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Meeting Date: January 28, 2015  
Staff Contact: Stan Allred, Chief Financial Officer

**TITLE: C-15-2 - Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014**

**ACTION: Receipt be Noted**

**SUMMARY:**

Submitted to the Board for review and informational purposes is the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. A review of the CAFR was presented to the Water Authority's Audit Committee. The CAFR consists of four major sections:

1. The Introductory Section includes the Transmittal Letter with the Water Authority's Organizational Chart, and a listing of the Water Authority's Officials, as well as other relevant information to assist the reader in understanding the Water Authority's management structure, operations and financial condition.
2. The Financial Section which includes the Independent Auditor's Report, Management's Discussion and Analysis of the Financial Statements, the Water Authority's Financial Statements for the Fiscal Year ended June 30, 2014, explanatory footnotes, and supplementary information.
3. The Statistical Information Section contains tables with general information about the Water Authority and comparative data for prior years.
4. State Compliance and Operational Findings includes certain schedules required by the State Auditor's Office.

The CPA firm of REDW, LLP audited the basic financial statements and state: "In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority as of June 30, 2014, the changes in its financial position and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America".

**FISCAL IMPACT:**

None.

**COMMENTS:**

The CAFR has historically been submitted late to the State Auditor. The CAFR cannot be submitted until the audited financial reports are prepared and finalized. FY14 is the first CAFR submitted by the Authority's on its own financial system and is the first time in a decade that it was submitted on time. This is a result of the successful

implementation of the new financial system. The CAFR was submitted before the December 1<sup>st</sup> due date and was released by the state Auditor at the early part of December 2014.



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2013 - JUNE 30, 2014



Albuquerque Bernalillo County  
Water Utility Authority

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
STATE OF NEW MEXICO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**July 1, 2013 through June 30, 2014**

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## **INTRODUCTORY SECTION**



November 13, 2014

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

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Albuquerque Bernalillo County Water Utility Authority ("Authority") for the year ended June 30, 2014. New Mexico State Statute 12-6-3, NMSA 1978 mandates that the financial statements be audited in accordance with auditing standards generally accepted in the United States of America by a certified public accounting firm licensed in the State of New Mexico.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

REDW LLC, Certified Public Accountants, has issued an unmodified ("clean") opinion on the Authority's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the Financial Section of this report.

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

The report is presented in four sections as follows:

1. **Introductory Section**, which includes this letter of transmittal, principal officials, the Authority's organization chart, as well as other relevant information to assist the reader in understanding the Authority's management structure, operations and financial conditions.
2. **Financial Section**, which includes the independent auditor's report on the financial statements, Management's Discussion and Analysis, the basic financial statements, explanatory footnotes, and supplemental information.
3. **Statistical Section**, which includes financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information generally presented on multi-year basis.
4. **State Compliance and Operational Findings**, which include schedules required by the State of New Mexico Auditor's Office.

#### ***Profile of the Authority***

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



As a political subdivision of the state, the 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.

Members of the Water Authority Board at June 30, 2014 are as follows:

Councilor Klarissa J. Peña, Chair  
Commissioner Maggie Hart Stebbins, Vice-Chair  
Mayor Richard J. Berry  
Councilor Art De La Cruz  
Councilor Rey Garduño  
Councilor Trudy E. Jones  
Commissioner Debby O'Malley  
Ex Officio Member at June 30, 2014:  
Pablo Rael, Trustee, Village of Los Ranchos

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

The 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 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

#### ***Factors Affecting Economic Condition***

The information displayed in the financial statements presents the Authority's current *financial position*, i.e., its existing resources and claims on those resources. The following information is provided to help assess the Authority's *economic condition*, i.e., both existing and future resources and claims on those resources. Stated differently, economic condition reflects not only today's financial position, but also the prospects that today's financial position will improve or deteriorate.

#### ***Summary of Local Economy***

Albuquerque is the major commercial, trade, service and financial center of the state. It is located in the central part of the state, at the intersection of two major interstate highways, and served by both rail and air. The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has a population of 900,464 as of the 2013 census. The largest employers in the Albuquerque area are the University of New Mexico, Albuquerque Public Schools, Sandia National Laboratories (SNL), and Kirtland Air Force Base.

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

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

The major economic disruptions and recession of the past several years have adversely affected the economic activity of the region in general, in particular resulting in decreased economic activity, increased unemployment and a reduction in residential and commercial construction. In the most recent forecast, 2013Q4, the employment data released by the New Mexico Department of Workforce Solutions, the Albuquerque MSA economy lost 383 jobs year-over-year in the quarter after four consecutive quarters of gains. While the private sector managed to add a small number of jobs (0.1%), the government sector lost a greater number (-0.7%). However, the outlook forecast based on Global Insight's July 2014 baseline, indicates that the Albuquerque MSA economy will accelerate slowly in 2014 as the MSA is expected to add 3,229 jobs.

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

In order to plan for the future and to ensure financial stability, an amendment to the Authority's Rate Ordinance was approved by the Board which will increase rate revenue by 5% in fiscal year 2014, 2015, 2016 and again in fiscal year 2018. The Authority has operated since fiscal year 2004 with one rate increase of 6% in fiscal year 2007 and one rate increase of 5% in fiscal year 2012.

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

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

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

### ***Relevant Financial Policies***

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

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

In developing and maintaining the Authority's accounting system, consideration is given to the adequacy of the internal control structure. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

### ***Major Initiatives***

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

The Information Technology Department (ITD) will continue to push mobile technologies to field and operations staff to become more efficient. The ITD is beginning preparations for the upgrade of Authority Enterprise applications and will also begin the consolidation and standardization of file storage and shared drives, resulting in lower maintenance costs.

The Authority received a positive ruling from the New Mexico Court of Appeals which was upheld by the New Mexico Supreme Court for permit SP-4830 which is the San Juan-Chama Drinking Water Project permit. The Authority anticipates a minor change in the permit by summer 2014. The project continues to have a major positive impact on the ground water resources in the Middle Rio Grande with continuing increases in aquifer elevations observed throughout the basin.

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

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

The Southside Water Reclamation Plant (SWRP) continues to generate Renewable Energy Certificates using digester gas (containing methane) which is used to power a generator. The SWRP facility generates approximately 30% of its power requirements using digester gas. Plans are to continue to increase the amount of residual solids that are

composted and sold to increase revenue and work cooperatively to increase the amount of compost sold in fiscal year 2015. It is the Authority's goal to compost at least 25% of the total wastewater residuals while not "over-saturating" the regional market for compost product.

The annual budget continues non-recurring funding for an employee incentive program. This program will reward employees for cost savings due to increased efficiencies or a decrease in work related losses. Funding for this program is contingent on the Authority generating the same or a greater amount in savings. This program has been an effective tool in the reduction of the Authority's Workers Compensation expense in half over the past two fiscal years.

*Awards and Acknowledgements*

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

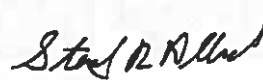
The Authority received the Certificate of Achievement for each annual CAFR it prepared through the fiscal year ended June 30, 2008. While the Authority believed that the CAFRs for the fiscal years ended June 30, 2009, 2010, 2011, 2012, and 2013 met Certificate requirements, these CAFRs were not submitted to the GFOA for certificate determination because of delays in completing the CAFR. The Authority is pleased to report it will be submitting the 2014 CAFR to GFOA for certificate determination, as it has completed all state statutory deadlines and believes the 2014 CAFR meets certificate requirements.

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

Respectfully submitted,

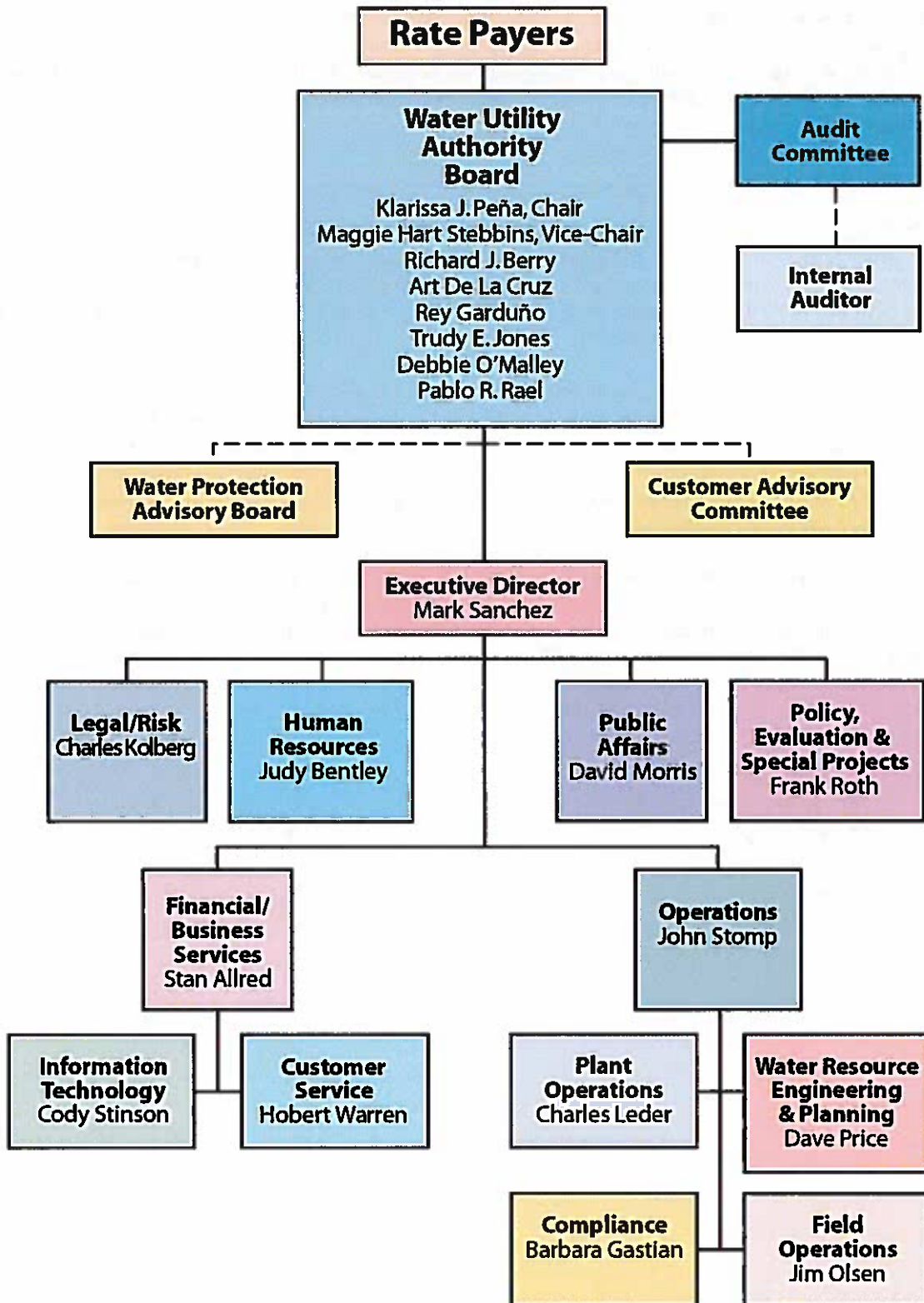


Mark S. Sanchez  
Executive Director



Stanley Allred  
Chief Financial Officer

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



**FINANCIAL SECTION**



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Albuquerque Bernalillo County Water Utility Authority (the "Authority") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the Statement of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2014, as listed in the table of contents.

### Management's Responsibility

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2014, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition,

in our opinion, the Statement of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, present fairly, in all material respects, the budgetary comparison of the Authority for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Funding Progress for Life Insurance Benefit Plan on pages 9 through 20 and page 47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Albuquerque, New Mexico  
November 13, 2014

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2014**

As management of the Albuquerque Bernalillo County Water Utility Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with our audited financial statements and additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

**FINANCIAL HIGHLIGHTS**

The Authority's financial position, measured by the change in net position, declined 2.98 percent during fiscal year 2014, compared to 3.87 percent during fiscal year 2013.

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$633.9 million (net position). The portion of net position that can be used to meet the Authority's on-going obligations to customers and creditors, unrestricted net position, is \$51.0 million.
- Operating revenues increased from \$179.7 million in 2013 to \$182.4 million in 2014 largely attributed to a rate increase that went into effect in July 2013.
- Capital contributions were \$9.4 million in 2014 compared to \$4.1 million in 2013, an increase of \$5.3 million.
- Taking advantage of the historically low interest rate environment and the Authority's strong credit ratings, the Authority issued Joint Water and Sewer Improvement (Series 2013A) and Refunding (Series 2013B) Revenue Bonds Series 2013 A & B on October 22, 2013.
  - Series 2013A has a par amount of \$62,950,000 with a premium of \$7,503,235. Proceeds from the Series 2013A issue are being used for the Basic rehabilitation program, supplemental funding for rehabilitation work at the Southside Water Reclamation Plant, funding for the Authority's Automated Meter Infrastructure (AMI) project, and for the replacement of steel water lines.
  - Series 2013B has a par amount of \$55,265,000 with a premium of \$7,711,334. Proceeds from the Series 2013B issue were placed into a refunding escrow account for the purpose of refunding the 2004 New Mexico Finance Authority Public Project Revolving Fund (NMFA PPRF) loan in the principal amount of \$61,005,000 on May 1, 2014.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements contain four components: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, and 4) notes to the financial statements. This comprehensive annual financial report also contains other supplementary and statistical information in addition to the basic financial statements themselves.

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

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

**Measurement Focus / Basis of Accounting:**

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

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

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

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

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

**Basic Financial Statements**

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

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

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

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

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements, which can be located starting on page 31.

**Other Information**

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

**Net Position**

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

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

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

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

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

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

For example, grants, contributions, and donations are often given under those kinds of conditions. Bond indentures similarly limit the use of proceeds.

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



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

**FINANCIAL ANALYSIS**

Table 1 presents a summarized comparative statement of net position for the current and prior fiscal year.

**Table 1 - Condensed Statement of Net Position**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 78,783,914	\$ 57,200,878	\$ 21,583,036
Non-current assets other than capital assets	36,613,376	8,273,685	28,339,691
Capital assets, net	<u>1,232,735,954</u>	<u>1,271,185,020</u>	<u>(38,449,066)</u>
<b>Total assets</b>	<u>1,348,133,244</u>	<u>1,336,659,583</u>	<u>11,473,661</u>
<b>Liabilities</b>			
Current liabilities	66,822,789	67,802,472	(979,683)
Long term bonds and notes payable	645,800,642	613,650,972	32,149,670
Other non-current liabilities	<u>1,613,665</u>	<u>1,855,519</u>	<u>(241,854)</u>
<b>Total liabilities</b>	<u>714,237,096</u>	<u>683,308,963</u>	<u>30,928,133</u>
<b>Net Position</b>			
Net investment in capital assets	582,869,186	617,398,422	(34,529,236)
Unrestricted	<u>51,026,962</u>	<u>35,952,198</u>	<u>15,074,764</u>
<b>Total net position</b>	<u>\$ 633,896,148</u>	<u>\$ 653,350,620</u>	<u>\$ (19,454,472)</u>

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

- Current and non-current assets other than capital assets in 2014 increased \$49.9 million, or 76.2 percent from 2013. The increase was primarily due to the increase in cash as a result of the series 2013A & B revenue bond issuance. There was also the recognition in 2014 of an asset transferred to the OPEB trust. See Note G in the accompanying notes to the financial statements.
- Capital assets, net in 2014 decreased by \$38.4 million which was the net reduction after considering new acquisitions offset by retirements and current year depreciation and amortization of \$85.2 million.
- Current liabilities in 2014 decreased \$1.0 million, or 1.4 percent from 2013. The decrease was primarily related to an increase in trade and construction contracts accounts payable and accrued vacation and sick leave offset by a reduction in current portion of loan agreements.
- Noncurrent liabilities in 2014 decreased \$.2 million, or 13.0 percent from 2013. The decrease was primarily due to the reduction of the post-employment life insurance benefit obligation, which was the result of the recognition of an asset transferred to the OPEB trust. See Note G in the accompanying notes to the financial statements.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

Table 2 presents a summarized comparative statement of changes in net position for the current and prior fiscal year.

