.
Dependent coverage:	Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.	Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.
Employer cost-sharing:	Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.397 per \$1,000 of life insurance. No future increase in the premium rate was introduced, assuming that reduction due to future mortality improvements would exactly offset increased expenses.	Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.35 per \$1,000 of life insurance. No future increase in the premium rate was introduced, assuming that reduction due to future mortality improvements would exactly offset increased expenses.
Development of age-related premiums:	The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described in the January 2024 valuation.	The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described in the January 2024 valuation.
Changes recognized during the current measurement period:	None	None

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

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

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

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

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

*Discounts.*

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

*Changes in the Total OPEB Plan liability.*

Year-to-year changes in the components of Net Position are illustrated below:

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

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

*Sensitivity of liabilities to changes in the discount rate.*

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

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

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

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

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

Future recognition of these deferred resources is as follows:

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

## New Mexico Retiree Health Care Authority Plan

### *Summary of Significant Accounting Policies.*

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) additions to/deductions from the

NMRHCA fiduciary net position have been determined on the same basis as they are reported by the NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Plan description.*

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

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

*Benefits provided.*

The Fund is a multiple employer cost-sharing defined-benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

*Employees covered by benefit terms.*

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

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

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

#### *Contributions.*

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

#### *OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB.*

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



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

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

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

*Actuarial assumptions.*

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

Actuarial assumptions	2024	2025
Actuarial valuation date:	June 30, 2023	June 30, 2023
Actuarial cost method:	Entry age actuarial cost method. Age is the age at the member's hire date. Actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.	Entry age normal, level percent of pay, calculated on individual employee basis.
Asset valuation method:	Market value of assets	Market value of assets
Actuarial assumptions		
Inflation:	2.50% for PERA members	2.50% for PERA members
Projected payroll increases:	3.00% to 13.00%, based on years of service, including inflation	3.00% to 13.00%, based on years of service, including inflation
Investment rate of return:	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate:	8% graded down to 4.5% over 14 years for nonMedicare medical plan costs and 8.5% graded down to 4.5% over 16 years for Medicare medical plan costs.	8% graded down to 4.5% over 14 years for nonMedicare medical plan costs and 8.5% graded down to 4.5% over 16 years for Medicare medical plan costs.
Mortality:	PERA members: Headcount-Weighted RP2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.	PERA members: Headcount-Weighted RP2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

*Rate of return.*

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

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

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

*Discount rate.*

The discount rate used to measure the Fund's total OPEB liability is 7.00% as of June 30, 2024 and 6.22% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that employer and plan member contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. The 7.00% discount rate, which includes the assumed inflation rate of 2.50% for PERA members, was used to calculate the net OPEB liability.

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

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

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

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

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

#### *OPEB plan fiduciary net position.*

Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the years ended June 30, 2024 and June 30, 2023 at [www.nmrhca.org/financial-audits/](http://www.nmrhca.org/financial-audits/).

#### *Payable changes in the net OPEB liability.*

The Water Authority reported a payable for the years ended June 30, 2025 and June 30, 2024 of \$47,614 and \$45,634, respectively, for outstanding contributions due to NMRHCA.

## Risk Management

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

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

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

reported (IBNRs) as of June 30, 2025, and 2024. The amounts and change in claims liability in fiscal years 2025 and 2024 were:

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

The components of the claims liability at June 30 are:

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

## Certain Risk Disclosures

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

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

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

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

## Commitments and Contingencies

### *Construction commitments.*

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

### *Federal and state grant commitments.*

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

### *Contingencies.*

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

## Subsequent Events

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

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

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

- **Environmental Compliance and Penalty Payment**

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

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

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

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

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

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



## For the Fiscal Years ended June 30, 2025 and 2024

### Required Supplementary Information (RSI) Schedules include:



#### Public Employees Retirement Pension Plan

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



#### Retiree Life Insurance Plan

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



#### New Mexico Retiree Health Care Authority Plan

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



#### Schedule of Revenues, Expenses, and Changes in Net Position

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

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

For the Fiscal Years ended June 30, 2025 and 2024

Municipal General Plan 3

Last 10 Fiscal Years

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

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

## Schedule of the Water Authority's Pension Contributions

For the Fiscal Years ended June 30, 2025 and 2024

Municipal General Plan 3

Last 10 Fiscal Years

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

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

Notes for Pension Plan:

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

Changes of Assumptions. The PERA Annual Actuarial Valuation as of June 30, 2024 is available at the web address listed above. Required Supplementary Information (RSI) notes for the Pension Plan:

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

Changes of Assumptions. The PERA Annual Actuarial Valuation as of June 30, 2024 is available at the web address listed above.

## Schedule of Changes in the Water Authority's Net OPEB Liability and Related Ratios – Life Insurance Plan

For Fiscal Years ended June 30, 2025 and 2024

Last 10 Fiscal Years (\*)

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

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

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

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

## Notes to Schedule

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



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

For the Fiscal Years ended June 30, 2025 and 2024

Last 10 Fiscal Years (\*)

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

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

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

Benefit changes. This report is based on a rollforward of the January 1, 2024, valuation. No benefit changes and no material changes in plan members or premium rates were reported to MacLeod Watts from those provided for the 2022 valuation. As such, no new census or premium data was collected, no plan experience was recognized, and no assumptions were changed. Investment experience (the difference between actual and expected trust earnings) was determined and reflected.

Notes to Schedule: assumptions used to develop Actuarially Determined Contributions

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

## Schedule of Changes in the Water Authority's Net OPEB Liability and Related Ratios – New Mexico Retiree Health Care Authority Plan

For the Fiscal Years ended June 30, 2025 and 2024

Last 10 Fiscal Years (\*)

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

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

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

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

For the Fiscal Years ended June 30, 2025 and 2024

Last 10 Fiscal Years (\*)

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

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

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

# Schedule of Revenues, Expenses, and Changes in Net Position

## Budget and Actual

For the Year Ended June 30, 2025

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



**RECONCILIATION TO GAAP BASIS**

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



## Notes and disclaimers

### 1. Basis of Accounting

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

### 2. Budget Amendments

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

### 3. Revenue Highlights

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

### 4. Expenditure Highlights

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

### 5. Unusual or Infrequent Items

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

### 6. Transfers and Financing

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

### 7. Fund Balance

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

### 8. GAAP Reconciliation

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

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

#### Disclaimers

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

# Statistical Section

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

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

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



# Financial Trends

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

- Schedule 1 – Net Position by Component
- Schedule 2 – Changes in Net Position
- Schedule 3 – Trend Analysis for Net Position and Operations

## Schedule 1 - Net Position by Component

Last Ten Fiscal Years (In thousands of dollars)

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

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

### Notes and disclaimers

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

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

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

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

Source: Water Authority Financial/Business Services Division

## Schedule 2 - Changes in Net Position

Last Ten Fiscal Years (In thousands of dollars)

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

### Notes and Disclaimers

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

**Schedule 2 - Changes in Net Position, continued**

Last Ten Fiscal Years (In thousands of dollars)

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

## Schedule 2 - Changes in Net Position, continued

Last Ten Fiscal Years (In thousands of dollars)

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



## Notes and Disclaimers

### 1. **2018 Restatement**

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

### 2. **2019 Restatement**

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

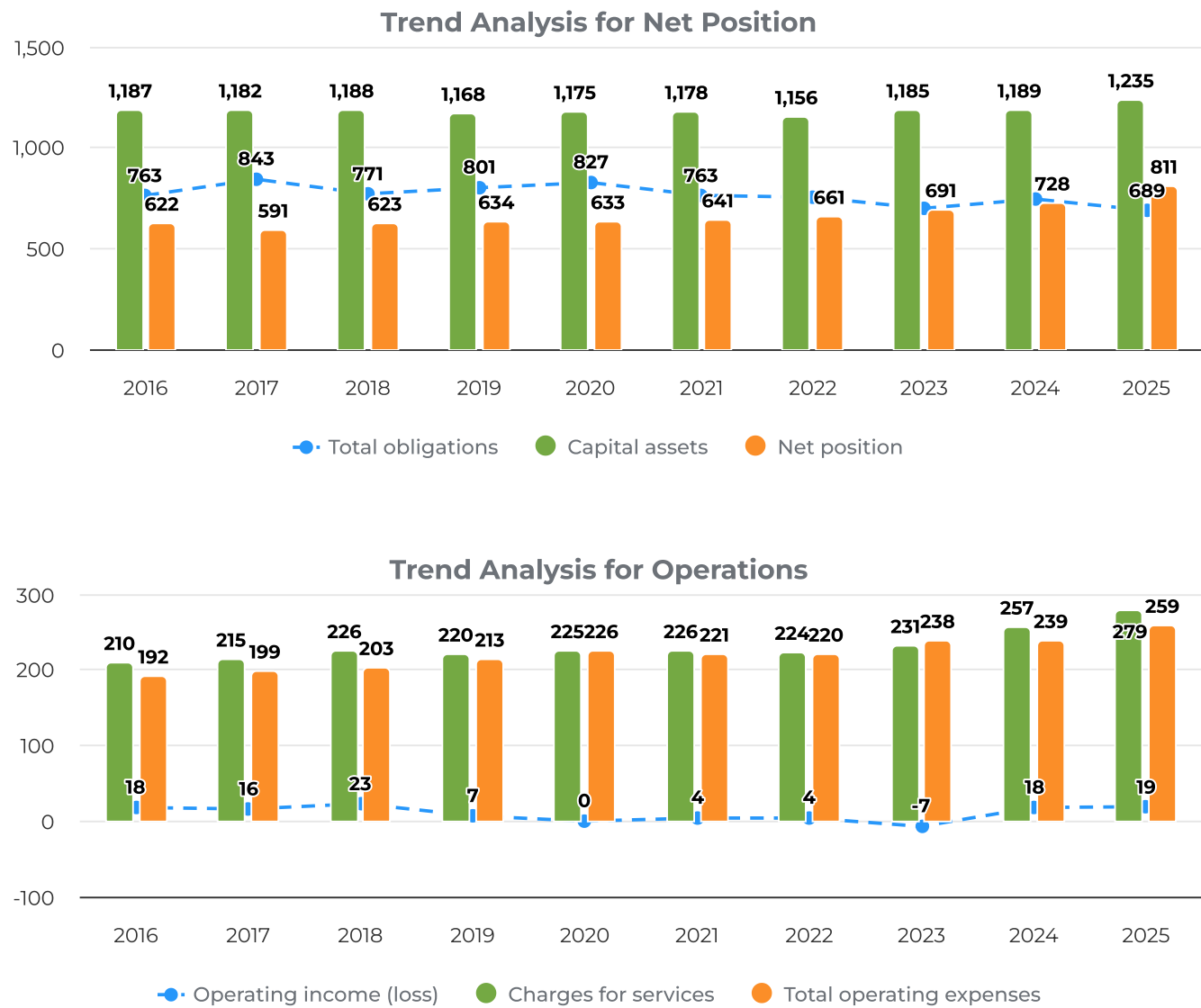
### 3. **2022 Restatement**

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

Source: Water Authority Financial/Business Services Division

Schedule 3 - Trend Analysis for Net Position and Operations

Last Ten Fiscal Years (In thousands of dollars)



Notes and Disclaimers

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

Source: Water Authority Financial/Business Services Division

# Revenue Capacity

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

- Schedule 4 – Revenue from Water and Wastewater Charges and Other Operating Revenues
- Schedule 5 – Revenue from Utility Expansion and Water Resource Charges
- Schedule 6 – Water and Wastewater Users by Class and Meter Size
- Schedule 7 — Water Consumption
- Schedule 8 — Principal Revenue Payers

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

Last Ten Fiscal Years

Fiscal Year		Water Charges		Wastewater Charges		Other Revenue		Total Operating Revenue
2025	\$	168,975,232	\$	95,629,641	\$	13,963,687	\$	278,568,560
2024		156,874,211		82,203,200		17,461,111		256,538,522
2023		148,092,311		80,746,197		2,140,969		230,979,477
2022		145,215,374		76,845,065		2,134,395		224,194,834
2021		147,199,054		76,441,792		2,022,568		225,663,414
2020		147,244,774		76,231,345		2,133,000		225,609,119
2019		141,267,719		76,848,592		1,868,000		219,984,311
2018		148,315,450		76,253,042		1,828,000		226,396,492
2017		144,342,932		69,101,050		1,750,000		215,193,982
2016		140,551,140		68,166,636		1,339,000		210,056,776

### Notes and Disclaimers

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

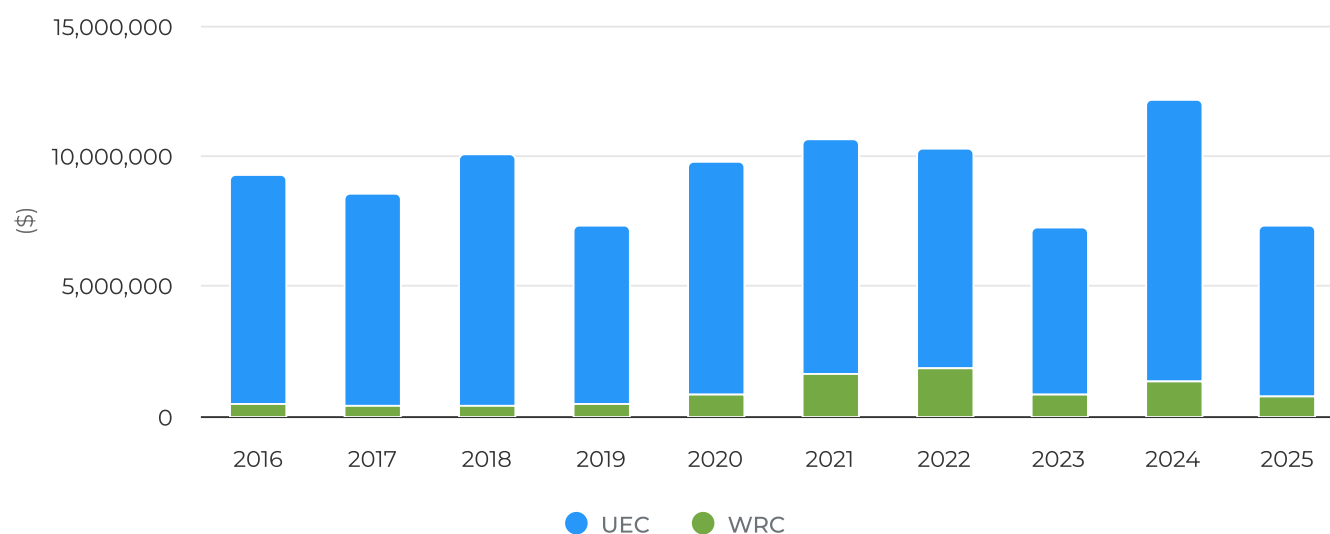
The Water Authority adopted GASB Statements No. 101 and 103 in 2025. As a result, the changes in Net Position for fiscal years 2024 and 2025 incorporate the corresponding updates to the Statement of Revenues, Expenses, and Changes in Net Position.

Source: Water Authority Financial/Business Services Division

## Schedule 5 - Revenue from Utility Expansion and Water Resource Charges

Last Ten Fiscal Years

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



## Notes and Disclaimers

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

### Utility Expansion Charges (UEC)

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

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

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

### Water Resource Charges (WRC)

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

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

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

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

Source: Water Authority Financial/Business Services Division

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

Last Ten Fiscal Years

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

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

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

Last Ten Fiscal Years

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

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

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

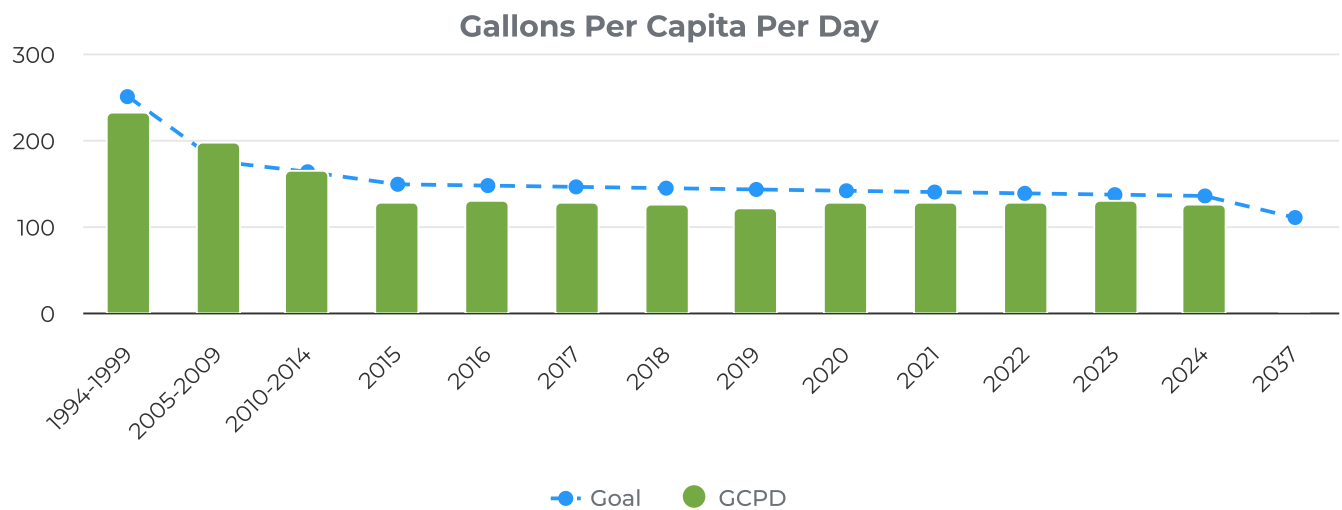
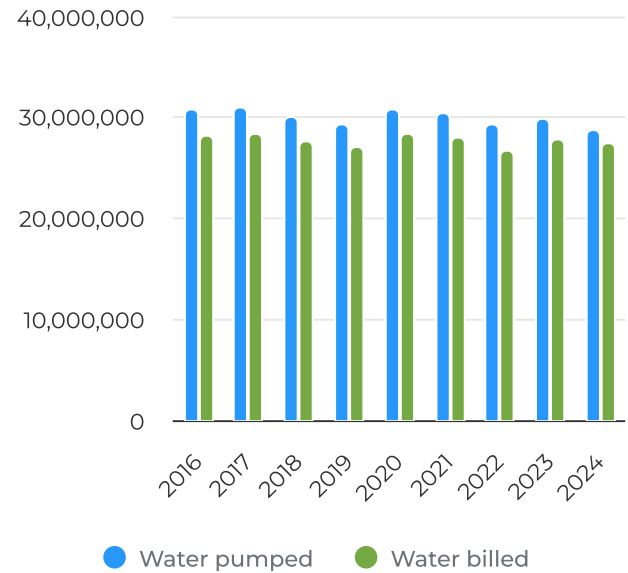
Source: Water Authority Financial/Business Services Division