**Table 2 - Condensed Statement of Changes in Net Position**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Change</u>
Operating revenues	\$ 182,350,428	\$ 179,677,625	\$ 2,672,803
Operating expenses other than depreciation, amortization and bad debt expense	113,875,838	108,322,399	5,553,439
Depreciation, amortization and bad debt expense	<u>85,293,491</u>	<u>87,114,146</u>	<u>(1,820,655)</u>
Total operating expenses	<u>199,169,329</u>	<u>195,436,545</u>	<u>3,732,784</u>
Operating loss	<u>(16,818,901)</u>	<u>(15,758,920)</u>	<u>(1,059,981)</u>
Non-operating income (expenses)			
Utility expansion charges	7,872,236	8,197,016	(324,780)
Interest income	159,870	42,009	117,861
Lease of stored water	3,536,037	1,094,892	2,441,145
Other	4,766,159	626,202	4,139,957
Debt issuance costs	(812,445)	(35,645)	(776,800)
Interest expense:			
Budgetary interest expense	(32,230,026)	(30,579,433)	(1,650,593)
Less capitalized interest	-	1,946,692	(1,946,692)
Less amortization of deferred bond premium	4,684,436	4,098,493	585,943
Plus amortization of deferred loss on refunding	-	(31,670)	31,670
	<u>(12,023,733)</u>	<u>(14,641,444)</u>	<u>2,617,711</u>
Loss before capital contributions	(28,842,634)	(30,400,364)	1,557,730
Capital contributions	<u>9,388,162</u>	<u>4,131,814</u>	<u>5,256,348</u>
Change in net position	(19,454,472)	(26,268,550)	6,814,078
Net position, July 1	<u>653,350,620</u>	<u>679,619,170</u>	<u>(26,268,550)</u>
Net position, June 30	<u>\$ 633,896,148</u>	<u>\$ 653,350,620</u>	<u>\$ (19,454,472)</u>

While the statement of net position displays the Authority's assets, liabilities, and net position at year-end, the statement of revenues, expenses, and changes in net position provide information on the sources of the change in net position during the year. Net position decreased \$19.5 million consisting of a loss before capital contribution of \$28.8 million and capital contributions of \$9.4 million. Changes in the statements of revenues, expenses and changes in net position were as follows:

- Operating revenues in 2014 increased \$2.7 million, or 1.5 percent from 2013. The increase is primarily related the implementation of a 5.0 percent rate revenue increase on July 1, 2013. Changes in water consumption from year to year are generally directly related to changes in temperature, and inversely related to changes in precipitation. Longer term changes in consumption are the result of changes in conservation habits on the part of consumers and the customer base.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

- Operating expenses (exclusive of depreciation, amortization, and bad debt expense) increased by \$5.6 million, or 5.1 percent in fiscal year 2014.
  - Increases of \$1.9 million in salary and fringe benefit costs comprised of a 2.0 percent cost of living adjustment (discussed below) for salaries also increased employer benefit expenses such as PERA and FICA and there were a significant number of pay increases from promotions and certifications as the Authority's work force matures.
  - Increases in utility expenses of \$2.2 million due to the operation of the surface water plant running at full capacity in the month of June.
  - Increases in repair and maintenance funded by system obligations were \$5.6 million, while no such expenses were incurred in 2013.
  - Depreciation and amortization decreased \$1.9 million primarily due to older assets being at their final year of depreciation in 2013.
  
- Non-operating revenues in 2014 increased \$6.4 million, or 64.0 percent from 2013.
  - Interest income changes from year to year are primarily due to changes in interest rates.
  - Other non-operating income consist of utility expansion charge (UEC) revenues, miscellaneous state grants, and revenues received for the lease of water rights.
  
- Non-operating expenses other than interest expense increased by \$0.8 million which was primarily due to debt issuance costs pertaining to the issuance of the 2013 revenue bonds.
  
- Interest expense increased by \$3.0 million due to the issuance of the 2013 revenue bonds and the reduction in capitalized interest.
  
- Capital contributions increased by \$5.3 million from 2013. This primarily consisted of \$7.4 million in the donation of infrastructure from private developers and the City of Albuquerque.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**

June 30, 2014

**BUDGETARY HIGHLIGHTS**

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

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Change</u>
Operating revenues:			
Water charges including reuse	\$ 80,329,660	\$ 76,838,444	\$ 3,491,216
High consumption water surcharges	6,514,323	8,305,901	(1,791,578)
Low consumption water credits	(3,377,354)	(1,198,575)	(2,178,779)
Sewer charges	59,379,426	56,030,116	3,349,310
Extra strength sewer surcharge	1,747,397	1,840,260	(92,863)
Strategy implementation fee	28,561,586	29,161,140	(599,554)
Franchise fees billed	6,729,505	6,629,318	100,187
Miscellaneous	1,233,885	929,021	304,864
Administrative fees	1,232,000	1,142,000	90,000
Total operating revenues	<u>182,350,428</u>	<u>179,677,625</u>	<u>2,672,803</u>
Operating expenses:			
Budgeted expenses, net of transfers			
Water authority administration	2,979,531	3,934,530	(954,999)
Human resources	1,326,861	1,052,044	274,817
Finance	3,250,450	6,741,390	(3,490,940)
Customer services	7,363,891	6,912,308	451,583
Information technology	5,857,543	5,565,463	292,080
Water reclamation plant	10,342,263	11,744,259	(1,401,996)
Surface water treatment plant	3,315,018	3,197,798	117,220
Groundwater system	5,841,759	6,605,228	(763,469)
Water reclamation collection	9,906,201	7,097,700	2,808,501
Water field operations	14,847,875	18,534,690	(3,686,815)
Compliance	3,965,637	3,761,225	204,412
Water resources management	6,954,965	6,333,207	621,758
General government	32,016,064	26,519,478	5,496,586
San Juan Chama	2,323,066	2,125,937	197,129
Non-budgeted operating expenses			
Depreciation and amortization	85,236,518	87,087,062	(1,850,544)
Life insurance premiums	-	1,108,722	(1,108,722)
Bad debt expense	56,973	27,084	29,889
Repairs and maintenance paid from system obligations	5,641,663	(567,826)	6,209,489
Budgeted expenses that are not operating expenses			
Principal expense	(1,038,005)	(1,007,322)	(30,683)
Interest expense	(337,062)	(368,343)	31,281
Capital outlay	(681,882)	(968,089)	286,207
Total operating expenses	<u>199,169,329</u>	<u>195,436,545</u>	<u>3,732,784</u>
Operating loss	<u>\$ (16,818,901)</u>	<u>\$ (15,758,920)</u>	<u>\$ (1,059,981)</u>

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

The fiscal year 2014 budget represents the Authority's coordinative effort to bring a financial plan that will provide the necessary funding to perform all the varied operational and administrative functions, to provide customers with quality water and wastewater service, and address the Authority's priorities for the improvement of the level of service and gain operating efficiencies. Some of the significant highlights include:

- *Water and Sewer Revenues.* A water and sewer revenue rate adjustment was approved. Budgeted operating revenues were projected using a 5-year historical trend based upon growth and consumption. The trend was structured by class of customer as well as by service size of each class. This revenue projection also takes into account water conservation efforts.
- *System Growth.* System growth is based on a 2.0 percent growth factor, however, this growth is offset by estimated water conservation of 1 percent.
- *Utility Expansion Charges (UEC).* UEC are held constant reflecting the current stagnant trend in the development of residential housing.
- *Wage Adjustments.* There was a 2.0 percent cost of living adjustment for fiscal year 2014 and the addition of eight net new positions.
- *Fringe Benefits.* Fringe benefits were calculated at 49.02 percent of gross wages.
- *Target Working Capital Balance.* The target working capital balance for the General Operating Fund will be maintained at a minimum of \$10.0 million.

The final budget variances between budget and actual revenues and expenditures for the general operating fund can be briefly summarized as follows:

- The Authority implemented a 5.0 percent rate increase in fiscal year 2014 which resulted in \$182.4 million actual revenue compared to \$179.7 million in fiscal year 2013, an increase of \$2.7 million. At the same time, customers increased their conservation efforts, resulting in lower "high consumption water surcharges" and higher "low consumption water credits" which caused revenues to fall below projections.
- Overall, expenses decreased \$3.7 million primarily related to a reduction in water field operations taking a more proactive approach to maintenance and arrange for more work on a planned basis rather than a reactive basis. Certain financial transactions relating to finance, insurance, water conservation fees and expenses, and other governmental fees were reallocated to a new budgeted category called general government. Other additional savings occurred in water field operations to include savings in overtime, renegotiated contracts for savings of 17.0 percent, and vehicle fuel and maintenance costs.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The Authority's capital program is comprised of different categories of projects, each with its own funding rules. The 'Basic Program' is funded by recurring revenues generated from the water/sewer rate structure. Special Projects are done outside of the Basic program but are funded from the same revenue stream that funds the Basic Program. Since the Basic Program is the first in line to get this revenue, the size and scope of these Special projects depend upon the availability of resources. "Dedicated Revenue" projects have a revenue element in the rate structure dedicated for that specific purpose and accordingly, their size and scope are dependent upon the revenue stream generated. In recent years, the Authority has increased its utilization of state and federal grants to fund some capital projects in whole or in part.

The blueprint for the Authority's Basic Program is its Decade Plan, a ten-year capital plan required to be updated biennially in even numbered fiscal years with two, four, six, eight and ten year planning elements. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. The Decade Plan requires approval by the Authority Board with at least one public hearing and due deliberation. In those fiscal years where the Decade Plan must be updated, the new Decade Plan must be approved by the Authority's Board before that year's capital program budget can be approved. This policy ensures there is always an approved two-year planning element in place for every approved annual Basic Program budget. Fiscal year 2014 was the first year of the two year planning element included in the 2014-2023 Decade Plan approved by the Board in April, 2013.

Basic Program capital needs are incorporated into the water/sewer rate structure through the Rate Ordinance. Funding for the Basic Program comes from a combination of cash and debt. The rate structure is intended to generate sufficient revenues such that approximately 50% of the Basic Program can be paid with cash transfers and there is sufficient funding to meet the debt service obligations incurred to finance the remainder of the Basic Program. System growth projects are funded through Utility Expansion Charge (UEC) revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriation to Authority capital projects. UEC revenue is considered cash for purposes of meeting the 50% test. The current Rate Ordinance requires a \$30 million Basic rehabilitation program. The Rate Ordinance does not specify the size of the Basic growth program.

The Basic growth program has shifted in focus from placing new pipe in the ground to meeting the demands of a business intent on achieving performance improvement goals and meeting mandated standards. The discretionary spending in the FY/14 Growth program budget continued initiatives in Information Technology (IT) support for the operating divisions. The remainder of the FY/14 Growth program was primarily non-discretionary and included funding for the low income connection program managed by Bernalillo County and repayment to developers as connections are made to the System.

In addition to seeking improvements in efficiency and effectiveness through its asset management program, the Authority continues to participate in the American Water Works Association's QualServe program. The QualServe program provides a framework for water and wastewater utilities to continually improve using a Plan-Do-Check-Act framework. It currently offers a well-developed toolbox of benchmarking, self-assessment and peer review for water and wastewater utilities. The QualServe program has assisted the Authority in identifying what it does well and areas where improvement is necessary. The Authority has used the information and recommendations gathered from the QualServe program to provide guidance in the one-year objectives, the performance plan and the financial plan. This information and recommendations have also been the basis for operational improvements already implemented in the Authority.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

Table 4 presents the Authority's infrastructure and capital assets at June 30, 2014 and 2013 while Table 5 presents significant capital projects or combinations of smaller individual projects with a common purpose that were placed in service in fiscal year 2014.

**Table 4 - Schedule of Infrastructure and Capital Assets**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Change</u>
Buildings and improvements	\$ 2,210,836	\$ 2,210,836	\$ -
Improvements other than buildings	2,107,743,115	2,075,704,412	32,038,703
Machinery and equipment	53,191,185	51,825,486	1,365,699
Purchased water rights	<u>45,116,733</u>	<u>44,581,533</u>	<u>535,200</u>
<b>Total capitalized assets</b>	<b>2,208,261,869</b>	<b>2,174,322,267</b>	<b>33,939,602</b>
Less accumulated depreciation and amortization	<u>(1,017,430,989)</u>	<u>(932,729,932)</u>	<u>(84,701,057)</u>
<b>Net capitalized assets</b>	<b>1,190,830,880</b>	<b>1,241,592,335</b>	<b>(50,761,455)</b>
Land	25,702,293	25,699,732	2,561
Construction work in progress	<u>16,202,781</u>	<u>3,892,953</u>	<u>12,309,828</u>
<b>Total capital assets</b>	<b><u>\$ 1,232,735,954</u></b>	<b><u>\$ 1,271,185,020</u></b>	<b><u>\$ (38,449,066)</u></b>

**Table 5 - Schedule of Fiscal Year 2014 Major Capital Additions**

	<u>In Millions</u>
Basic Program with supplemental Southside Water Reclamation Plant funding	
Southside Water Reclamation Plant and collection system improvements	\$ 16.7
Sanitary sewer pipeline renewal	4.2
Drinking water pipeline renewal	6.6
Drinking water plant groundwater system renewal	1.1
Drinking water plant treatment systems renewal	1.8
Non-Basic Program	
Automated meter infrastructure project	1.9
Third Party Financed	
Private developer and grant funded infrastructure improvements	<u>7.2</u>
	<u>\$ 39.5</u>

The Authority's capital assets as of June 30, 2014 total \$1.23 billion, net of accumulated depreciation and amortization. This investment in capital assets includes land, buildings, water and sewer distribution systems, furniture and fixtures and vehicles. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Authority's on-call contractors for small diameter water and sewer line repair and the repair of a large diameter sewer line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations that control the surface and groundwater pumping and treatment systems, purchasing replacement water meters, and making improvements at the Surface Water Treatment Plant.

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



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

**DEBT ADMINISTRATION**

The Authority's debt obligations at June 30, 2014 are presented below. Net revenues of the System secure debt issued by the Authority.

**Table 6 - Schedule of Debt Obligations at June 30, 2014**

	<u>Outstanding</u>			<u>Payable in one year</u>	
	<u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>		<u>June 30, 2014</u>
Senior Lien Obligations					
Revenue Bonds	\$420,780,000	\$ 118,215,000	\$ 23,545,000	\$515,450,000	\$ 24,735,000
Loan Agreements - NMFA	194,421,507	-	78,611,701	115,809,806	9,083,592
Subordinate Lien Obligations:					
Loan Agreements - NMED	6,441,679	-	453,894	5,987,785	467,511
Loan Agreements - NMFA	9,513,238	-	475,158	9,038,080	484,582
Super Subordinate Lien Obligations:					
Loan Agreements - NMFA	428,853	323,974	73,945	678,882	74,130
Water rights contract	11,924,795	-	1,038,005	10,886,790	1,069,622
Less deferred amounts:					
Unamortized bond premiums	13,333,603	15,214,569	4,684,436	23,863,736	-
	<u>\$656,843,675</u>	<u>\$ 133,753,543</u>	<u>\$108,882,139</u>	<u>\$681,715,079</u>	<u>\$ 35,914,437</u>

The Authority's total debt outstanding increased \$24.9 million, or 3.8 percent during the current fiscal year. The reason for the increase is primarily due to the issuance of new debt with a par amount totaling \$118.2 million.

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

The Authority partially defeased the 2004 NMFA-PPRF (New Mexico Finance Authority-Public Project Revolving Fund) loan by placing the Series 2013B proceeds along with \$796,259 of Authority funds in an irrevocable trust account to provide for all future debt service payments. On May 1, 2014 the Authority made the scheduled principal payment of \$8,670,000 and the remaining balance of \$61,005,000 was defeased. Accordingly, the trust account assets and liability for the defeased loan are not included in the Authority's financial statements.

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

For the year ended June 30, 2014, the net revenues were 134% of the annual debt service on all outstanding senior lien obligations and 131% of the annual debt service on all outstanding subordinate lien obligations. The Authority's most current bond ratings prepared in July 2014 are Aa2 from Moody's, AA from Fitch and AA+ from Standard & Poors.

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2014**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The adopted fiscal year 2015 budget is a balanced budget and identifies resources to provide quality water in sufficient quantity, to collect and treat wastewater to acceptable standards, provide professional utility engineering services, and provide utility customer services. The budget also establishes the Authority's financial plan and used the Goals, Objectives, and Performance Plan as guides for the appropriation of funds. Certain assumptions are also used that are related to the economic climate and system growth within Bernalillo County and the City of Albuquerque.

The fiscal year 2015 adopted budget reflects a local economy that is expected to slowly improve, digging itself out of negative job growth that has plagued the metro area over the last five years. Various signs suggest that the economy is continuing to recover, including a steadily declining unemployment rate, improving housing market indicators, and overall lower foreclosure activity in the area compared to recent years.

University of New Mexico Bureau of Business and Economic Research (UNM BBER) is forecasting the total employment in the Albuquerque MSA to accelerate slowly in 2014 as the expectation is to add 3,229 jobs, which is down 0.1 percent compared to the last quarters indicators. Sectors leading the job growth are healthcare and social assistance due to the provisions of the Affordable Care Act beginning to take effect. After growing 3.3 percent in 2013, the construction sector should continue that trend and add jobs in 2014. Strength is expected to be from both single-family construction and non-residential construction. In the longer-term, from 2013-2019 the Albuquerque MSA economy is forecasted to add 27,000 jobs. The growth is expected in the private sector, however the government sector is expected to add a sizeable number of jobs over the period, though at a slow pace.