## Schedule 7 - Water Consumption

Last Ten Calendar Years

Calendar Year	Water Pumped	Water Billed	% Billed
2024	28,772,000	27,392,067	95.20%
2023	29,950,000	27,897,712	93.15%
2022	29,351,780	26,768,692	91.20%
2021	30,466,000	27,967,068	91.80%
2020	30,878,760	28,431,768	92.08%
2019	29,392,000	27,073,469	92.11%
2018	30,139,000	27,696,655	91.90%
2017	30,895,000	28,357,626	91.79%
2016	30,720,000	28,250,591	91.96%
2015	29,498,000	27,195,260	92.19%



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

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

## Schedule 8 - Principal Revenue Payers

Current Fiscal Year and Nine Years Ago

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

**Schedule 8 - Principal Revenue Payers, continued**

Current Fiscal Year and Nine Years Ago

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

Source: Water Authority Financial/Business Services Division

# Debt Capacity and Debt Service

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

- Schedule 9 — Outstanding Debt
- Schedule 10 — Senior / Subordinate Lien Debt Coverage Ratio
- Schedule 11 — Credit Ratings and Market Conditions

## Schedule 9 - Outstanding Debt

Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Revenue Bonds	Notes from direct borrowings	Water Rights contract	Unamortized Premium	Leases	SBITA's	Total	Per Capita	Per Customer
2025	\$ 387,145	\$ 123,478	\$ -	\$ 24,943	\$ 852	\$ 1,537	\$ 537,954	818	2,460
2024	454,255	122,408	-	32,248	1,083	715	610,709	908	2,801
2023	520,305	10,291	-	32,977	1,549	1,026	566,148	837	2,605
2022	583,800	10,512	1,360	42,582	240	1,217	639,711	949	2,953
2021	567,270	8,565	2,679	39,671	559	-	618,744	917	2,871
2020	595,930	31,560	3,960	52,874	964	-	685,288	1,009	3,197
2019	577,825	35,873	5,203	46,119	-	-	665,020	979	3,121
2018	551,950	39,938	6,409	48,088	-	-	646,385	955	3,050
2017	589,880	44,013	7,579	60,241	-	-	701,713	1,286	3,338
2016	566,455	54,819	8,715	58,712	-	-	688,701	1,232	3,296

### Notes and Disclaimers

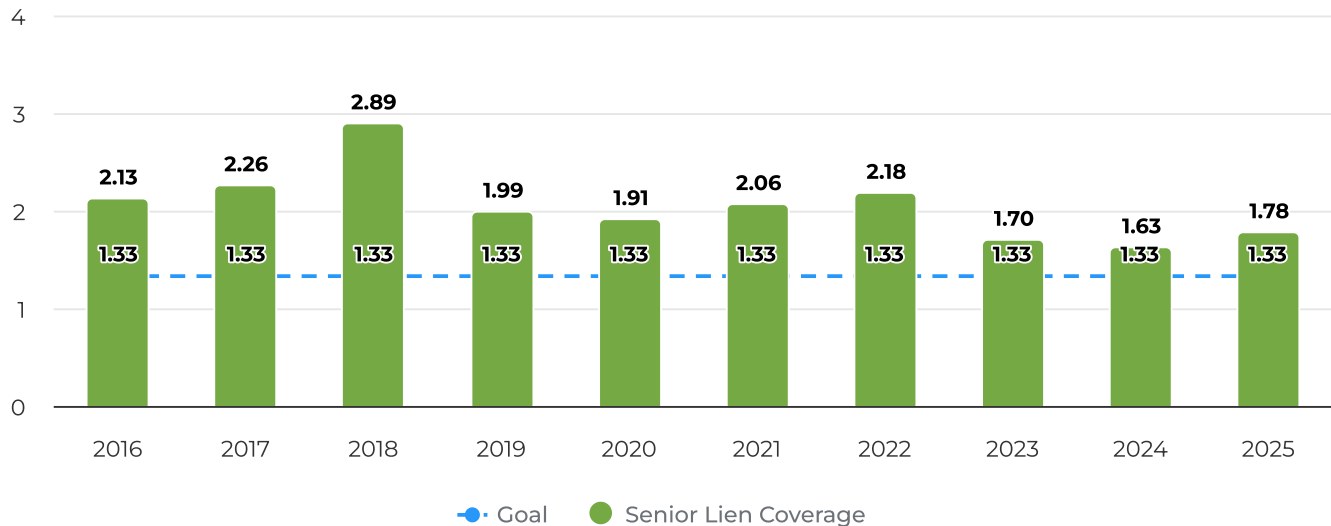
1. Per Capita measures the average debt burden per person in a population.
2. Per Customer measures the average debt burden per active Water Authority customer.

Source: Water Authority Financial/Business Services Division

## Schedule 10 – Senior / Subordinate Lien Debt Coverage Ratio

Last Ten Fiscal Years (in thousands of dollars)

Senior Lien			Debt Obligations					
Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2025	\$ 295,251	\$ 161,101	\$ 134,150	\$ 60,708	\$ 21,946	\$ (7,139)	1.78	1.33
2024	271,805	154,081	117,724	58,321	22,812	(8,625)	1.63	1.33
2023	265,295	150,839	114,456	55,210	21,555	(9,041)	1.70	1.33
2022	251,310	116,861	134,449	48,540	22,912	(9,747)	2.18	1.33
2021	241,235	112,883	128,352	49,354	23,410	(10,488)	2.06	1.33
2020	240,436	120,498	119,938	48,054	23,876	(9,233)	1.91	1.33
2019	235,645	115,118	120,527	45,093	25,534	(10,074)	1.99	1.33
2018	241,177	112,698	128,479	31,018	23,948	(10,447)	2.89	1.33
2017	227,044	111,326	115,718	37,497	23,899	(10,247)	2.26	1.33
2016	226,774	106,897	119,877	43,031	23,794	(10,477)	2.13	1.33



Senior and Subordinate Lien				Debt Obligations				
Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2025	\$ 295,251	\$ 161,101	\$ 134,150	\$ 69,982	\$ 22,450	\$ (7,305)	1.58	1.20
2024	271,805	154,081	117,724	67,651	23,769	(8,625)	1.42	1.20
2023	265,295	150,839	114,456	64,201	22,937	(9,605)	1.48	1.20
2022	251,310	116,861	134,449	57,319	24,722	(10,533)	1.88	1.20
2021	241,235	112,883	128,352	58,168	25,624	(11,512)	1.78	1.20
2020	240,436	120,498	119,938	56,782	26,476	(10,455)	1.65	1.20
2019	235,645	115,118	120,527	53,691	28,485	(11,525)	1.71	1.20
2018	241,177	112,698	128,479	42,216	27,303	(12,153)	2.24	1.20
2017	227,044	111,326	115,718	46,901	27,673	(12,407)	1.86	1.20
2016	226,774	106,897	119,877	43,964	27,865	(12,866)	2.03	1.20

### Notes and Disclaimers

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

Source: Water Authority Financial/Business Services Division

## Schedule 11 – Credit Ratings and Market Conditions

### Credit Ratings Overview

#### Fitch Ratings:

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

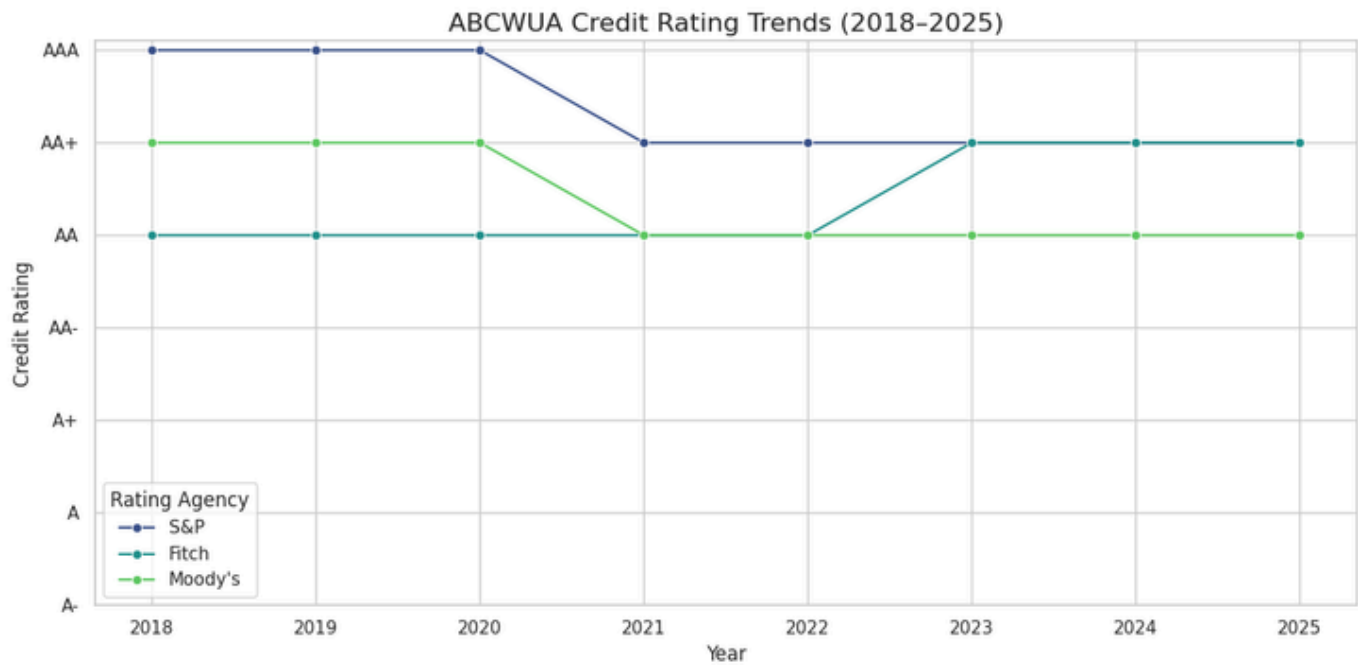
#### S&P Global Ratings:

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

#### Moody's:

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





## Market Conditions & Financial Health

### Financial Structure

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

### Capital Planning & Debt Management

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

### Rate Affordability & Revenue Stability

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

# Demographics and Economic Information

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

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

## Schedule 12 - Demographics and Economic Statistics

### Population



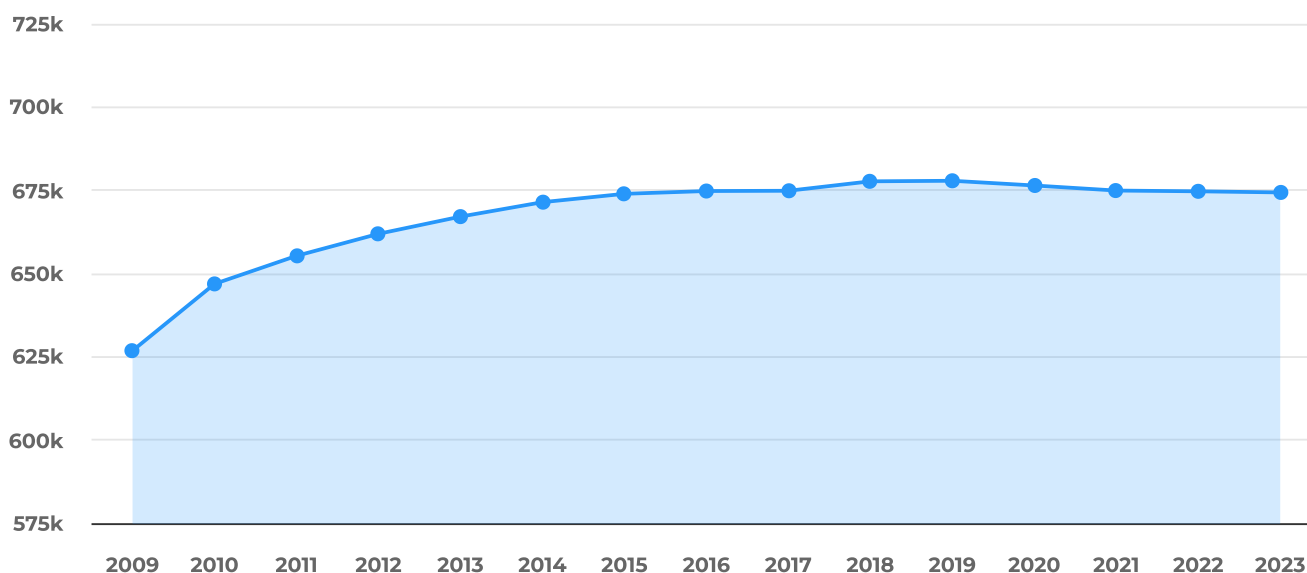
TOTAL POPULATION

**674,357**

**-0.05%**  
vs. 2022

GROWTH RANK

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



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



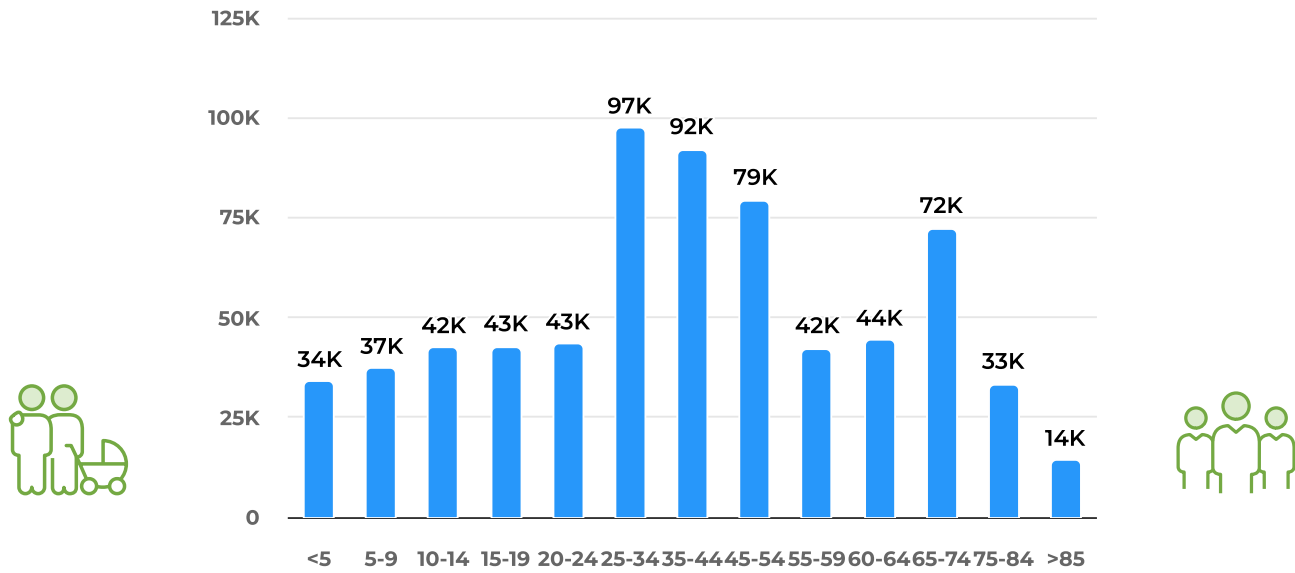
DAYTIME POPULATION

**703,355**

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

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

## POPULATION BY AGE GROUP



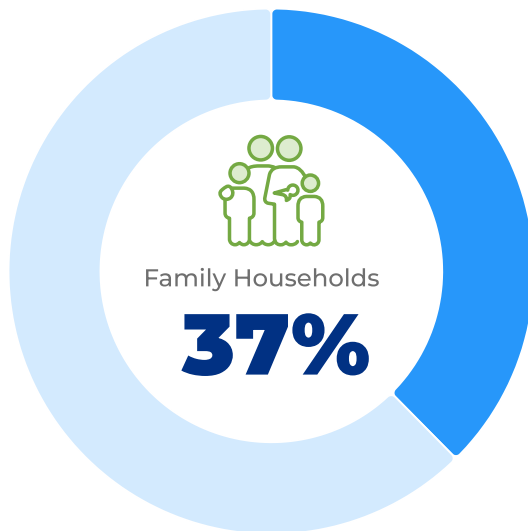
*Aging affects the needs and lifestyle choices of residents. Municipalities must adjust and plan services accordingly.*