The fiscal year 2015 budget reflects an approved 5.0 percent revenue rate adjustment. The Authority has developed a maintenance of effort budget with the projected estimated revenues. Utility expansion charges (UEC) revenue is budgeted to increase \$1.0 million, reflecting the current trend in the development of residential housing.

Staffing levels have an increase of 3.5 net positions in fiscal year 2015. Operating expenses contain a net increase of \$3.0 million from fiscal year 2014. This includes an increase of \$2.4 million in salaries and benefits, a decrease of \$0.41 million in operating expenses and an increase of \$1.07 million for debt service and capital transfers. In addition, the Authority will reserve \$2.0 million in its rate reserve fund that was established in fiscal year 2008.

Every year, the Rocky Mountain Section American Water Works Association Annual Conference judges water tastes around the region. In July 2014 judges chose between six samples from three different states to include Wyoming, Colorado, and New Mexico. The Albuquerque Bernalillo County Water Utility Authority placed first as the best drinking water in the region.

**REQUESTS FOR INFORMATION**

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

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**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

**ASSETS**

**Current assets:**

Cash	\$ 23,118,415
Cash held for debt service	37,717,945
Accounts receivable, net of allowance for uncollectible accounts	14,513,349
Notes receivable, current portion	817,849
Due from other governments	<u>2,616,356</u>

**Total current assets** 78,783,914

**Noncurrent assets:**

Long-term notes receivable	<u>3,946,792</u>
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**Restricted assets:**

Cash	31,848,311
Post-employment life insurance benefit trust	818,273
	<u>32,666,584</u>

**Capital assets:**

Buildings and improvements	2,210,836
Improvements other than buildings	2,107,743,115
Machinery and equipment	53,191,185
Purchased water rights	<u>45,116,733</u>

	2,208,261,869
<b>Less accumulated depreciation and amortization</b>	<u>1,017,430,989</u>

Net capital assets	1,190,830,880
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Land	25,702,293
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Construction work in progress	<u>16,202,781</u>
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Total capital assets	<u>1,232,735,954</u>
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<b>Total noncurrent assets</b>	<u>1,269,349,330</u>
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<b>Total assets</b>	<u>1,348,133,244</u>
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The accompanying notes are an integral part of these financial statements.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

**STATEMENT OF NET POSITION, continued**

June 30, 2014

**LIABILITIES**

**Current liabilities:**

Trade accounts payable	5,587,981
Accrued payroll	2,305,108
Accrued vacation and sick leave pay, current portion	3,349,805
Deposits	766,419
Accrued interest payable	276,343
Construction contracts payable	5,272,729
<b>Current portion of debt obligations:</b>	
Bonds	24,735,000
Loan agreements	10,109,815
Water rights contract	1,069,622
Accrued interest for debt obligations	13,349,967
<b>Total current liabilities</b>	<u>66,822,789</u>

**Noncurrent liabilities:**

<b>Long-term payable:</b>	
Bonds, net of current portion	490,715,000
Loan agreements, net of current portion	121,404,738
Water rights contract, net of current portion	9,817,168
Unamortized premium	23,863,736
<b>Total long-term payable</b>	<u>645,800,642</u>

**Other:**

Post-employment life insurance benefit obligation	390,711
Accrued vacation and sick leave pay, net of current portion	1,222,954
<b>Total other</b>	<u>1,613,665</u>

**Total noncurrent liabilities** 647,414,307

**Total liabilities** 714,237,096

**NET POSITION**

Net investment in capital assets	582,869,186
Unrestricted	51,026,962
<b>Total net position</b>	<u>\$ 633,896,148</u>

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
Year ended June 30, 2014

<b>Operating revenues:</b>	
Charges for services	<u>\$ 182,350,428</u>
<b>Operating expenses:</b>	
Salaries and fringe benefits	50,381,058
Professional services	1,726,252
Utilities	15,076,188
Supplies	1,504,730
Fuels and lubricants	1,417,084
Repairs and maintenance funded by system revenues	11,690,817
Repairs and maintenance funded by system obligations	5,641,663
Chemicals	5,943,487
Contractual services	9,179,077
Franchise fees	6,714,627
Tort and other legal fees	2,306,928
Workman's compensation	351,186
Administrative fees paid to City of Albuquerque	271,588
Other operating expenses	1,671,153
Depreciation	84,788,418
Amortization of water rights	448,100
Bad debt expense	<u>56,973</u>
<b>Total operating expenses</b>	<u><b>199,169,329</b></u>
<b>Operating loss</b>	<u><b>(16,818,901)</b></u>
<b>Nonoperating revenues (expenses):</b>	
Interest income	159,870
Interest expense	(27,545,590)
Utility expansion charges	7,872,236
Debt issuance costs	(812,445)
Lease of stored water	3,536,037
Other	<u>4,766,159</u>
<b>Total nonoperating revenues (expenses), net</b>	<u><b>(12,023,733)</b></u>
<b>Loss before capital contributions</b>	<b>(28,842,634)</b>
Capital contributions	<u>9,388,162</u>
<b>Change in net position</b>	<b>(19,454,472)</b>
<b>Net position, July 1</b>	<u><b>653,350,620</b></u>
<b>Net position, June 30</b>	<u><u><b>\$ 633,896,148</b></u></u>

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



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
Year ended June 30, 2014

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 182,958,780
Cash payments to employees for services	(49,234,594)
Cash payments to suppliers for goods and services	(60,708,890)
Miscellaneous cash received	<u>6,765,908</u>
<b>Net cash provided by operating activities</b>	<u>79,781,204</u>
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from loan agreement	323,974
Proceeds from revenue bonds	62,950,000
Proceeds from refunding revenue bonds	55,265,000
Proceeds from bond premiums	15,214,569
Principal paid on revenue bond maturities	(23,545,000)
Interest paid on revenue bond maturities	(20,964,429)
Principal paid on loan agreements	(18,609,698)
Defeasance of loan agreement	(61,005,000)
Interest paid from refunding escrow	(1,971,334)
Interest and fees paid on loan agreements	(7,140,039)
Principal paid on water rights contract	(1,038,005)
Interest paid on water rights contract	(363,229)
Debt issuance costs	(812,445)
Purchased water rights	(535,200)
Acquisition and construction of capital assets	(37,772,985)
Capital grants received	1,863,910
Utility expansion charges	<u>9,244,635</u>
<b>Net cash used for capital and related financing activities</b>	<u>(28,895,276)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>159,870</u>
<b>Net increase in cash</b>	51,045,798
<b>Cash, July 1</b>	<u>41,638,873</u>
<b>Cash, June 30</b>	<u>\$ 92,684,671</u>

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF CASH FLOWS, continued**  
**Year ended June 30, 2014**

**Reconciliation of operating loss to net cash provided by operating activities:**

<b>Operating loss</b>	<b>\$ (16,818,901)</b>
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>	
<b>Depreciation</b>	84,788,418
<b>Amortization</b>	448,100
<b>Miscellaneous cash received</b>	6,765,908
<b>Provision for bad debts</b>	56,973
<b>Decrease (increase) in assets:</b>	
<b>Accounts receivable</b>	544,779
<b>Prepaid assets</b>	15,851
<b>Increase (decrease) in liabilities:</b>	
<b>Accounts payable and customer deposits</b>	2,833,613
<b>Accrued payroll</b>	392,155
<b>Accrued vacation and sick leave pay</b>	<u>754,308</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 79,781,204</u></b>

**Cash at June 30 consists of:**

<b>Current assets:</b>	
<b>Cash</b>	\$ 23,118,415
<b>Cash held for debt service</b>	37,717,945
<b>Non-current assets:</b>	
<b>Restricted assets:</b>	
<b>Cash</b>	<u>31,848,311</u>
<b>Total cash, June 30</b>	<b><u>\$ 92,684,671</u></b>

**Noncash transactions:**

<b>Unrealized gain on investments</b>	83,950
<b>Capital contributions from private developers</b>	7,475,595

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**I. Summary of Significant Accounting Policies**

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

The accompanying financial statements present only the financial position of the Authority at June 30, 2014, and the results of its operations for the year ended June 30, 2014. The Authority is a related organization of the City, and these financial statements are not intended to present fairly the financial position of the City as of June 30, 2014, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**A. Reporting entity**

As a political subdivision of the state, the 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 Authority has the primary accountability for fiscal matters, therefore the Authority is a reporting entity as defined by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 39. As of June 30, 2014, the Authority does not have any component units.

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

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

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

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

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**C. Assets, liabilities, and net position**

**1. Accounts receivable**

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

**2. Capital assets**

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

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

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

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

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

**3. Trade accounts payable and construction contracts payable**

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

**4. Accrued vacation and sick leave pay**

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

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

**5. Long-term obligations**

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**C. Assets, liabilities, and net position, continued**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. With the implementation of GASB 65 during fiscal year 2013, bond issuance costs are expensed as incurred.

**6. Net position**

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

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

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

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

**7. Statement of cash flows**

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

**8. 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.

**9. New accounting pronouncements**

The following GASB pronouncements have been issued, but are not yet effective, at June 30, 2014.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**C. Assets, liabilities, and net position, continued**

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

**II. Stewardship, Compliance and Accountability**

The budgetary data is prepared consistent with the basis of accounting described in Note 1.B with these exceptions: debt service principal payments, certain cash transfers, capital contributions and capital outlay. The annual budget is formulated by the Authority's Management and submitted to the Water Authority Board by April 1 for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments on the proposed budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the Water Authority Board and is subject to approval by the New Mexico Department of Finance and Administration (DFA). Once approved notification is received from DFA, a formal appropriation and encumbrance system to control expenditures is maintained by the Authority's financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Authority's budget by program. For fiscal year 2014, expenses may not exceed budgetary appropriations at the general ledger fund level. The Authority uses general ledger funds for internal accounting purposes. However, since the Authority is accounted for similar to an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

**III. Detailed Notes**

**A. Cash**

At June 30, 2014, the carrying amount of the Authority's deposits was \$54,963,526 and the bank balance was \$56,109,415. The difference represents outstanding checks, deposits, and other reconciling items. In addition, the Authority has \$3,200 cash on hand. The cash held for debt service represents debt service payments due July 1, 2014 that were remitted to the respective paying agent on June 30, 2014 and is comprised of \$37,265,525 at the Depository Trust Company and \$452,420 at the New Mexico Finance Authority. Because these funds were in the control of the paying agent at June 30, 2014 there was no requirement or ability for collateralization. The total cash and cash held for debt service of the Authority at June 30, 2014, consist of the following:

Cash and cash held for debt service	
Cash held for debt service	\$ 37,717,945
Bank accounts at book balance	54,963,526
Cash on hand	3,200
Total cash and cash held for debt service	\$ 92,684,671
Cash reported in statement of net position	
Cash	23,118,415
Restricted noncurrent cash	31,848,311
Cash held for debt service	37,717,945
Total cash reported in statement of net position	\$ 92,684,671



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**A. Cash, continued**

Custodial credit risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014, \$388,336 of bank balances were exposed to custodial credit risk.

Pledged collateral by bank - The FDIC provides insurance of \$250,000 per depositor, per insured bank. The pledged collateral by bank at June 30, 2014, was as follows:

	Bank of America	Wells Fargo Bank	Bank of Albuquerque
Total amount on deposit	\$ 638,336	\$ 24,698,195	\$ 30,772,884
Less FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	388,336	24,448,195	30,522,884
50% collateral requirement	<u>194,168</u>	<u>12,224,098</u>	<u>15,261,442</u>
Pledged securities, fair value	<u>-</u>	<u>65,284,314</u>	<u>52,929,546</u>
Pledged in excess of requirement	<u>\$ (194,168)</u>	<u>\$ 53,060,217</u>	<u>\$ 37,668,104</u>

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

Accounts receivable are primarily revenues earned from the Authority's water and sewer utility billing system. These are considered 100% collectible since a lien can be placed on the customer's property. They also include some miscellaneous receivables for other services. Accounts receivable at June 30, 2014 were \$14,623,082, net of an allowance for doubtful accounts of \$109,733.

Notes receivable are for utility expansion charges. The borrower is allowed to pay the Authority for the extension of water and sewer lines over a ten year period at 7% interest. Notes receivable at June 30, 2014 were \$4,764,641.

Due from other governments are primarily Federal and State grants receivable of \$2,196,306 that are for capital improvements. Also included are miscellaneous receivables of \$420,050.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**C. Capital assets**

Capital asset activity of the Authority for the year ended June 30, 2014, is as follows:

	Balance July 1	Increases	Decreases	Balance June 30
<b>Assets not being depreciated:</b>				
Land	\$ 25,699,732	\$ 2,561	\$ -	\$ 25,702,293
Construction work in progress	3,892,953	12,527,842	218,014	16,202,781
Total assets, not being depreciated	<u>29,592,685</u>	<u>12,530,403</u>	<u>218,014</u>	<u>41,905,074</u>
<b>Assets being depreciated:</b>				
Buildings	2,210,836	-	-	2,210,836
Improvements other than buildings	2,075,704,412	32,038,703	-	2,107,743,115
Machinery and equipment	51,825,486	1,901,160	535,461	53,191,185
Total assets, being depreciated	<u>2,129,740,734</u>	<u>33,939,863</u>	<u>535,461</u>	<u>2,163,145,136</u>
<b>Less accumulated depreciation:</b>				
Buildings	1,798,790	44,217	-	1,843,007
Improvements other than buildings	882,451,738	79,283,126	-	961,734,864
Machinery and equipment	36,101,260	5,461,075	535,461	41,026,874
Total accumulated depreciation	<u>920,351,788</u>	<u>84,788,418</u>	<u>535,461</u>	<u>1,004,604,745</u>
Capital assets being depreciated, net	<u>1,209,388,946</u>	<u>(50,848,555)</u>	<u>-</u>	<u>1,158,540,391</u>
<b>Assets being amortized:</b>				
Purchased water rights	44,581,533	535,200	-	45,116,733
Less amortization	12,378,144	448,100	-	12,826,244
Capital assets being amortized, net	<u>32,203,389</u>	<u>87,100</u>	<u>-</u>	<u>32,290,489</u>
Total capital assets, net	<u>\$ 1,271,185,020</u>	<u>\$ (38,231,052)</u>	<u>\$ 218,014</u>	<u>\$ 1,232,735,954</u>

Changes to capital assets of the Authority for the fiscal year ended June 30, 2014, include no capitalized interest. Interest cost incurred and charged to expense for the year ended June 30, 2014 was \$27,545,590.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**D. Short-term and long-term obligations**

The change in the short-term and long-term obligations of the Authority for the year ended June 30, 2014, are as follows:

	Outstanding			June 30, 2014	Payable in one year
	June 30, 2013	Increases	Decreases		
<b>Senior Lien Obligations:</b>					
Revenue Bonds	\$ 420,780,000	\$ 118,215,000	\$ 23,545,000	\$ 515,450,000	\$ 24,735,000
Loan Agreements - NMFA	194,421,507		78,611,701	115,809,806	9,083,592
<b>Subordinate Lien Obligations:</b>					
Loan Agreements - NMED	6,441,679	-	453,894	5,987,785	467,511
Loan Agreements - NMFA	9,513,238	-	475,158	9,038,080	484,582
<b>Super Subordinate Lien Obligations:</b>					
Loan Agreements - NMFA	428,853	323,974	73,945	678,882	74,130
Water rights contract	11,924,795	-	1,038,005	10,886,790	1,069,622
Accrued vacation and sick leave pay	3,818,450	3,671,798	2,917,489	4,572,759	3,349,805
<b>Less deferred amounts:</b>					
Unamortized bond premiums	13,333,603	15,214,569	4,684,436	23,863,736	-
	660,662,125	137,425,341	111,799,628	686,287,838	39,264,242
Current portion of long-term obligations	(46,264,356)	-	(7,000,114)	(39,264,242)	-
<b>Total</b>	\$ 614,397,769	\$ 137,425,341	\$ 104,799,514	\$ 647,023,596	\$ 39,264,242

**Senior Lien Obligations – Revenue Bonds and Loan Agreements:**

Authority senior lien obligations are secured by a pledge of net revenues derived from the operations of the Authority's water and sewer system. In ordinances pursuant to the issuance of these bonds, the Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding senior lien obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Authority shall either promptly increase rates in order to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Authority's rate structure and other charges in order to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2014, the net revenues were 134% of the annual debt service on all outstanding senior lien obligations.

On September 17, 2013, the \$55,630,000 Series 2013B Revenue Bonds with an average interest rate of 5.0% were issued to advance refund the 2004 NMFA-PPRF (New Mexico Finance Authority Public Project Revolving Fund Loan) loan installments maturing on or after May 1, 2015 when callable on May 1, 2014 in the principal amount of \$61,005,000. The net proceeds of \$62,584,067 (after payment of \$392,268 in underwriting fees, insurance, and other issuance costs) along with a direct transfer of funds from the Authority in the amount of \$796,259 were placed in an irrevocable trust to provide for the May 1, 2014 call of all future installments on the loan. U.S. government securities were purchased within the irrevocable trust. The loan was fully called as intended on May 1, 2014 and accordingly the liability for this loan has been removed from the financial statements.