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

## Household

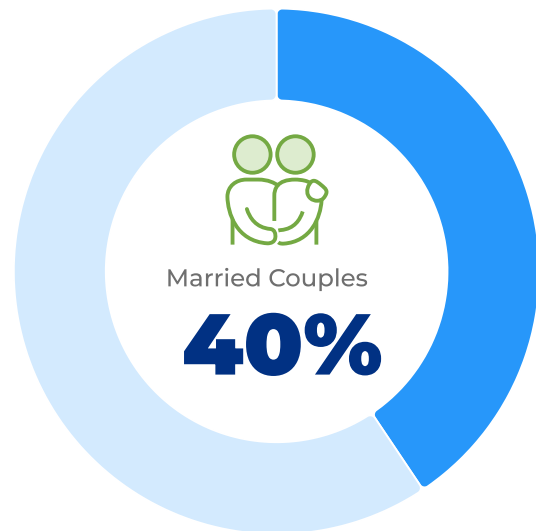
TOTAL HOUSEHOLDS  
**283,609**

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



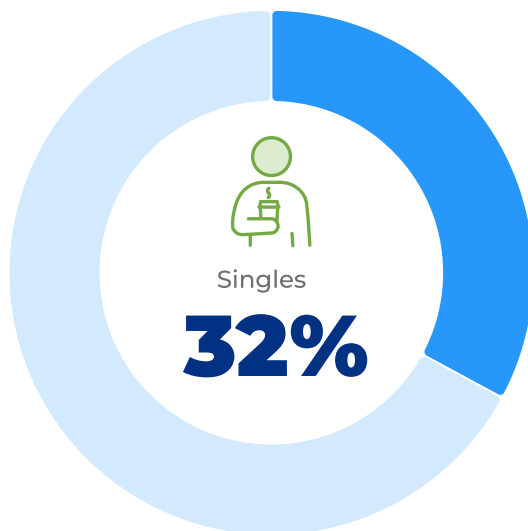
**-9%**

lower than state average



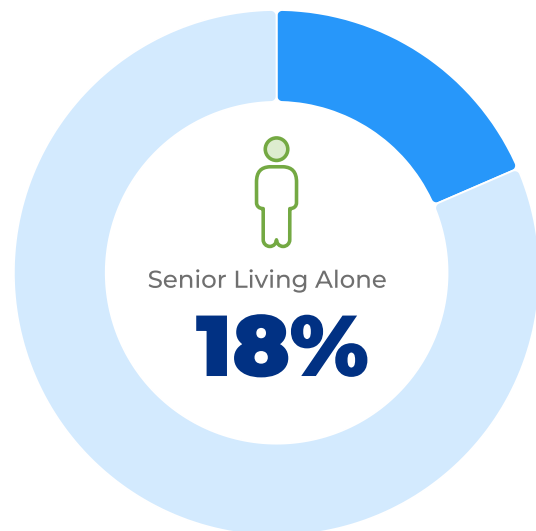
**-8%**

lower than state average



**7%**

higher than state average



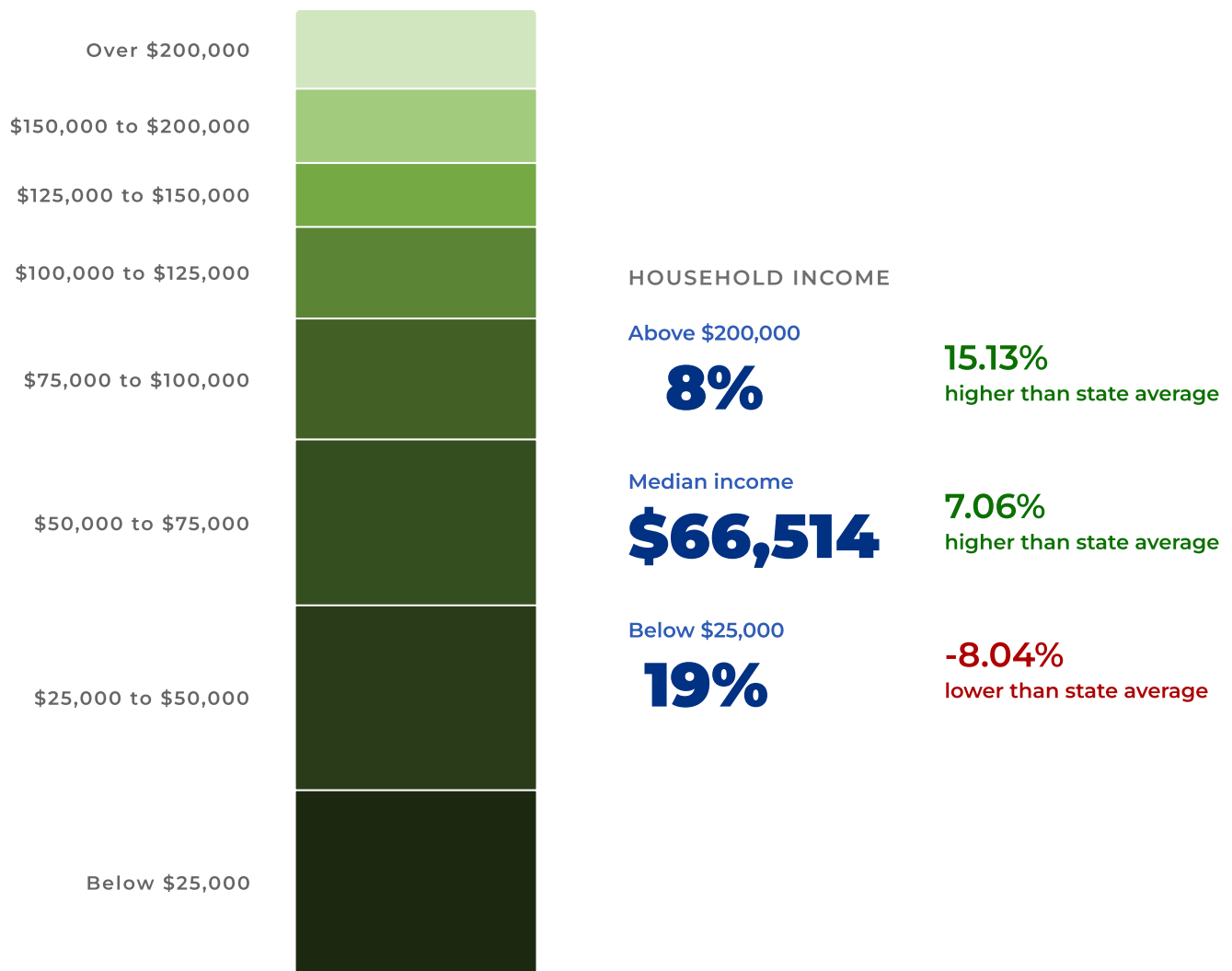
**10%**

higher than state average

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

## Economic

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



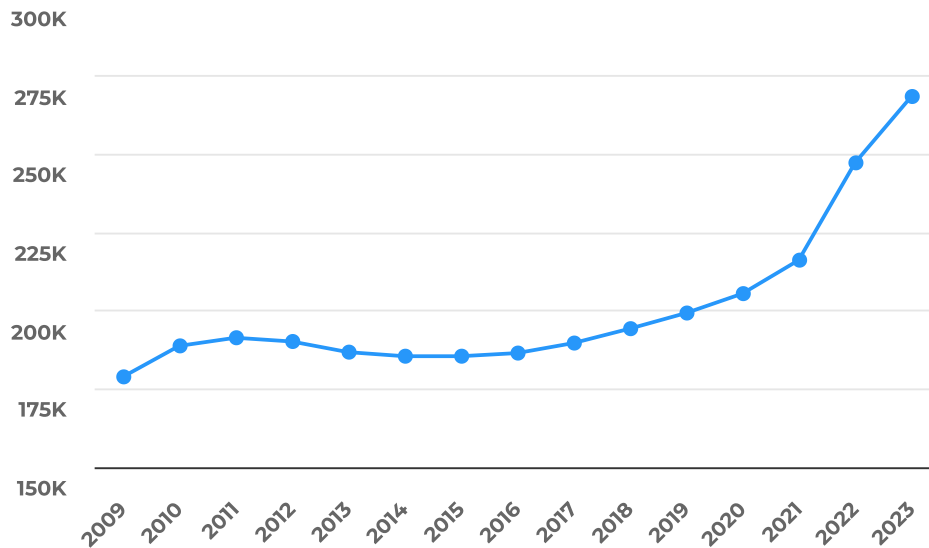
\* Data Source: American Community Survey 5-year estimates

## Housing



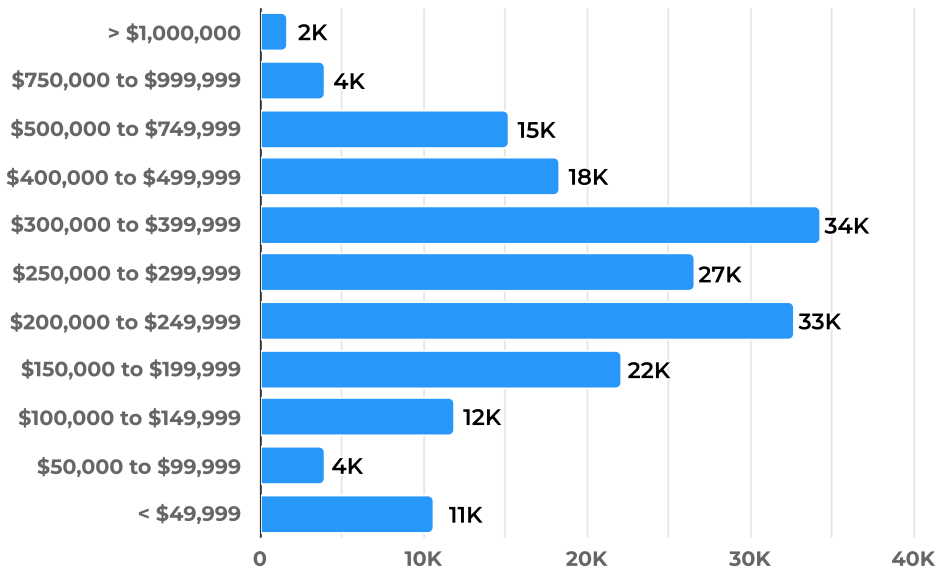
2023 MEDIAN HOME VALUE

# \$268,500



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

### HOME VALUE DISTRIBUTION



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

### HOME OWNERS VS RENTERS

Albuquerque-  
Bernalillo  
County Water  
Utility  
Authority

State Avg.



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

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

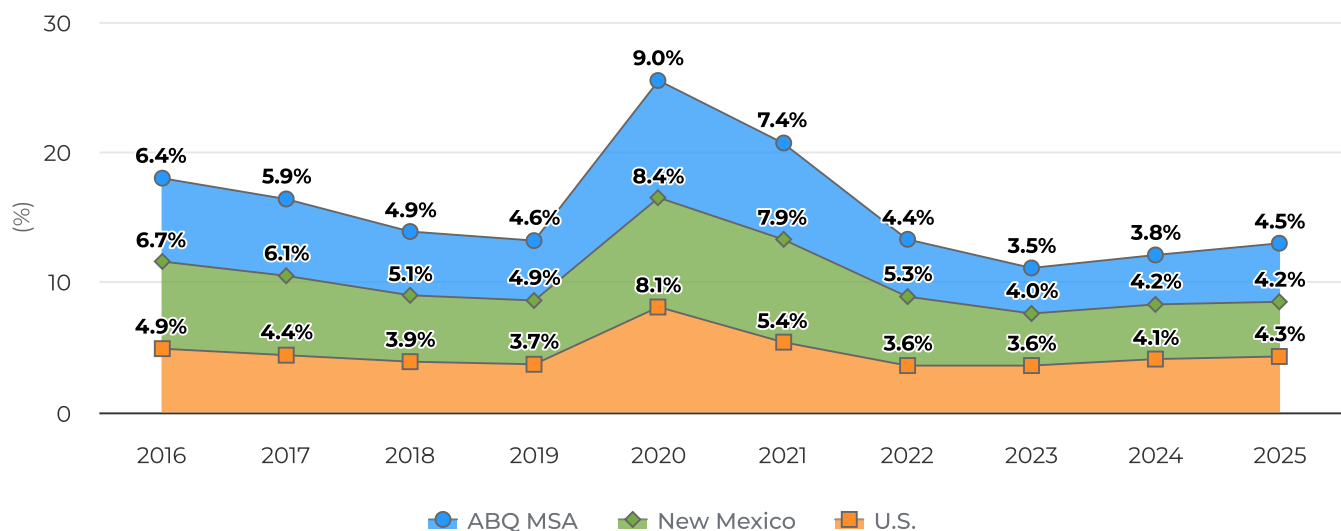
Year	New Mexico (%)	Albuquerque MSA (%)	United States (%)
2025	4.2% (Jun)	4.5% (Jun)	4.3% (Jun)
2024	4.2%	3.8%	4.1%
2023	4.0%	3.5%	3.6%
2022	5.3%	4.4%	3.6%
2021	7.9%	7.4%	5.4%
2020	8.4% (COVID)	9.0% (COVID)	8.1% (COVID)
2019	4.9%	4.6%	3.7%
2018	5.1%	4.9%	3.9%
2017	6.1%	5.9%	4.4%
2016	6.7%	6.4%	4.9%

### Key Insights:

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

\*Metropolitan Service Area (MSA)

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





## Schedule 13 – Top Ten Major Employers

Current Fiscal Year and Nine Years Ago

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

Metropolitan Service Area (MSA)

Sources:

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

# Operating Indicators

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

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

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

Last Ten Fiscal Years

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

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

Last Ten Fiscal Years

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

## Notes and Disclosures

1. In 2017, the Water Resources Management function separated into the Planning and Engineering and Water Resources divisions.
2. In 2018, the Legal/Risk functions were separated; now the Legal and Risk divisions.
3. In 2019, CIP-Funded positions were moved to various operating divisions.
4. In 2020, Fleet Maintenance was moved to Finance, the Asset Management division was created with staffing from various operating divisions, and Meter Operations moved from Customer Service to Water Field Operations.
5. In 2021, Planning and Engineering functions separated; now Central Engineering, Asset Management, and Planning and Utility Development.
6. In 2024, Information Technology was moved to the Water Authority Administration. Fleet & Facility Maintenance functions were separated from Finance and is now a division; Asset Management was moved to Finance.

Source: Water Authority Financial/Business Services Division

## Schedule 15 – Operating Indicators by Function

Last Ten Calendar Years

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

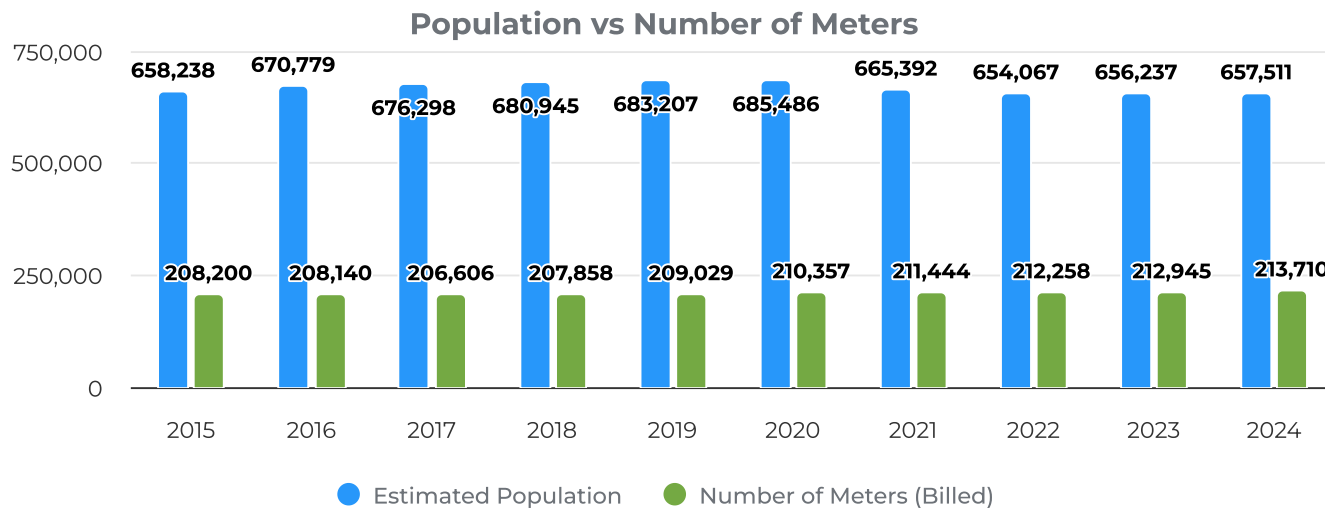
**Schedule 15 – Operating Indicators by Function, continued**