The refunding decreases total debt service over the next ten years through July 1, 2024 in the amount of \$4,035,492 resulting in an economic gain representing the difference between the present value of the debt service payments on the old and new debt of \$3,701,986.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**Authority Senior Lien Revenue Bonds outstanding at June 30, 2014 are as follows:**

	<u>Outstanding June 30, 2014</u>
\$132,985,000 Joint Water & Sewer System Improvement Revenue Bonds, Series 2005, due in annual installments of \$1,780,000 to \$11,080,000 through 7/1/2025; interest at 3.50% to 5.00%; call provision of 100% beginning 7/1/2015	\$ 110,200,000
\$133,390,000 Joint Water & Sewer System Improvement Revenue Bonds, Series 2006A, due in annual installments of \$1,245,000 to \$11,000,000 through 7/1/2026; interest at 4.25% to 5.165%; call provision of 100% beginning 7/1/2016	109,730,000
\$55,630,000 Joint Water & Sewer System Improvement Revenue Bonds, Series 2008A, due in annual installments of \$5,825,000 to \$8,195,000 through 7/1/2033; interest at 5.0%, call provision of 100% beginning 7/1/2018	55,630,000
\$135,990,000 Joint Water & Sewer System Improvement Revenue Bonds, Series 2009A-1, due in annual installments of \$250,000 to \$9,285,000 through 7/1/2034; interest at 3.0% to 5.5%; call provision of 100% beginning 7/1/2019	121,675,000
\$62,950,000 Joint Water & Sewer System Improvement Revenue Bonds, Series 2013A, due in annual installments of \$715,000 to \$5,840,000 through 7/1/2038; interest at 3.0% to 5.0%, call provision of 100% beginning 7/1/2023	62,950,000
\$55,265,000 Joint Water & Sewer System Improvement and Refunding Revenue Bonds, Series 2013B, due in annual installments of \$2,420,000 to \$9,455,000 through 7/1/2024; interest at 5.0%; no call provision	<u>55,265,000</u>
	<u><u>\$ 515,450,000</u></u>

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**Authority Senior Lien Loan Agreements outstanding at June 30, 2014 are as follows:**

	<u>Outstanding June 30, 2014</u>
\$53,400,000 New Mexico Finance Authority Public Project Revolving Fund Loan (2011), due in annual installments of \$605,000 to \$4,770,000 through 6/1/2036; interest at 3.0% to 5.00%; prepayment provision of 100% beginning 6/1/2021	\$ 46,025,000
\$1,000,000 New Mexico Finance Authority Drinking Water Revolving Fund Loan (2009), due in annual installments of \$45,415 to \$54,869 through 7/1/2031; interest at 0.75%; no prepayment provision	908,716
\$77,005,000 New Mexico Finance Authority Public Project Revolving Fund Loan (2007), due in annual installments of \$1,550,000 to \$6,705,000 through 5/1/2025; interest at 4.0% to 5.0%, prepayment provision of 100% beginning 9/27/2017	51,820,000
\$20,000,000 New Mexico Finance Authority Public Project Revolving Fund Loan (2005), due in annual installments of \$250,000 to \$1,775,000 through 5/1/2025; interest at 2.930% to 4.01%; prepayment provision of 100% beginning 5/1/2015	16,395,000
\$3,600,000 Drinking Water State Revolving Fund Loan (2003), due in annual installments of \$268,339 to \$333,826 through 7/1/2015; interest at 1.75%; no prepayment provision	<u>661,090</u>
	<u><u>\$ 115,809,806</u></u>

**Subordinate Lien Obligations – Loan Agreements:**

Authority subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Authority's water and sewer system. In ordinances pursuant to the issuance of these loan agreements, the 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 Authority shall either promptly increase rates in order to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Authority's rate structure and other charges in order to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2014, the net revenues were 131% of the annual debt service on all outstanding subordinate lien obligations.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**Authority Subordinate Lien Loan Agreements outstanding at June 30, 2014 are as follows:**

	<u>Outstanding June 30, 2014</u>
\$124,172 New Mexico Finance Authority Drinking Water Revolving Fund Loan (2010), this loan was paid off in July, 2014 see subsequent event disclosure	\$ 111,896
\$59,872 New Mexico Finance Authority Drinking Water Revolving Fund Loan (2010), this loan was paid off in July, 2014 see subsequent event disclosure	49,258
\$40,429 New Mexico Finance Authority Drinking Water Revolving Fund Loan (2010), this loan was paid off in July, 2014 see subsequent event disclosure	36,739
\$10,426,232 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	8,840,187
\$9,627,877 New Mexico Environment Department Loan (2005), this loan was paid off in July, 2014 see subsequent event disclosure	<u>5,987,785</u>
	<u><u>\$ 15,025,865</u></u>

Super Subordinate Lien Obligations – Loan Agreements:

Authority super subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Authority's water and sewer 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.

As the schedule below shows, the Authority's only super subordinate lien obligations are obligations with the New Mexico Finance Authority / Water Trust Board. These agreements are a combination of loan paired with either a grant or a subsidy. The final amount for the loan / grant / subsidy is determined at the end of the related project for which the funds were expended. The funds are not provided up front to the Authority. The Authority enters into approved contracts for the related work project, pays the vendors, and submits invoices to the New Mexico Finance Authority / Water Trust Board for reimbursement. Normally such arrangements would be treated as lines of credit until project completion because debt service on the loan portion would not begin until the line of credit is converted to a loan agreement. However for Water Trust Board (WTB) Loans no. 205, 206 and 207, debt service on the full contemplated loan amount began immediately without consideration of the amount of funds drawn. Accordingly, these three agreements are considered loan

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

agreements rather than lines of credit. At June 30, 2014, the full loan amount on WTB – 205 and 207 had been received by the Authority while no funds had been received by the Authority on WTB – 206. The loan balance for WTB – 206 is negative due to the principal payments made as of June 30, 2014.

**Authority Super Subordinate Lien Loan Agreements outstanding at June 30, 2014 are as follows:**

	<u>Outstanding June 30, 2014</u>
\$50,000 New Mexico Finance Authority / Water Trust Board Loan No. 51 (2009), due in annual installments of \$1,445 to \$2,613 through 6/1/2029; interest at 0.0%; no prepayment provision	\$ 38,524
\$100,000 New Mexico Finance Authority / Water Trust Board Loan No. 79 (2009), due in annual installments of \$2,745 to \$5,234 through 6/1/2029; interest at 0.0%; no prepayment provision	77,163
\$200,000 New Mexico Finance Authority / Water Trust Board Loan No. 177 (2010), due in annual installments of \$9,765 to \$10,239 through 6/1/2030; interest at 0.0%; no prepayment provision	160,795
\$452,000 New Mexico Finance Authority / Water Trust Board Loan No. 205 (2011), due in annual installments of \$22,067 to \$23,141 through 7/1/2031; interest at 0.0%; no prepayment provision	407,810
\$640,000 New Mexico Finance Authority / Water Trust Board Loan No. 206 (2011), due in annual installments of \$31,246 to \$32,764 through 7/1/2031; interest at 0.0%; no prepayment provision; no funds had been drawn on this loan agreement as of 6/30/2014	(62,570)
\$63,354 New Mexico Finance Authority / Water Trust Board Loan No. 207 (2011), due in annual installments of \$3,093 to \$3,245 through 7/1/2031; interest at 0.0%; no prepayment provision	<u>57,160</u>
	<u>\$ 678,882</u>

Water Rights Contract

A Water Rights Contract with the United States Government was entered into by the Authority during the fiscal year ended June 30, 1963, to pay a portion of the construction, operation, and maintenance costs of the San Juan Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2014, is \$10,886,790.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

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

**Annual Debt Service Requirements**

The annual debt service requirements on the revenue bonds, loan agreements, and the water rights contract payable outstanding at June 30, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 35,914,437	\$ 30,823,156	\$ 66,737,593
2016	46,442,862	28,996,921	75,439,783
2017	49,092,512	26,817,706	75,910,218
2018	48,922,647	24,517,137	73,439,784
2019	48,064,482	22,249,524	70,314,006
2020 - 2024	225,971,935	78,106,237	304,078,172
2025 - 2029	117,079,662	33,158,332	150,237,994
2030 - 2034	73,117,806	13,078,748	86,196,554
2035 - 2039	13,245,000	1,050,343	14,295,343
<b>Total</b>	<b>\$ 657,851,343</b>	<b>\$ 258,798,104</b>	<b>\$ 916,649,447</b>

**E. Defined benefit pension plan – Public Employees Retirement Association**

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

*Funding Policy.* Plan members are required to contribute 13.15% or 14.65% of their gross salary. The Authority is required to contribute 9.15% of the gross covered salary. The Authority has elected to pay a percentage of the employee's contributions. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's employer contribution to PERA for the fiscal years ended June 30, 2014, 2013, and 2012, were \$2,664,487, \$2,703,455 and \$2,668,261, respectively, which equal the amount of the required contributions for each fiscal year. The Authority's total paid contributions for fiscal year ended June 30, 2014 were \$7,187,794.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**F. Defined contribution retirement plan**

On March 31, 2004, the Authority Board approved a Declaration of Trust for a 401 qualified defined contribution retirement plan through ICMA Retirement Corporation for Authority employees. Under this defined contribution plan, an employee's eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code. Employees have a 30-day election period from the date of initial eligibility to elect to participate in the plan. Participation is not mandatory. Under the plan the employer contributes 19.01% of earnings for full time employees and 7% for part time employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute one of 3.29%, 5%, 7%, 10% for full time employees and 7% for part time employees. Total contributions to the plan were \$154,667 in fiscal year 2014, of which \$115,961 were from employer contributions and \$38,706 was from employee contributions.

**G. Post employment benefits**

In addition to providing pension benefits described in Notes E and F, the Authority provides certain health care and life insurance benefits for retired employees. The Authority has changed the life insurance coverage for all future Authority employees hired after June 30, 2013, and a reduction in the life insurance face amount for Authority employees hired prior to July 1, 2013 and retiring after December 31, 2013. There were no changes made to the Authority's participation in the New Mexico Retiree Health Care Act.

Postemployment Life Insurance Benefits.

*Plan Description.* The Authority, as of the fiscal year ended June 30, 2014, participated in the City of Albuquerque's Life Insurance Benefit Plan (the City Plan). The City Plan is a single employer defined benefit plan administered by the City which includes coverage for the employees of the Authority. Upon retirement, an eligible Authority employee will continue to be covered by the City Plan at no cost to the employee. Employees who were hired before July 1, 2013 and retire on or after December 31, 2013 from the Authority will receive an employer paid life insurance premium in the amount of \$5,000. Retirees prior to January 1, 2014 will receive the original insurance coverage up to \$25,000. New employees hired after July 1, 2013 will no longer be offered employer paid life insurance in any amount after they retire. The number of Authority retired employees covered under the City Plan at June 30, 2014 was 153. The number of active employees at June 30, 2014 was 544. Normal retirement eligibility conditions are defined as a retirement eligible for a PERA benefit.

*Funding Policy.* In fiscal year 2014, the City and the Authority created the City of Albuquerque Pooled Other Post-Employment Benefit (OPEB) Trust Fund. Prior to July 1, 2013, the City and the Authority had been contributing only the amount required to pay retiree life insurance premiums each year. The City has set the contribution rate each year based on an actuarial valuation. The contributions are expected to match or exceed the annual required contribution (ARC) calculated in the actuarial study in accordance with in the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan for the remainder of the 30 year closed period. Total contributions made for the fiscal year ended June 30, 2014 exceeded the annual required contribution.

Monthly invoices for retiree life insurance premiums will be paid out of the trust. When expected benefit claims exceed retiree premiums, the City is allowed to treat the implicit subsidy as a contribution towards the OPEB liability. The Authority's contributions to the trust for the year ended June 30, 2014 were \$793,005.

*Annual OPEB Cost and Net OPEB Obligation.* The Authority's annual OPEB cost is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the City Plan, and the changes in the Authority's net OPEB obligation to the City Plan.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**G. Post employment benefits, continued**

Net OPEB Obligation at beginning of year	\$ 1,108,722
<i>Plus</i> Projected Annual OPEB Cost:	
Interest on Net OPEB Obligation at beginning of year	55,436
Annual Required Contribution (ARC) for current fiscal year	79,538
ARC Adjustment for current fiscal year	(59,980)
	74,994
<i>Less</i> Net Employer Contribution	(793,005)
Expected Net OPEB Obligation at end of year	\$ 390,711

The Authority's net OPEB obligation is \$390,711 and is reported in the accompanying financial statements as a non-current liability.

*Funding Status and Funding Progress.* As of June 30, 2014, the most recent actuarial valuation date, the City Plan was 22.6% funded using the criteria established by GASBS 45. The actuarial accrued liability for benefits was \$1,212,912 (\$121,745 for active employees and \$1,091,167 for retired employees). Plan assets as of June 30, 2014 totaled \$818,273. The covered payroll (annual payroll of active employees covered by the Plan) was \$28,661,693 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 1.4%. The ARC as a percent of payroll is 0.3% of which 0.1% is the normal cost as a percent of payroll. The ARC per active employee is \$146. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the Plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the City Plan as understood by the Authority and the City Plan members and include the types of benefits provided at the time of each valuation and the Authority's historical pattern of paying for the City Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2014, actuarial valuation, the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the City Plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASBS 45 is to match recognition of retiree life expense with the periods during which the benefit is earned and the Authority's actuary believes that EAN funding method effectively meets that goal in most circumstances. Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs. The Authority pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASBS 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 5.0 percent investment rate of return on expected long-term returns on the City's Trust investments calculated on the funded level of the City Plan at the valuation date. As of June 30, 2014, the Authority contributed \$793,005. Taxable interest and dividends earned was \$170,219. Realized gains were \$58,231. The change in Unrealized gains/losses and accrued income were \$147,009 and \$363 respectively. The Authority intends to amortize the UAAL over a thirty-year period under the level percentage of pay method. The remaining amortization period at June 30, 2014, was 25 years. The ARC was based on a 5.0 percent discount rate.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**G. Post employment benefits, continued**

Retiree Health Care Act Contributions

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Authority's contributions (employer and employee) to the RHCA for the years ended June 30, 2014, 2013, and 2012, were \$913,779, \$883,814 and \$819,943, respectively, which equal the required contributions for each year.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**H. Risk management**

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

In fiscal year 2014, the Authority was insured for general liability and auto liability up to \$1,050,000 per occurrence with a \$2,000,000 aggregate subject to a \$100,000 retention per loss. (Exception: Auto liability had a zero deductible.) Other liability insurance coverage included errors and omissions with a \$1,000,000 per occurrence limit and a \$15,000 deductible. An additional excess liability policy provided \$4,000,000 per occurrence coverage for general liability, auto liability and errors and omissions. The Authority also carried \$1,000,000 coverage for cyber liability (\$25,000 deductible) and \$5,000,000 coverage (with a \$50,000 deductible) for pollution exposures. Authority property was insured up to \$500,000,000 per loss with a self-insured retention of \$100,000 per loss. For worker's compensation coverage, the Authority retained the risk of losses up to \$750,000 and purchased an excess liability insurance policy which will pay the cost of any loss above the \$750,000 self-insured retention.

There are no currently pending or anticipated claims which occurred in the fiscal year 2014 claim year which are likely, either individually or in the aggregate, to have a future material effect on the financial status of the Authority. The level of risk transfer provided by the Risk Management insurance program protected the Authority during the claim year and continues to provide protection from adverse claims development above the policy deductibles for any claim that was incurred during the insured claim year.

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. Fiscal year 2014 was the first year that the Authority transferred its claims liability risk by the purchase of commercially available insurance. To the extent known, the incurred losses which can be reasonably estimated have been reported.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
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**June 30, 2014**

**I. Transactions with City of Albuquerque**

Effective July 1, 2007 the Authority assumed all management and operation of what was the City Water Utility Department. A Memorandum of Understanding (MOU) between the Authority and the City, which became effective July 1, 2007 and expired on June 30, 2013, governed the business relationship between the two entities. The MOU recognized that while the Authority and the City were fully independent entities, each recognized that it was mutually beneficial to continue the provision of certain shared services between the parties. The MOU detailed those certain shared services. While the Authority began in fiscal year 2013 to operate with greater autonomy from the City, the City continued to provide significant services for a fee to the Authority.