Last Ten Calendar Years

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

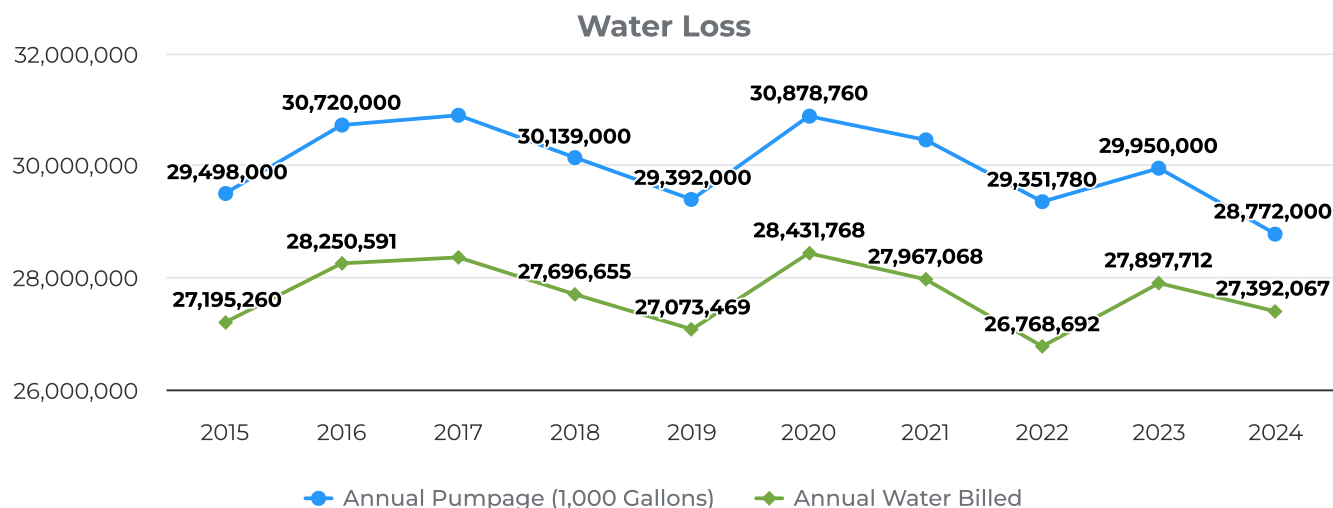
# Efficiency Metrics

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



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

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

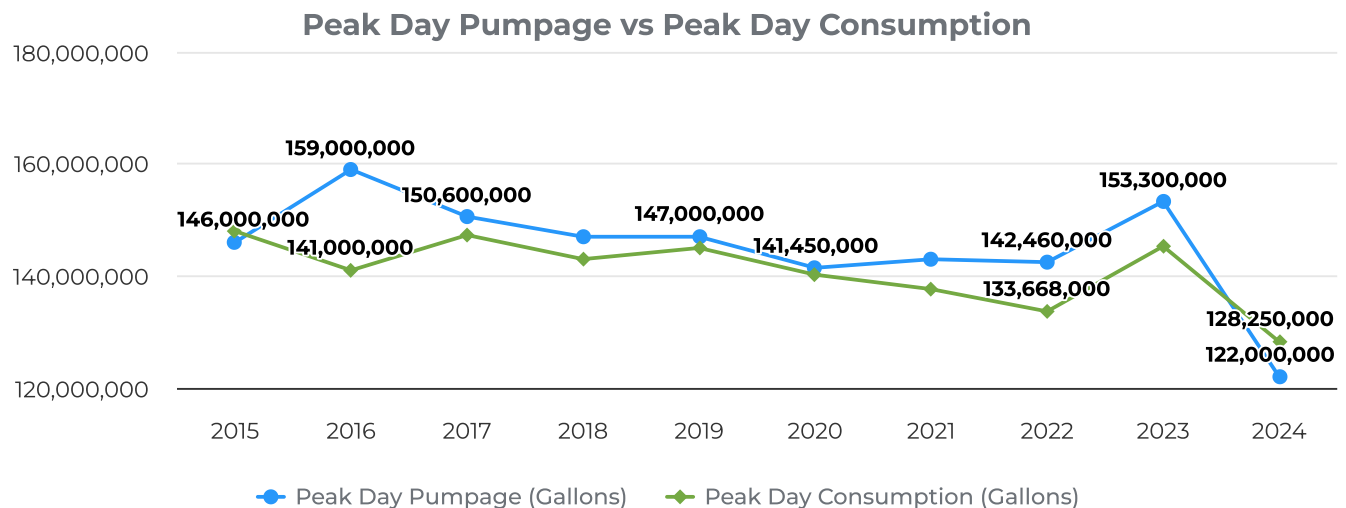


**Chart 3** compares **peak day water pumpage** versus **peak day consumption**.

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

This comparison reveals several important insights:

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





# Other Financial and Non-Financial Data

## Financial Benchmarks

### Days Cash on Hand

**Goal:**

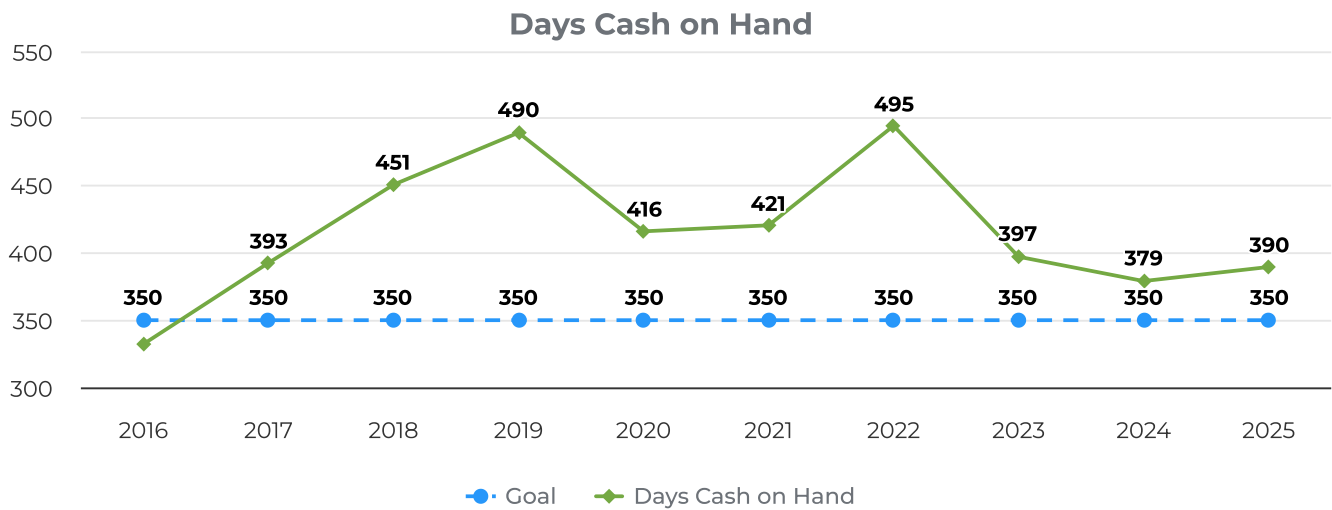
The goal of Days Cash on Hand is to measure how many days the Water Authority can continue to pay its operating expenses using only its available, unrestricted cash—without any incoming revenue.

**Why It Matters:**

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

**Target Benchmark:**

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



## Days of Working Capital (DWC)

**Goal:**

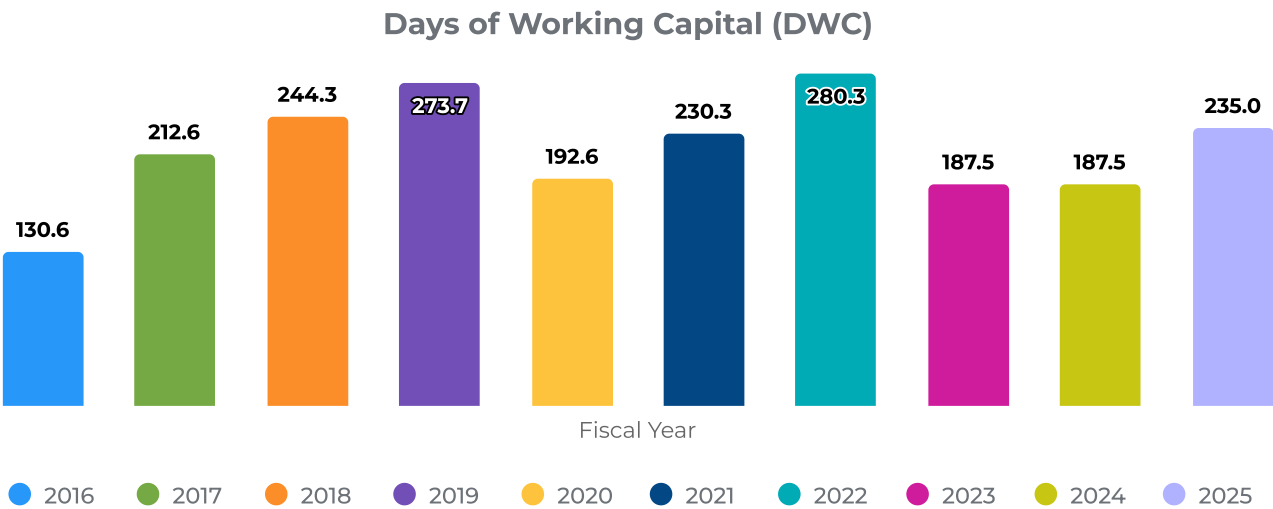
Days of Working Capital estimates how long it takes for a utility to convert its net working capital (current assets minus current liabilities) into revenue.