A new MOU was signed by the Authority and the City and is effective for fiscal years 2014 through 2018 with an expiration date of June 30, 2018. This new MOU confirmed a significantly altered business relationship between the two parties. With the establishment by the Authority of its own financial and human resource systems effective July 1, 2013, the Authority initiated a deliberate and planned business strategy to internally assume or contract with third parties for nearly all of the services that had been previously provided by the City. The only remaining services provided to the Authority by the City are for 1) administration of the Authority's group insurance program, 2) use of the City telephone system and Novell network, and 3) administration of the joint OPEB trust established during fiscal year 2014. See Note G. In addition, the City leases space in two City owned buildings to the Authority, including the Authority's administrative headquarters in the downtown Albuquerque City/County Government Center.

In a separate agreement, the Authority continues to contribute to the direct cost of the Silvery Minnow Refugium located at the City Biopark. The City directly bills the Authority for some costs as it would any other third party. Examples of these costs include air quality permits, parking at City garages and barricade permits.

Rent paid to the City in fiscal year 2014 was \$457,718. There was an additional one time charge of \$271,758 for assistance in preparing the Authority's 2013 Comprehensive Annual Financial Report (CAFR).

The Authority continues to pay the City a franchise fee similar to the franchise fees the Authority pays Bernalillo County, the Village of Los Ranchos and the City of Rio Rancho for the use of the public right of way for its lines under the terms of franchise agreements with each of those entities.

**J. Commitments and contingencies**

Construction Commitments. At June 30, 2014, the uncompleted construction and other commitments in the Authority was \$32,112,524. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

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

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

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



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**J. Commitments and contingencies, continued**

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

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

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

In November 2013, the State Supreme Court upheld the decision of the Court of Appeals approving the permit and requested that the State Engineer reissue the permit with new language addressing non-consumptive beneficial use. There are no further appeals and the Authority is awaiting the State Engineer to finalize the new language and reissue the diversion permit. The Authority will continue to operate the project in accordance with the existing and revised permit when issued.

In a related environmental permitting process, the Authority received a Record of Decision on the National Environmental Policy Act process on June 1, 2004, and an approved Biological Opinion from the Fish and Wildlife Service in February 2004. The Biological Opinion concludes that the effects of the San Juan-Chama Project will not jeopardize the continued existence of the Rio Grande Silvery Minnow and will not adversely affect critical habitat. The Authority has completed the design of the environmental mitigation and will be starting construction in September 2013 and continuing through the winter months until April 2014. If the mitigation construction cannot be completed in one winter season (September to April), then the Authority will complete the work in the following year.

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

On July 22, 2014, the EPA issued Administrative Order CWA-06-2014-1817 to the Authority for violations that were identified during a compliance file review of the Southside Water Reclamation Plant. The AO listed NPDES violations that occurred between October 2012 and September 2013. The violations related to effluent violations, but primarily with SSO's. The Authority responded to the AO and provided an update on the activities accomplished since the submittal in May 2011 and the comments on the revised NPDES permit of October 2012. Specifically, the Authority provided an update to the CAP that was previously submitted, the new Capacity Management Operation and Maintenance (CMOM) plan, the new Pretreatment and Wastewater Control Ordinance, and revised Technically Based Local Limits (TBLL's). Authority staff will be meeting with EPA at the end of October 2014 to further update EPA on our progress.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**K. Significant effects of subsequent events**

On July 21, 2014, the Authority redeemed in full, with cash on hand, the 2010 Drinking Water Loans totaling \$197,893. All three loans were callable at any time with a final maturity of 2031.

On September 24, 2014, the Authority closed the Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A&B in the amount totaling \$184,275,000. The 2014 Bonds were issued to refund and restructure bonds to accomplish present value savings, amend the rate covenant for subordinate lien debt to 1.20x and restructure a portion of existing senior lien bonds to the subordinate lien to provide ample coverage for revenue flexibility.

The Series 2014A Bonds were issued to provide funds for: (i) the advance refunding of the New Mexico Finance Authority (NMFA) Public Project Revolving Fund Loan Agreement (2005) maturing on and after May 1, 2016 in the aggregate principal amount of \$15,385,000 and (ii) the advance refunding of the Joint Water and Sewer System Improvement Revenue Bonds, Series 2006A maturing on and after July 1, 2017 in aggregate principal amount of \$89,940,000, and pay issuance costs. The partial refunding of the NMFA Loan and the Series 2006A Bonds resulted in debt service savings for the Authority.

The Series 2014B Bonds were issued to provide funds for: (i) the advance refunding of the Joint Water and Sewer System Improvement Revenue Bonds, Series 2005 maturing on and after July 1, 2016 in aggregate principal amount of \$90,180,000 and (ii) the current refunding of all of the outstanding New Mexico Environment Department (EID) Loan Agreement dated June 19, 2002 in aggregate principal amount of \$5,987,789, and pay issuance costs. The partial refunding of the Series 2005 Bonds and the refunding of the EID Loan resulted in debt service savings.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR LIFE INSURANCE BENEFIT PLAN**  
**Year ended June 30, 2014**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age Normal</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL Percentage of Covered Payroll</u>
6/30/2012		1,416,172	1,416,172	0.00%	33,131,853	4.27%
6/30/2013		5,100,685	5,100,685	0.00%	25,842,595	19.74%
6/30/2014	818,273	1,212,912	394,639	67.46%	28,661,693	1.38%

**Note:** This schedule represents the funding progress for the Albuquerque Bernalillo County Water Utility Authority portion of the City of Albuquerque's total unfunded actuarial accrued liability

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
Year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
<b>Operating general ledger fund</b>				
Sales of water, city	\$ 77,515,000	\$ 77,515,000	\$ 62,345,084	\$ (15,169,916)
Sales of water, valley	5,000,000	5,000,000	5,275,379	275,379
Water facilities rehab	7,100,000	7,100,000	11,142,008	4,042,008
Sewer services, city	52,187,000	52,187,000	35,986,844	(16,200,156)
Sewer services, valley	4,000,000	4,000,000	3,219,429	(780,571)
Wastewater facilities rehab	6,200,000	6,200,000	21,920,550	15,720,550
Connection charges, city	350,000	350,000	330,546	(19,454)
Connection charges, valley	50,000	50,000	12,305	(37,695)
Water resources management	4,500,000	4,500,000	4,276,397	(223,603)
SJC strategy implementation	30,000,000	30,000,000	28,561,586	(1,438,414)
Reuse	400,000	400,000	427,760	27,760
City Solid Waste administrative fee	1,236,000	1,236,000	1,232,000	(4,000)
CIP employees	800,000	800,000	593,407	(206,593)
Investment income	750,000	750,000	75,920	(674,080)
Franchise fees	7,836,000	7,836,000	6,729,505	(1,106,495)
Miscellaneous	1,550,000	1,550,000	2,534,814	984,814
<b>Debt service general ledger fund</b>				
Utility expansion charges	8,000,000	8,000,000	7,872,236	(127,764)
Investment income	200,000	200,000	-	(200,000)
Transfer from operating fund	72,094,000	72,094,000	72,094,000	-
<b>Total revenues</b>	<b>279,768,000</b>	<b>279,768,000</b>	<b>264,629,770</b>	<b>(15,138,230)</b>
<b>Expenses:</b>				
<b>Operating general ledger fund</b>				
Water authority administration	2,537,357	2,537,357	2,979,531	(442,174)
Human resources	1,229,644	1,229,644	1,326,861	(97,217)
Finance	2,840,244	2,840,244	3,250,450	(410,206)
Customer services	7,697,421	7,697,421	7,363,891	333,530
Information technology	4,302,334	4,302,334	5,857,543	(1,555,209)
Water reclamation plant	10,097,028	10,097,028	10,342,263	(245,235)
Surface water treatment plant	3,059,099	3,059,099	3,315,018	(255,919)
Groundwater system	5,761,235	5,761,235	5,841,759	(80,524)
Water reclamation collection	9,067,468	9,067,468	9,906,201	(838,733)
Water field operations	16,058,171	16,058,171	14,847,875	1,210,296
Compliance	4,524,999	4,524,999	3,965,637	559,362
Water resources management	6,429,000	6,429,000	6,954,965	(525,965)
General government	33,842,000	33,842,000	32,016,064	1,825,936
San Juan Chama	2,247,000	2,247,000	2,323,066	(76,066)
Transfer to debt service fund	72,094,000	72,094,000	72,094,000	-
Transfer to capital fund	12,000,000	12,000,000	4,000,000	8,000,000
<b>Debt service general ledger fund</b>				
Debt service	69,731,000	69,731,000	75,244,771	(5,513,771)
Transfer to capital fund	3,000,000	3,000,000	3,000,000	-
<b>Total expenses</b>	<b>266,518,000</b>	<b>266,518,000</b>	<b>264,629,895</b>	<b>1,888,105</b>
<b>Excess of revenues over (under) expenses</b>	<b>\$ 13,250,000</b>	<b>\$ 13,250,000</b>	<b>(125)</b>	<b>\$ (13,250,125)</b>

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL, continued**  
**Year ended June 30, 2014**

	<b>Actual</b>
<b>Revenues (expenses) not budgeted:</b>	
Reimbursements from developers	1,586,092
Depreciation	(84,788,418)
Amortization on water rights contract	(448,100)
Amortization on premium and discounts	4,684,437
Unrealized gain (loss) on investments	83,950
Debt issuance costs	(812,445)
Budgeted expenses reimbursed by nonbudgeted general ledger funds	(593,406)
Expenses incurred in nonbudgeted general ledger funds	(5,641,663)
Miscellaneous revenues in nonbudgeted general ledger funds	1,536,287
Bad debt expense	(56,973)
Lease of stored water	3,536,037
<b>Net expenses over revenues not budgeted</b>	<b>(80,914,202)</b>
<b>Changes to conform to generally accepted accounting principles:</b>	
Principal payments on bonds and loan agreements	43,351,806
Principal payment on water rights contract	1,038,005
Transfers to capital general ledger funds	7,000,000
Capital contributions	9,388,162
Capital outlay	681,882
<b>Net changes to conform to generally accepted accounting principles</b>	<b>61,459,855</b>
<b>Change in net position</b>	<b>\$ (19,454,472)</b>

**STATISTICAL SECTION – UNAUDITED**

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ALBANY

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

	2014	2013	2012
<b>Operating revenues:</b>			
Charges for services	\$ 182,350	\$ 179,677	\$ 177,055
<b>Operating expenses:</b>			
Salaries and fringe benefits	50,381	48,510	46,482
Professional services	1,726	883	297
Utilities	15,076	12,889	13,125
Supplies	1,505	9,296	8,985
Fuels and lubricants <sup>(1)</sup>	1,417	-	-
Repairs and maintenance funded by system revenues	11,691	13,095	9,447
Chemicals <sup>(1)</sup>	5,943	-	-
Contractual services	9,179	9,694	9,450
Franchise fees <sup>(1)</sup>	6,715	6,629	6,524
Tort and other legal fees <sup>(1)</sup>	2,307	2,619	2,490
Workman's compensation <sup>(1)</sup>	351	754	831
Administrative fees paid to the City <sup>(1)</sup>	272	1,550	1,550
Repairs and maintenance funded by system obligations	5,642	-	-
Other operating expenses	1,671	2,403	1,351
Depreciation	84,788	86,644	84,850
Amortization - water rights	448	443	434
Bad debt expense	57	27	77
<b>Total operating expenses</b>	<b>199,169</b>	<b>195,436</b>	<b>185,893</b>
<b>Operating income (loss)</b>	<b>(16,819)</b>	<b>(15,759)</b>	<b>(8,838)</b>
<b>Nonoperating revenues (expenses):</b>			
Interest on investments	160	42	148
Interest expense	(27,546)	(24,566)	(23,806)
City water service expansion charges	7,872	8,197	8,035
Issuance costs	(812)	-	-
Bond issue amortization <sup>(2)</sup>	-	-	(348)
Other	8,302	1,686	1,547
<b>Total nonoperating revenues (expenses), net</b>	<b>(12,024)</b>	<b>(14,641)</b>	<b>(14,424)</b>
<b>Income (loss) before capital contributions</b>	<b>(28,843)</b>	<b>(30,400)</b>	<b>(23,262)</b>
Capital contributions	9,388	4,132	5,058
<b>Change in net position</b>	<b>(19,455)</b>	<b>(26,268)</b>	<b>(18,204)</b>
<b>Net position, July 1 <sup>(2)</sup></b>	<b>653,351</b>	<b>679,619</b>	<b>701,360</b>
<b>Net position, June 30</b>	<b>\$ 633,896</b>	<b>\$ 653,351</b>	<b>\$ 683,156</b>

(1) These expenses were included on other expense line items in prior years

(2) In fiscal year 2013, deferred bond issuance costs were eliminated as an asset in accordance with Governmental Accounting Standards Board Statement No. 65, and beginning net position was restated.



2011	2010	2009	2008	2007	2006	2005
\$ 158,515	\$ 153,145	\$ 147,146	\$ 152,232	\$ 141,034	\$ 138,202	\$ 126,622
43,501	40,632	37,383	33,435	30,151	27,200	26,796
446	602	859	706	572	522	1,139
12,748	11,361	12,203	9,218	7,844	8,575	7,935
9,104	9,010	6,092	5,249	4,493	3,567	2,939
-	-	-	-	-	-	-
11,898	11,809	10,873	10,441	9,494	7,322	7,252
-	-	-	-	-	-	-
9,339	8,813	8,890	6,334	3,937	2,907	4,422
5,844	-	-	-	-	-	-
3,335	-	-	-	-	-	-
1,580	-	-	-	-	-	-
1,550	-	-	-	-	-	-
-	-	-	-	-	-	-
1,411	12,770	13,429	14,158	14,094	14,077	12,933
83,447	81,443	72,295	60,906	55,926	51,934	46,410
401	396	396	393	392	383	374
358	-	93	339	-	-	-
184,962	176,836	162,513	141,179	126,903	116,487	110,200
(26,447)	(23,691)	(15,367)	11,053	14,131	21,715	16,422
209	866	2,648	6,443	8,936	5,019	1,549
(25,324)	(24,977)	(21,682)	(21,782)	(15,889)	(8,619)	(8,406)
6,240	6,834	6,346	11,075	12,516	17,255	12,404
-	-	-	-	-	-	-
(414)	(516)	(360)	(405)	(305)	(313)	(143)
1,689	1,535	7,870	1,357	(99)	299	873
(17,600)	(16,258)	(5,178)	(3,312)	5,159	13,641	6,277
(44,047)	(39,949)	(20,545)	7,741	19,290	35,356	22,699
10,538	18,917	27,811	11,939	15,448	16,854	20,849
(33,509)	(21,032)	7,266	19,680	34,738	52,210	43,548
734,869	755,901	748,635	728,955	694,217	642,007	598,459
\$ 701,360	\$ 734,869	\$ 755,901	\$ 748,635	\$ 728,955	\$ 694,217	\$ 642,007

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Estimated Population</b> (Service Area)	566,059	560,454	554,905	549,411
<b>Number of Meters</b> (Billed)	205,316	203,912	201,884	200,498
<b>Estimated Persons Per Meter</b>	2.76	2.75	2.75	2.74
<b>Annual Pumpage</b> (1,000 Gallons)	33,222,000	33,318,000	33,577,000	33,830,964
<b>Annual Water Billed</b> (1,000 Gallons)	28,113,371	30,044,094	28,621,945	29,949,844
<b>Average Daily Pumpage</b> (Gallons)	91,019,178	91,282,192	91,991,781	92,687,573
<b>Peak Day Pumpage</b> (Gallons)	157,000,000	175,000,000	182,000,000	226,902,542
<b>Peak Day Consumption</b> (Gallons)	148,000,000	164,000,000	161,500,000	160,000,000
<b>Average Daily Production Per Meter</b> (Gallons)	443	448	456	462
<b>Well Pumping Capacity (per 24 Hour Period)</b>	187,000,000	196,000,000	282,000,000	282,000,000
<b>Storage Capacity (Gallons)</b>	249,000,000	249,000,000	249,000,000	249,000,000
<b>Surface Water Pumping Capacity</b>	140,000,000	140,000,000	140,000,000	140,000,000
<b>Surface Water Storage Capacity</b>	20,000,000	20,000,000	20,000,000	20,000,000
<b>Fire Hydrants</b>	15,110	15,110	14,996	14,879
<b>Water Reclamation Treatment Capacity</b>	76,000,000	76,000,000	76,000,000	76,000,000
<b>Number of Miles of Lines<sup>(1)</sup></b>				
- Water	3,130	2,663	2,650	2,636
- Sewer	2,700	1,869	1,866	1,863
- San Juan Chama	57	37	37	37

<sup>(1)</sup> Estimated

Source: Albuquerque Bernalillo County Water Utility Authority

TABLE II  
Page 1 of 1

2009	2008	2007	2006	2005	2004
543,971	538,586	533,253	530,600	525,347	512,288
194,087	174,005	172,394	171,130	167,737	162,536
2.80	3.10	3.09	3.10	3.13	3.15
33,098,373	31,940,000	32,598,000	31,384,000	32,469,000	32,600,000
28,844,216	27,816,110	28,573,691	27,942,376	29,551,899	29,235,684
90,680,474	87,506,849	89,284,930	85,983,561	89,860,274	89,315,068
186,819,804	155,329,700	174,986,400	165,478,800	179,876,700	180,759,600
144,030,800	149,870,000	147,670,000	149,879,000	150,459,000	151,000,000
467	503	518	502	536	549
314,250,000	294,000,000	294,000,000	294,000,000	294,000,000	294,000,000
228,700,000	211,000,000	211,000,000	211,000,000	211,000,000	211,000,000
140,000,000	-	-	-	-	-
20,000,000	-	-	-	-	-
14,778	14,577	14,093	14,093	13,435	13,062
76,000,000	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
2,626	2,599	2,520	2,520	2,520	2,520
1,858	1,846	1,820	1,820	1,820	1,820
37	-	-	-	-	-

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

**Population**

US Census		Bernalillo County	% Inc/Dec from Prev. Yr.	City of Albuquerque	% Inc/Dec from Prev. Yr.	State of New Mexico	% Inc/Dec from Prev. Yr.
2013	**	674,221	0.26%	556,495	0.34%	2,085,287	0.08%
2012	**	672,444	0.45%	554,621	0.52%	2,083,540	0.27%
2011	**	669,416	1.03%	551,742	1.08%	2,077,919	0.91%
2010	*	662,564	3.43%	545,852	3.14%	2,059,179	2.58%
2009	**	640,567	1.10%	529,219	1.14%	2,007,315	1.17%
2008	**	633,611	1.01%	523,240	1.18%	1,984,179	0.91%
2007	**	627,259	1.46%	517,162	1.71%	1,966,357	1.33%
2006	**	618,226	1.89%	508,486	2.20%	1,940,631	1.35%
2005	**	606,779	4.20%	497,543	4.63%	1,914,699	2.49%
2004	**	593,866	1.98%	486,319	2.27%	1,890,215	1.18%
2003	**	582,349	1.35%	475,511	1.72%	1,868,121	1.05%
2002	**	573,489	1.94%	466,455	2.15%	1,849,187	1.32%
2001	**	562,635	0.92%	455,961	1.03%	1,828,437	0.50%
2000	*	557,432	0.84%	450,557	6.87%	1,820,802	0.76%

\* Source: Bureau of the Census

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

**Unemployment**

Calendar Year	-----Bernalillo County-----			-----Unemployment Rates-----		
	Civilian Labor Force	Number Employed	Number Unemployed	Bernalillo County	New Mexico	United States
2014	297,393	276,475	20,918	7.00%	6.70%	6.10%
2013	301,268	281,245	20,023	6.60%	6.80%	7.30%
2012	304,994	285,978	19,016	6.20%	6.00%	7.60%
2011	305,122	284,802	20,320	6.70%	6.40%	8.80%
2010	314,600	287,419	27,181	8.60%	8.90%	9.70%
2009	315,392	292,867	22,525	7.10%	7.20%	9.30%
2008	318,065	304,023	14,042	4.40%	4.50%	5.80%
2007	314,180	303,692	10,488	3.30%	3.20%	4.80%
2006	313,406	301,179	12,227	3.90%	4.20%	4.60%
2005	316,477	304,008	12,469	3.90%	4.40%	4.90%
2004	312,140	279,810	14,330	4.60%	5.60%	5.40%
2003	315,152	299,843	15,309	4.90%	5.70%	6.10%

Source: New Mexico Department of Labor

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
TOP TEN MAJOR EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

	<u>2014</u>		<u>2005</u>	
<u>Employer</u>	<u>Number of Employees</u>	<u>% of County Employment</u>	<u>Number of Employees</u>	<u>% of County Employment</u>
1. Albuquerque Public Schools	14,810	3.80%	17,892	4.82%
2. University of New Mexico	14,644	3.76%	15,835	4.26%
3. Sandia National Laboratories	8,930	2.29%	11,700	3.15%
4. Presbyterian	8,217	2.11%	7,700	2.07%
5. Kirtland Air Force Base (civilian)	6,095	1.56%	6,940	1.87%
6. UNM Hospital	5,959	1.53%	6,834	1.84%
7. City of Albuquerque	5,854	1.50%	5,800	1.56%
8. State of New Mexico	5,590	1.43%	5,660	1.52%
9. Kirtland Air Force Base (military)	4,520	1.16%	5,400	1.45%
10. Lovelace Health System	4,000	1.03%	5,200	1.40%
<b>Total</b>	<u>78,619</u>	<u>20.17%</u>	<u>88,961</u>	<u>23.96%</u>
<b>Total Non-Agriculture Employees</b>	<u>389,765</u>		<u>371,284</u>	

Source: Albuquerque Economic Development, Inc.

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

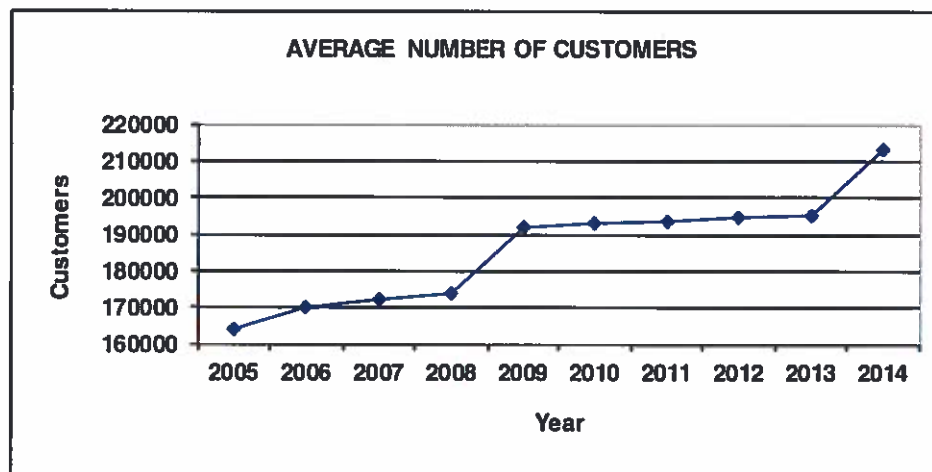
**History of Water Users by Class**

<u>Class</u>	<i>Average Number of Customers by Fiscal Year</i>									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	192,479	174,909	174,277	173,339	172,787	171,983	153,959	152,563	151,089	148,974
Multi-Family <sup>(1)</sup>	6,628	6,430	6,393	6,364	6,349	6,231	7,644	7,565	6,812	-
Commercial	11,619	11,321	11,287	11,226	11,272	11,367	9,998	10,049	10,065	13,304
Institutional	2,358	2,391	2,316	2,279	2,223	2,119	2,013	1,983	1,981	1,853
Industrial	98	99	102	99	106	113	110	110	113	114
<b>Total</b>	<b><u>213,182</u></b>	<b><u>195,150</u></b>	<b><u>194,375</u></b>	<b><u>193,307</u></b>	<b><u>192,737</u></b>	<b><u>191,813</u></b>	<b><u>173,724</u></b>	<b><u>172,270</u></b>	<b><u>170,060</u></b>	<b><u>164,245</u></b>

**History of Water Users by Meter Sizes**

<u>Meter Size</u>	<i>Average Number of Customers by Fiscal Year</i>									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
¾"	189,483	171,874	171,103	169,984	169,414	168,632	151,172	149,846	146,842	142,018
1" and 1 ¼"	17,866	17,645	17,717	17,820	17,820	17,611	17,621	17,581	17,773	17,588
1 ½"	2,348	2,249	2,221	2,195	2,195	2,169	1,968	1,955	1,945	1,879
2"	2,473	2,352	2,320	2,228	2,228	2,179	1,839	1,816	2,509	1,997
3"	627	634	634	714	714	834	766	733	654	419
4"	278	286	273	268	268	275	264	246	244	251
6"	62	63	61	58	58	67	53	53	52	52
8" and over	45	47	46	40	40	46	41	40	41	41
<b>Total</b>	<b><u>213,182</u></b>	<b><u>195,150</u></b>	<b><u>194,375</u></b>	<b><u>193,307</u></b>	<b><u>192,737</u></b>	<b><u>191,813</u></b>	<b><u>173,724</u></b>	<b><u>172,270</u></b>	<b><u>170,060</u></b>	<b><u>164,245</u></b>

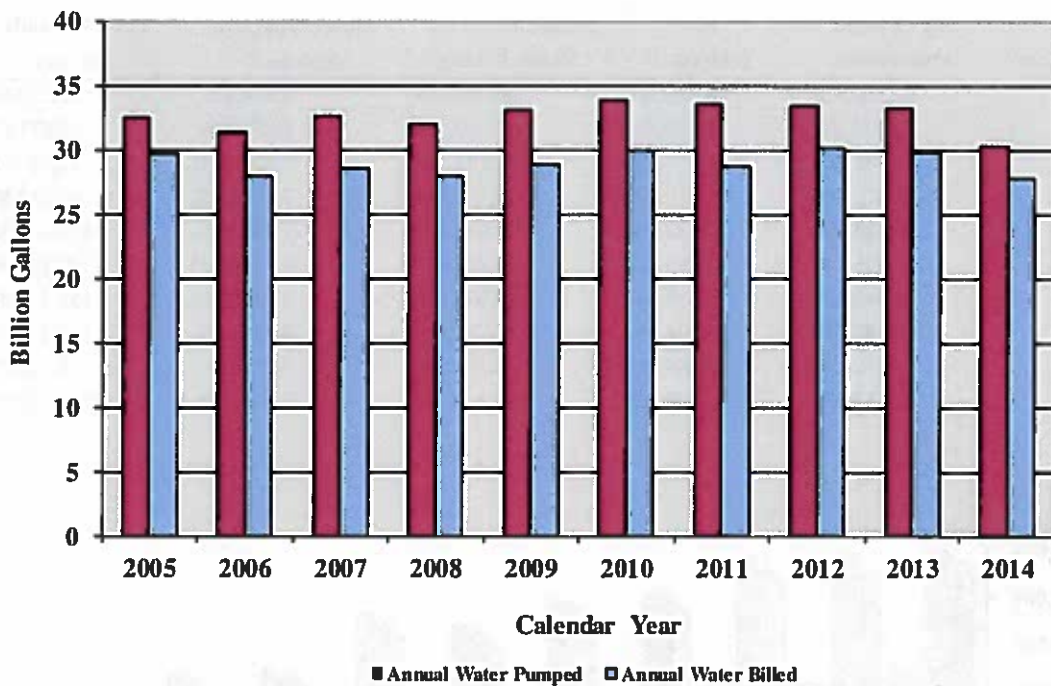
<sup>(1)</sup> The Authority established this user class in 2006.



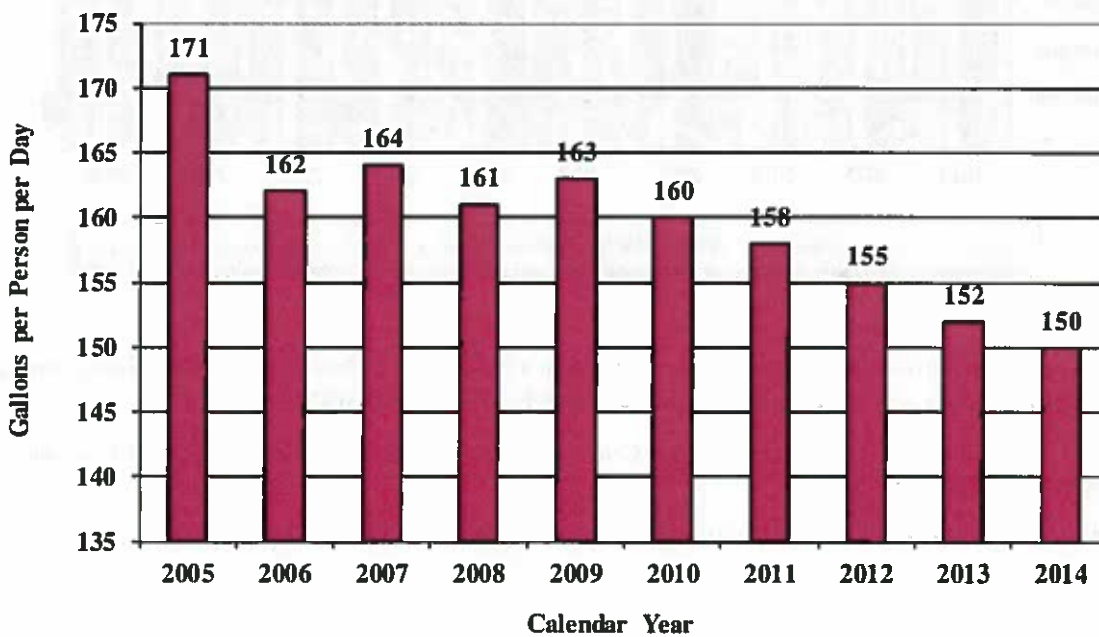
Source: Albuquerque Bernalillo County Water Utility Authority

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

**Water Pumped vs. Water Billed**



**Per Capita Water Usage**

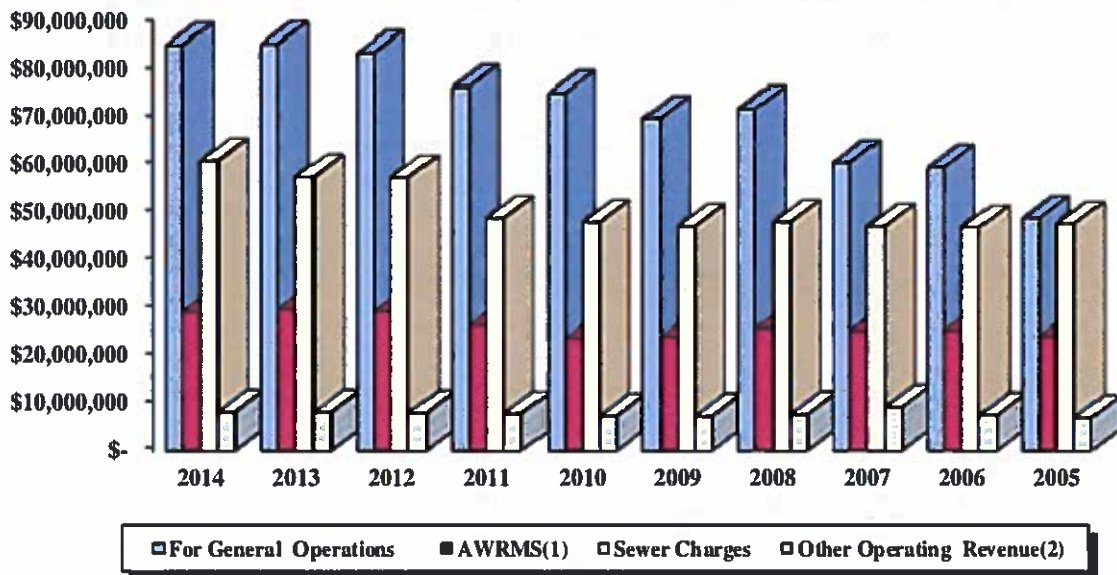


Source: Albuquerque Bernalillo County Water Utility Authority

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

Revenue from Water Charges

<u>Fiscal Year (3)</u>	<u>For General Operations</u>	<u>For AWRMS<sup>(1)</sup></u>	<u>Revenue From Sewer Charges</u>	<u>Other Operating Revenue<sup>(2)</sup></u>	<u>Total Operating Revenue</u>
2014	84,706,829	28,989,346	60,600,108	8,054,145	182,350,428
2013	84,994,139	29,558,320	57,072,020	8,053,146	179,677,625
2012	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690
2011	76,072,550	26,219,494	48,504,637	7,718,145	158,514,826
2010	74,773,904	23,483,160	47,685,066	7,202,722	153,144,852
2009	69,395,141	23,803,266	46,805,468	7,141,714	147,145,589
2008	71,398,950	25,630,246	47,683,918	7,519,231	152,232,345
2007	60,186,959	24,975,068	46,771,690	9,100,112	141,033,829
2006	59,172,344	25,095,852	46,563,188	7,371,006	138,202,390
2005	48,560,930	23,904,227	47,310,366	6,846,660	126,622,183



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

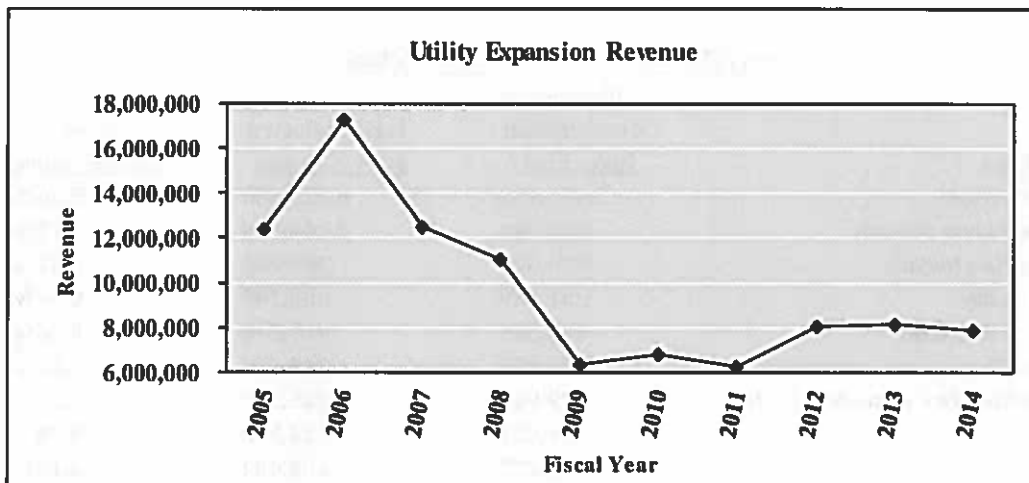
(2) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.