**Why It Matters:**

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

**Target Benchmark:**

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



## Financial Ratios

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

**2024 Average:** 1.9

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

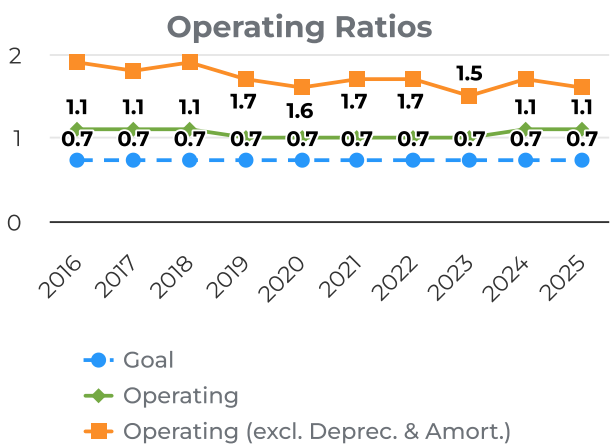
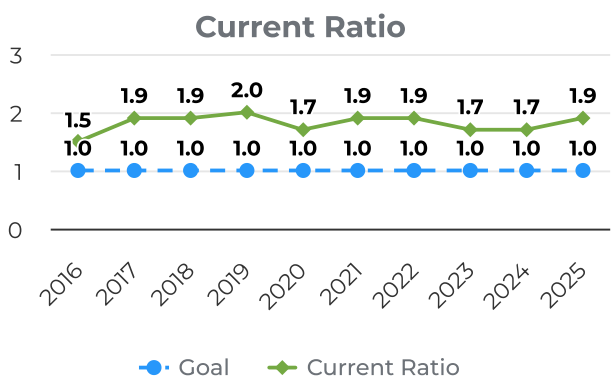
**Interpretation:** Water utilities typically operate with a **low current ratio**, reflecting stable but tight liquidity. This is common in regulated industries with predictable cash flows and long-term infrastructure investments.

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

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

What This Tells Us:

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



## Water Resources

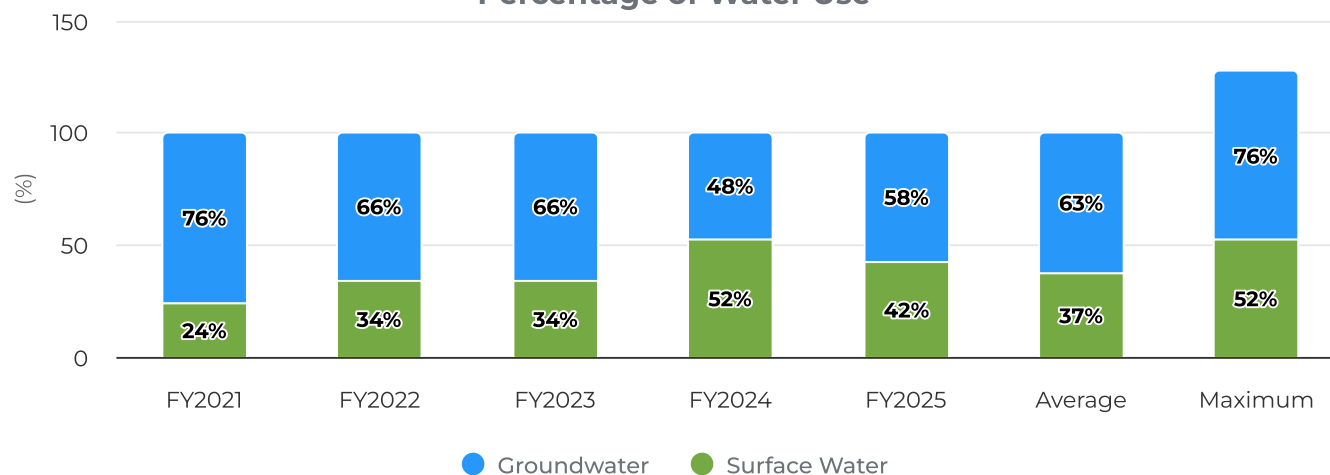
The Water Authority utilizes its surface water (San Juan-Chama Project surface water supply) and groundwater supply sources to meet demand and surface water is prioritized. FY2021 through FY2025 surface water diversion totals reflect that surface water diversions were shutdown during periods of low flows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

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

### Total System Water Diversion (acre-feet)



### Percentage of Water Use



## Notes and disclaimers

### Maximum Capacity of Water Use: Groundwater vs. Surface Water

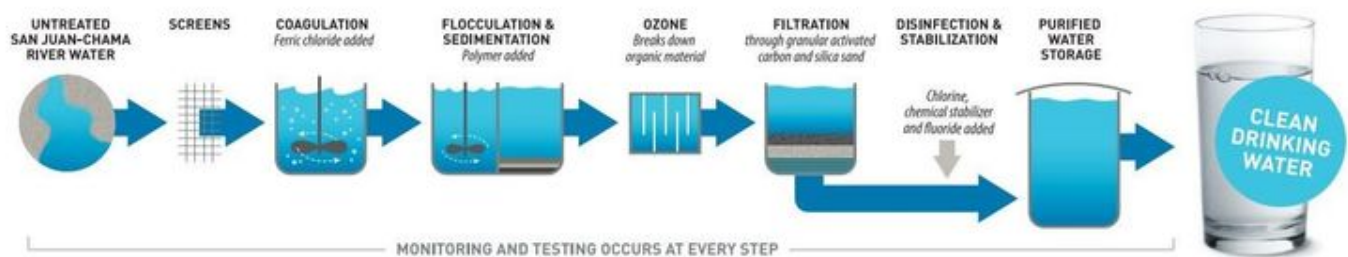
According to the chart above, **groundwater accounts for the highest proportion of water use at 76%**, compared to **52% for surface water**. This indicates that groundwater is the more heavily relied upon source, likely due to its availability, reliability, or suitability for specific uses. The significant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

# Other Supplementary Information

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

Schedules included are:

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



San Juan-Chama Water Treatment Plant Waterflow

## Schedule of Deposits and Investments by Financial Institution

June 30, 2025

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

## Schedule of Pledged Collateral by Financial Institution

June 30, 2025

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





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

The Board of Directors of the  
Albuquerque Bernalillo County Water Utility Authority  
and  
Mr. Joseph M. Maestas, PE, CFE  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements and budgetary comparison schedule of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements, and have issued our report thereon dated December 1, 2025.

## Report on Internal Control Over Financial Reporting

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

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

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-001.

## The Water Authority's Response to the Finding

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

## Purpose of this Report

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

SJT Group LLC

Albuquerque, New Mexico

December 1, 2025



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

The Board of Directors of the  
Albuquerque Bernalillo County Water Utility Authority  
and  
Mr. Joseph M. Maestas, PE, CFE  
New Mexico State Auditor

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

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

In our opinion, the Water Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Water Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Water Authority's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Water Authority's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Water Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Water Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Water Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Water Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

SJT Group LLC

Albuquerque, New Mexico

December 1, 2025

# Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

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



## Notes to the Schedule of Expenditures of Federal Awards

### Note 1 — Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Water Authority under programs of the federal government for the year ended June 30, 2025. The information in the schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Water Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Water Authority.

### Note 2 — Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Water Authority did not elect to use the 15% de minimis indirect cost rate allowed under the Uniform Guidance.

### Note 3 — Assistance Listing Numbers

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

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

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

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

# Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

## Section I — Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No
Other findings required to be reported under Section 12-6-5, NMSA 1978?	Yes

### Federal Awards

Type of auditor's report issued on compliance for each major federal program:	Unmodified
Internal control over each major federal program:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

### Identification of the Major Federal Programs

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



## Schedule of Findings and Questioned Costs, continued

For the Year Ended June 30, 2025

### SECTION II – FINANCIAL STATEMENT FINDINGS

None.

## Schedule of Findings and Questioned Costs, continued

For the Year Ended June 30, 2025

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

## Schedule of Findings and Questioned Costs, continued

For the Year Ended June 30, 2025

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

#### 2025-001 – Travel Reimbursement (Other Noncompliance)

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

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

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

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

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

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

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

*Responsible Party:* Finance Department Controller

*Anticipated Completion:* December 2025

## Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2025

None.

## Exit Conference

For the Year ended June 30, 2025

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

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

### **Water Authority Attendees:**

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

### **SJT Group LLC Attendee:**

- Joshua Trujillo, CPA, Principal