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



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

<u>Fiscal Year (1)</u>	<u>Total Utility Expansion Charge Revenues</u>
2014	7,872,236
2013	8,197,016
2012	8,035,123
2011	6,240,073
2010	6,834,261
2009	6,346,401
2008	11,074,840
2007	12,516,234
2006	17,254,474
2005	12,404,189

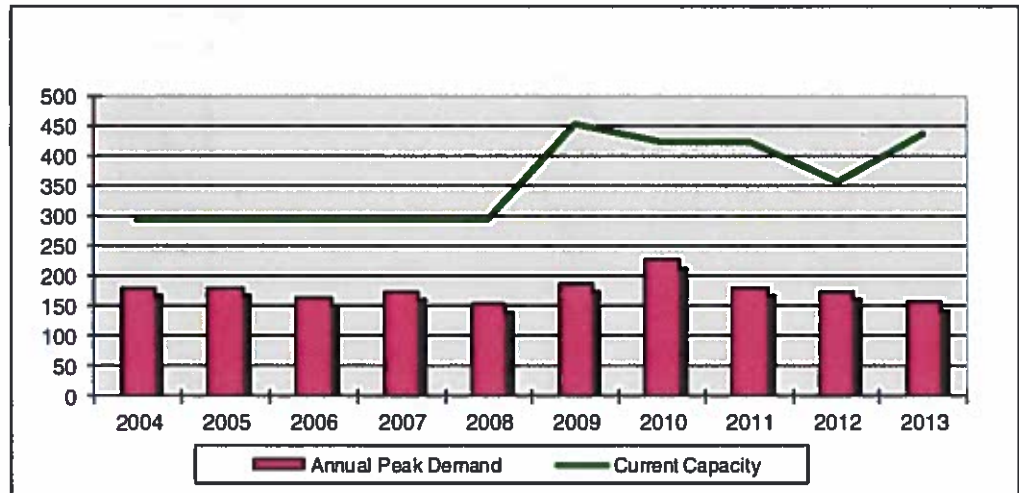


Source: (1) Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

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

**WATER SYSTEM ANNUAL PEAK DEMAND**  
(calendar year)

- ◆ *Current system peak demand of 157 MGD*
- ◆ *Current system peak capacity of 437 MGD*
- ◆ *System's current peak demand is 36% of capacity*



**WATER SYSTEM TOP 10 CUSTOMERS**  
(fiscal year)

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected 2014 Revenue</u>	<u>% of Total Revenue</u>
1. City of Albuquerque	2,446,486	\$ 6,439,686	5.66%
2. Albuquerque Public Schools	689,789	2,408,558	2.12%
3. University of New Mexico	269,600	985,043	0.87%
4. Bernalillo County	201,189	600,705	0.53%
5. Kirtland Air Force Base	142,385	413,546	0.36%
6. Lovelace Health	111,820	269,454	0.24%
7. Central New Mexico Community College	79,961	265,325	0.23%
8. ABCWUA	59,027	224,933	0.20%
9. Sumitomo	101,277	204,004	0.18%
10. New Mexico Fair Grounds	54,943	198,412	0.17%
<b>Total</b>		<b>\$ 12,009,666</b>	<b>10.56%</b>
<b>Total Revenue for System</b>		<b>\$ 113,696,174</b>	

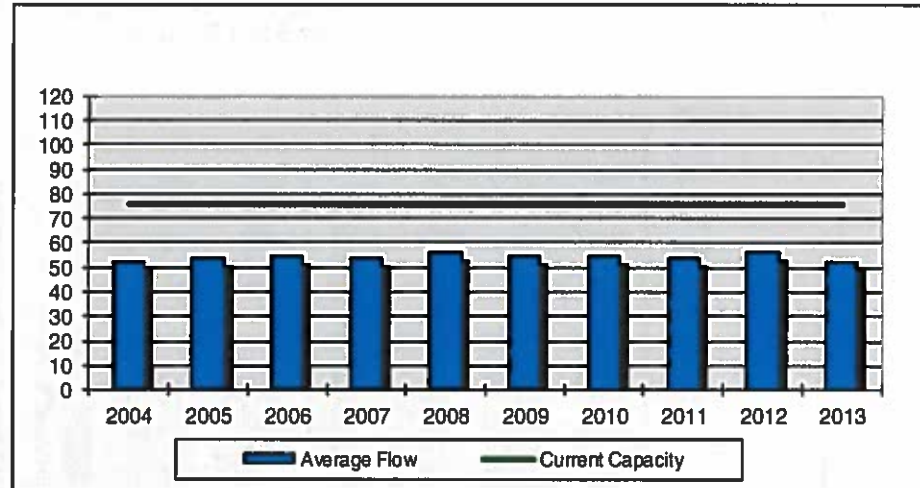


Source: Albuquerque Bernalillo County Water Utility Authority

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

**WASTEWATER SYSTEM ANNUAL AVERAGE FLOW**  
(calendar year)

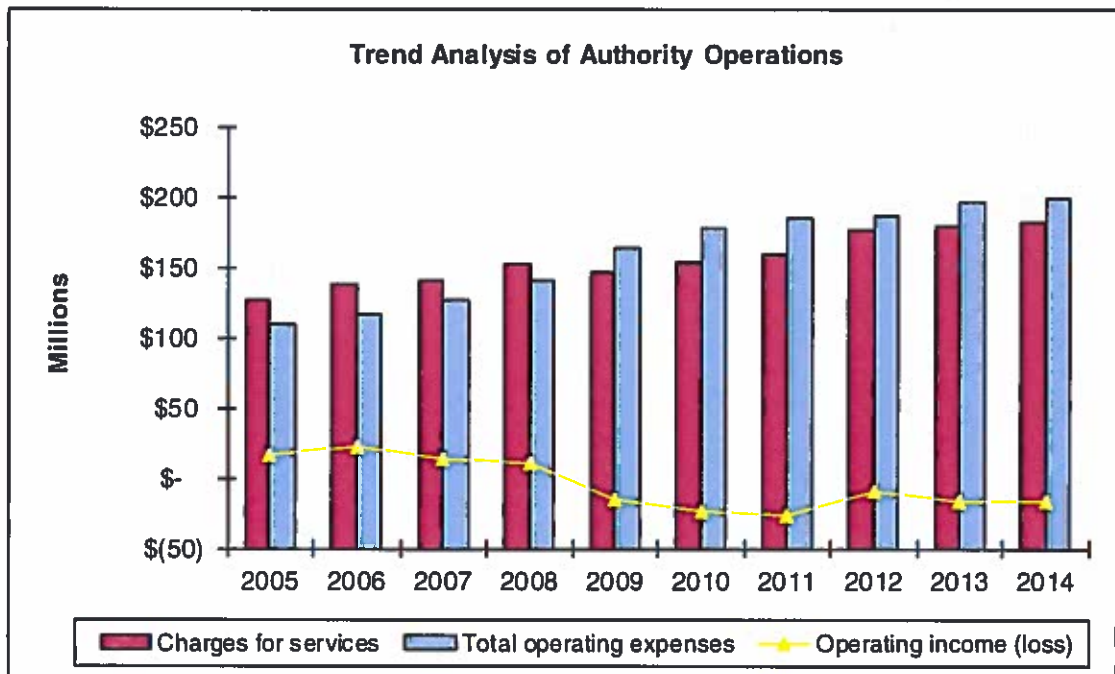
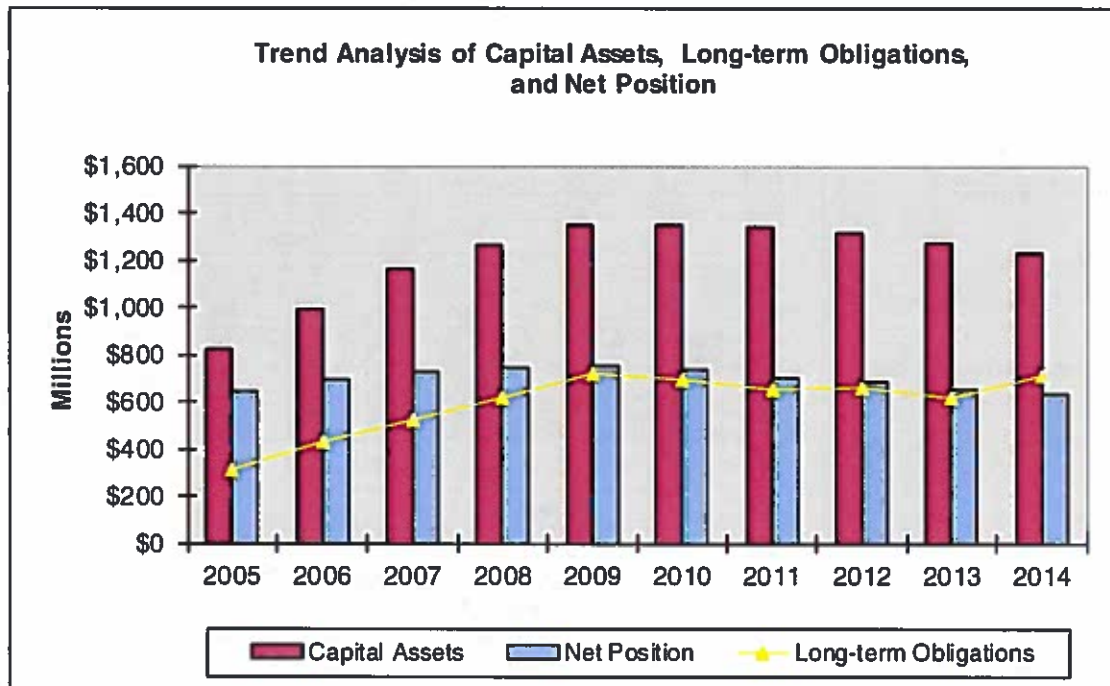
- ◆ *Current system average flow of 52 MGD*
- ◆ *Current system peak capacity of 76 MGD*
- ◆ *System's current average flow is 68% of capacity*



**WASTEWATER SYSTEM TOP 10 CUSTOMERS**  
(fiscal year)

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected 2014 Revenue</u>	<u>% of Total Revenue</u>
1. Intel Corporation	-	\$ 1,759,019	2.90%
2. Kirtland Air Force Base	640,563	1,058,944	1.75%
3. University of New Mexico	547,474	830,762	1.37%
4. Albuquerque Public Schools	167,665	736,671	1.22%
5. City of Albuquerque	166,092	533,975	0.88%
6. Creamland Dairies	53,826	430,769	0.71%
7. Lovelace Health	96,842	178,276	0.29%
8. General Mills	13	167,872	0.28%
9. Sumitomo	-	157,999	0.26%
10. Bernalillo County	48,509	148,291	0.24%
<b>Total</b>		<b>\$ 6,002,578</b>	<b>9.91%</b>
<b>Total Revenue for System</b>		<b>\$ 60,600,108</b>	

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



Source: Albuquerque Bernalillo County Water Utility Authority

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Water Utility Authority Revenue Bonds										
Revenues <sup>(2)</sup>	\$ 199,234	\$ 185,488	\$ 180,272	\$ 166,652	\$ 158,528	\$ 160,800	\$ 166,580	\$ 162,390	\$ 163,278	\$ 144,074
Release of cash from rate reserve fund	-	4,000	-	7,000	-	-	-	-	-	-
Expenses <sup>(1)(2)</sup>	108,234	101,761	94,086	95,790	87,768	83,177	72,541	65,336	61,932	59,005
Available for debt service	91,000	87,727	86,186	77,862	70,760	77,623	94,039	97,054	101,346	85,069
Debt service	67,969	65,462	64,978	70,359	70,983	65,144	61,785	62,027	55,641	52,279
Debt service coverage ratio	1.34	1.34	1.33	1.11	1.00	1.19	1.52	1.56	1.80	1.63
Ratio required	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33

(1) Not including depreciation, amortization, provision for bad debts, and expenses funded by system obligations

(2) Beginning in fiscal year 2014, the revenues and expenses include franchise fees in accordance with the updated bond ordinance. In years prior to fiscal year 2014, both franchise fee revenues and expenses were backed out of the calculation.

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

Components of Net Position:	2014	2013	2012	2011 <sup>(1)</sup>	2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 582,869	\$ 617,399	\$ 636,174	\$ 668,171	\$ 692,921	\$ 725,767	\$ 698,063	\$ 666,487	\$ 609,955	\$ 566,451
Restricted for debt service	-	-	-	-	-	-	-	6,003	12,919	11,491
Restricted for construction	-	-	-	-	11,072	13,672	10,553	-	5,539	26,621
Unrestricted	51,027	35,952	46,982	33,189	30,875	16,462	40,019	56,465	65,804	37,444
Total Net Position	\$ 633,896	\$ 653,351	\$ 683,156	\$ 701,360	\$ 734,868	\$ 755,901	\$ 748,635	\$ 728,955	\$ 694,217	\$ 642,007

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

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

Outstanding Obligations (in 000's)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue bonds, net	\$ 533,544	\$ 434,114	\$ 460,415	\$ 479,674	\$ 504,063	\$ 532,742	\$ 418,114	\$ 389,871	\$ 289,213	\$ 182,194
Loan agreements, net	137,284	210,805	229,644	193,620	206,642	209,584	219,780	152,529	159,712	147,928
Water rights contract	10,887	11,925	12,932	13,910	14,858	15,779	16,672	17,539	18,381	19,197
Lines of credit	-	-	-	103	760	3,524	-	-	-	-
Total outstanding obligations	\$ 681,715	\$ 656,844	\$ 702,991	\$ 687,307	\$ 726,323	\$ 761,629	\$ 654,566	\$ 559,939	\$ 467,306	\$ 349,319
Number of Customers <sup>(2)(3)</sup>	205,316	203,912	201,884	201,884	200,498	194,087	174,005	172,394	171,130	167,737
Average debt per customer	\$ 3,320	\$ 3,221	\$ 3,482	\$ 3,404	\$ 3,623	\$ 3,924	\$ 3,762	\$ 3,248	\$ 2,731	\$ 2,083
Estimated population <sup>(2)</sup>	566,059	560,454	554,905	554,905	549,411	543,971	538,586	533,253	530,600	525,347
Per capita debt	\$ 1,204	\$ 1,172	\$ 1,267	\$ 1,239	\$ 1,322	\$ 1,400	\$ 1,215	\$ 1,050	\$ 881	\$ 665
Per capita income <sup>(1)</sup>	\$ 34,090	\$ 33,124	\$ 34,929	\$ 34,929	\$ 34,929	\$ 35,329	\$ 35,608	\$ 34,528	\$ 33,470	\$ 31,724

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

(2) Based on calendar year, from Table 2

(3) Represents number of billed meters

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
REVENUE RATE COMPARISONS

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

Monthly Water Charges

City	Effective Date	Monthly Water Charges										
		Residential 0 cf (0 gal)	Residential 500 cf (3,740 gal)	Residential 1,000 cf (7,480 gal)	Residential 1,500 cf (11,220 gal)	Residential 3,000 cf (22,440 gal)	Non-manuf./ Commercial 3,000 cf (22,440 gal)	Commercial/ Light Industrial 50,000 cf (374,000 gal)	Commercial/ Light Industrial 50,000 cf (374,000 gal)	Industrial 1,000,000 cf (7,480,000 gal)	Industrial 1,000,000 cf (7,480,000 gal)	Industrial 1,500,000 cf (11,220,000 gal)
Albuquerque, NM	9/1/2010	\$11.41	\$18.46	\$25.51	\$32.55	\$59.23	\$54.21	\$851.06	\$19,365.64	\$19,365.64	\$33,194.79	\$33,194.79
Austin, TX	11/1/2009	6.70	13.26	23.06	41.94	134.26	110.60	1,753.17	32,090.44	32,090.44	48,858.78	48,858.78
Denver, CO	4/13/2010	4.41	11.55	18.70	26.26	69.12	70.83	1,111.45	22,145.21	22,145.21	33,215.61	33,215.61
El Paso, TX	3/1/2010	10.70	12.15	19.40	28.60	89.89	77.60	1,837.63	20,543.48	20,543.48	32,318.26	32,318.26
North Las Vegas, NV	10/1/2009	8.67	15.20	22.41	30.65	60.17	80.42	1,150.94	21,898.35	21,898.35	33,178.58	33,178.58
Oklahoma City, OK	10/1/2009	7.37	15.82	24.27	32.73	58.08	58.08	881.13	17,016.38	17,016.38	25,716.41	25,716.41
Phoenix, AZ	3/3/2009	4.64	6.49	8.34	25.99	78.94	78.94	1,742.89	35,305.49	35,305.49	42,179.74	42,179.74
San Antonio, TX	1/1/2009	6.96	16.76	26.56	37.86	85.48	73.19	1,106.28	13,166.58	13,166.58	20,056.86	20,056.86
Tulsa, OK	10/1/2009	4.20	11.31	20.79	30.27	56.34	48.86	770.26	11,040.16	11,040.16	11,653.52	11,653.52
Tucson, AZ	7/5/2010	5.87	14.07	22.27	30.47	118.22	84.37	159.24	24,427.55	24,427.55	36,826.34	36,826.34

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



**STATE COMPLIANCE AND OPERATIONAL FINDINGS**

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

The Board of Directors of the Albuquerque  
Bernalillo County Water Utility Authority  
and

Mr. Hector Balderas  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Albuquerque Bernalillo County Water Utility Authority (the "Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the Statement of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, and have issued our report thereon dated November 13, 2014.

**Internal Control Over Financial Reporting**

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2011-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-013, 2010-003, 2011-007, and 2014-001.

### **The Authority's Responses to Findings**

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

### **Purpose of this Report**

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



Albuquerque, New Mexico  
November 13, 2014

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2014**

**B — Financial Statement Findings**

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

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

*Condition:* An employee involved in the check disbursement process within the Authority has the ability to create and disburse check or electronic payments to vendors without review by someone independent of this process. This employee also has access to add vendors to the accounting system, maintains the master vendor file, and reconciles the information received from the Authority's bank showing payments that have been processed.

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

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

*Auditors' Recommendations:* The Authority should re-assign certain tasks within the accounts payable process to another individual to achieve proper segregation of duties in this area. If this is not practical for the Authority to do due to limited resources referred to above, the Authority should ensure that all payments to vendors are reviewed and approved by another individual prior to being sent to vendors.

*Management's Response:* The Authority management acknowledges the Auditor's recommendations to this finding and will evaluate internal controls over the accounts payable process. The Authority will restrict access to the master vendor file so that only one person plus a back-up can set up or change vendor records. The Authority will develop sound internal controls that require review and approval of all payments to vendors. In addition, the Authority's Finance Division is in the process of developing a reorganization plan to help streamline all processes and create better internal controls.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2014**

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

**2008-013 Controls Over Equipment Tagging (Repeated) (Findings that do not Rise to the Level of a Significant Deficiency)**

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

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

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

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

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

*Management's Response:* The Authority agrees with this finding. Although a comprehensive listing of the Authority's non-fleet assets is being maintained between its Maximo work order system and its asset management system, there is not a process to "tag" those assets. That process will necessarily involve a technological solution that the Authority currently does not possess.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2014**

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

**2010-003 Reporting Unclaimed Property (Repeated and Modified) (Findings that do not Rise to the Level of a Significant Deficiency)**

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

*Condition:* The Authority did not report unclaimed customer deposits to the State as required by the Uniform Unclaimed Property Act (1995) as of June 30, 2014.

*Cause:* The Authority reviewed unclaimed customer deposits during fiscal year 2014 to determine whether these should be escheated to the State. However, the Authority didn't actually escheat any identified items until fiscal year 2015. The Authority also hasn't developed procedures to ensure unclaimed property is reviewed and escheated to the State regularly.

*Effect:* The Authority did not comply with the Uniform Unclaimed Property Act (1995) Article SA.

*Auditors' Recommendations:* The Authority should develop procedures to require regular review of unclaimed property to ensure compliance with the Uniform Unclaimed Property Act (1995) Article SA.

*Management's Response:* The Authority concurs with this finding. As of July 2014, the Authority has established a monthly process in conjunction with the bank reconciliation, for identifying unclaimed property to include payroll, accounts payable, and customer deposits. Once an item has been identified, the required data and funds are submitted to the State of New Mexico Unclaimed Property Division. As of October 2014, all outstanding payroll and customer deposits have been escheated to the State.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2014**

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

**2011-007 Capital Assets Inventory (Repeated and Modified) (Findings that do not Rise to the Level of a Significant Deficiency)**

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

*Condition:* During fiscal year 2014, the Authority performed a physical inventory of its fleet vehicles, but a physical inventory was not performed for all machinery and equipment items.

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

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

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

*Management's Response:* The Authority concurs with this finding and recognizes that an annual physical inventory is required by State Statute. The Authority maintains a comprehensive listing of its non-fleet assets within the asset management system and the Maximo work order system which is integrated with its Geographical Information System (GIS). As these resources are developed and new technology is acquired which can be paired with the SunGard financial system, the Authority expects it will be able to do an annual physical inventory of all fleet vehicles, machinery, and equipment items and be in compliance with State Statute.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2014**

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

**2014-001 Cash Collateralization (Findings that do not Rise to the Level of a Significant Deficiency)**

*Criteria:* In accordance with Section 6-10-17, NMSA 1978, the Authority is required to collateralize an amount equal to one-half of the public money in excess of FDIC insurance coverage at each financial institution.

*Condition:* At June 30, 2014, the Authority had uninsured bank deposits of \$388,336 at Bank of America. State law requires that \$194,168 of these bank deposits be collateralized.

*Cause:* The Authority's depository bank account with Bank of America was closed in fiscal year 2013. However, the bank accepted a deposit on behalf of the Authority during fiscal year 2014 that caused a bank balance to exist at year-end.

*Effect:* The deposits were not collateralized appropriately, and the Authority was not in compliance with the cash collateralization requirements.

*Auditors' Recommendations:* Work with the Bank of America to completely close this account so that no deposits are accepted on behalf of the Authority going forward. Also ensure that collateral is in place for bank deposits in excess of \$250,000 at each financial institution.

*Management's Response:* The Authority concurs with this finding and understands the requirement to collateralize an amount equal to one-half of the public money in excess of FDIC insurance coverage required by State Statute. As of July 2014, the Bank of America bank account has been permanently closed allowing no deposits to be accepted on the Authority's behalf. All other Authority bank accounts meet State statute requirements.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended June 30, 2014**

Prior Audit Findings	Current Status
<b>Financial Statement Findings</b>	
2008-016 Bank Reconciliation Process	Resolved
2009-015 Timely Closing of General Ledger and Reconciliation of Subsidiary Ledgers	Resolved
2011-001 Accounts Payable Controls	Repeated
2013-001 New Mexico State Public Money Law Requirements	Resolved
2013-002 Workers Compensation Claims	Resolved
<b>Other Findings</b>	
2005-013 Audit Report Due Date	Resolved
2008-013 Controls over Equipment Tagging	Repeated
2009-014 Accurate and Timely Budget to Actual Information And Budget Overspending	Resolved
2010-003 Reporting Unclaimed Property	Repeated
2011-007 Capital Assets Inventory	Repeated

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF DEPOSITS AND INVESTMENTS BY FINANCIAL INSTITUTION**  
**June 30, 2014**

<u>Financial Institution:</u> <u>Account name</u>	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Outstanding (Checks) Deposits</u>	<u>Book Balance</u>
<b>Deposits:</b>				
<b>Bank of Albuquerque</b>				
Water Utility Authority Lockbox	Checking	\$ 30,772,884	\$ -	\$ 30,772,884
		<u>30,772,884</u>	<u>-</u>	<u>30,772,884</u>
<b>Wells Fargo Bank</b>				
Water Utility Authority General Fund	Checking	24,624,722	275,062	24,899,784
Water Utility Authority Accounts Payable	Checking	-	(1,420,951)	(1,420,951)
Water Utility Authority Money Market Account	Savings	62,307	-	62,307
Water Utility Authority Flex Spending Account	Checking	11,166	-	11,166
		<u>24,698,195</u>	<u>(1,145,889)</u>	<u>23,552,306</u>
<b>Bank of America</b>				
Water Utility Authority Depository	Checking	638,336	-	638,336
<b>Total cash deposit accounts</b>		<u>\$ 56,109,415</u>	<u>\$ (1,145,889)</u>	<u>\$ 54,963,526</u>

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION**

June 30, 2014

The collateral for deposit accounts is as follows:

Financial Institution Collateral Description	CUSIP Number	Original Face	Current Face	Current Market	Maturity Date
<b>Bank of Albuquerque, N.A.</b>					
FNA 2013-M7 A5Q2	3136AEGM3	\$ 1,000,000	\$ 979,825	\$ 983,690	03/26/2018
FNA 2013-M7 A5Q2	3136AEGM3	1,000,000	979,825	983,690	03/26/2018
FNA 2013-M7 A5Q2	3136AEGM3	1,000,000	979,825	983,690	03/26/2018
FNA 2013-M7 A5Q2	3136AEGM3	1,500,000	1,469,738	1,475,534	03/26/2018
FNA 2013-M7 A5Q2	3136AEGM3	3,000,000	2,939,475	2,951,069	03/26/2018
FNA 2013-M7 A5Q2	3136AEGM3	3,000,000	2,939,475	2,951,069	03/26/2018
FNA 2013-M7 A5Q2	3136AEGM3	3,000,000	2,939,475	2,951,069	03/26/2018
FNA 2013-M7 A5Q2	3136AEGM3	400,000	391,930	393,476	03/26/2018
FNA 2013-M7 A5Q2	3136AEGM3	500,000	489,913	491,845	03/26/2018
FN MA0617	3138L0VK4	2,500,000	2,500,000	2,514,301	09/01/2019
FN MA0617	3138L0VK4	5,000,000	5,000,000	5,028,602	09/01/2019
FNR 2012-101 AB	3136A75W8	1,200,000	941,905	914,264	06/25/2024
FNR 2012-101 AB	3136A75W8	2,000,000	1,569,841	1,523,774	06/25/2024
FNR 2012-101 AB	3136A75W8	3,200,000	2,511,746	2,438,038	06/25/2024
FNR 2012-101 AB	3136A75W8	2,000,000	1,569,841	1,523,774	06/25/2024
FNR 2012-101 AB	3136A75W8	2,500,000	1,962,301	1,904,718	06/25/2024
FHR 4028 U	3137APDW7	15,000,000	11,169,293	11,161,787	05/15/2026
FHR 4028 U	3137APDW7	6,250,000	4,653,872	4,650,745	05/15/2026
FHR 4032 CA	3137APHD5	2,950,000	2,084,158	2,089,133	06/15/2026
FHR 4032 CA	3137APHD5	500,000	353,247	354,090	06/15/2026
FHR 2705 LD	31394M2F6	2,000,000	409,079	415,557	03/15/2032
FHR 2705 LD	31394M2F6	5,000,000	1,022,697	1,038,892	03/15/2032
FHR 2705 LD	31394M2F6	9,700,000	1,984,032	2,015,451	03/15/2032
FNR 2010-126 PC	31398SAF0	2,000,000	464,139	476,515	11/25/2025
FNR 2010-126 PC	31398SAF0	3,000,000	696,209	714,773	11/25/2025
		<u>\$ 79,200,000</u>	<u>\$ 53,001,841</u>	<u>\$ 52,929,546</u>	

Location of collateral: Federal Home Loan Bank Topeka, KS

<b>Wells Fargo Bank, N.A.</b>					
FN MA0934	31418ABC1	\$ 31,080,000	\$ 18,299,747	\$ 19,076,700	11/01/2026
FN MA1688	31418A2W7	140,000	135,087	141,613	12/01/2033
FN AB8859	31417ETE1	395,000	358,368	355,309	01/01/2043
FN AR3856	3138W1JA6	9,435,000	8,743,985	8,669,358	02/01/2043
FN AL0959	3138EHB50	75,835,000	35,830,134	37,041,334	11/01/2041
		<u>\$ 116,885,000</u>	<u>\$ 63,367,321</u>	<u>\$ 65,284,314</u>	

Location of collateral: Bank of New York Mellon New York, NY

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**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,  
AND OTHER AGREEMENTS**

June 30, 2014

The responsible parties in all agreements are all participants

TYPE	AGREEMENT NO.	PARTICIPANTS	DESCRIPTION
JPA	CCN 2004-0692	ABCWUA, CoABQ, and Bernalillo County	City, County & Authority have right-of-way eminent domain powers
JPA	CCN- 2002-0350	ABCWUA, NM Interstate Stream Commission, and CoABQ Bio Park	Provide support for the Rio Grande silvery minnow naturalized refugium at the Albuquerque Bio Park
MOU	2015-0017	ABCWUA, National Hispanic Cultural Center	Establish the educational program RIO: "River is Ours" for the benefit of the public.
MOU	2014-0137	ABCWUA, CoABQ	The establishment of a process to reimburse residential landowners for the costs of Master Plan Facilities related to Special Assessment District 228. ABCWUA agrees to pay the City for UEC credit revenue for each residential-property owner in SAD 228 who has established a residential water and sewer service account.
JFA	2014-0106	ABCWUA, US Geological Survey of the US Department of Interior	For Water Resources Investigations to provide field and analytical work for an assessment of the potential for postwildfire debris flows in currently unburned areas of the Southwestern Jemez Mountains.
MOU	2014-0089	ABCWUA, County of Bernalillo	The County owns and maintains Rio Bravo Park and both parties agree to make certain improvements to the park by painting a mural on the block wall, which will be community based and emulate the history of the South Valley, as well as help to reduce graffiti and blight in the area.

<b>BEGINNING/ ENDING DATES OF AGREEMENT</b>	<b>TOTAL AMOUNT OF AUTHORITY SHARE</b>	<b>FY14 AMOUNT</b>	<b>AUDIT RESPONSIBILITY</b>	<b>FISCAL AGENT</b>	<b>GOVERNMENT AGENCY WHERE REPORTED REVENUES AND EXPENDITURES ARE REPORTED</b>
10/5/2001- Indefinite	N/A	\$ -	All Parties	N/A	All Parties
	Not Specified	\$ -	All Parties	N/A	All Parties
09/05/2014- 06/30/2015	\$40.00 per classroom of students attending the program.	\$ -	All Parties	N/A	All Parties
3/12/2014- 12/31/2070	\$2,652 per dwelling unit	\$ -	All Parties	N/A	All Parties
01-01/2014- 12/31/2014	\$ 30,000	\$ -	All Parties	N/A	All Parties
12/11/2013- until and unless the mural is removed	Not Specified	\$ -	All Parties	N/A	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,  
AND OTHER AGREEMENTS**

June 30, 2014

The responsible parties in all agreements are all participants

<b>TYPE</b>	<b>AGREEMENT NO.</b>	<b>PARTICIPANTS</b>	<b>DESCRIPTION</b>
MOA	2014-0038	ABCWUA, Mid-Region Council of Governments (MRCOG)	Cooperative effort for acquisition and production of high resolution natural color digital orthophotography for several counties in central New Mexico as a cooperater in the MRCOG 2014 Regional Digital Orthophotography Project.
MOU	2014-0035	ABCWUA, CoABQ	Full scope of the understanding between the Authority and the City in recognition that although each party is a fully independent entity it is mutually beneficial to continue the provision of shared services between the parties.
MOU	2014-0026	ABCWUA, Albuquerque Public Schools (APS)	Rehabilitate a ductile iron wastewater (DI) Pipe
JFA	2013-0144	ABCWUA, US Geological Survey of the US Department of Interior	Joint funding of continuing geohydrologic investigations in the Albuquerque Basin.
MOU	2013-0133	ABCWUA, NM Taxation and Revenue Department Motor Vehicle Division	To facilitate the disclosure of "personal information and "highly restricted personal information" as defined by the federal Drivers Protection Act (DPPA) by the Motor Vehicle Division to the Authority.
MOU	2013-0128	ABCWUA, NM Interstate Stream Commission	To further development and calibration of the New Mexico Interstate Stream Commission groundwater model and provide technical and economic evaluation of brackish water appropriation and use by the Authority.
MOU	2013-unknown	ABCWUA, County of Bernalillo	Joint funding of a staff person (to be hired as an Authority employee) and operating budget to support specific real estate professional assistance.

<b>BEGINNING/ ENDING DATES OF AGREEMENT</b>	<b>TOTAL AMOUNT OF AUTHORITY SHARE</b>	<b>FY14 AMOUNT</b>	<b>AUDIT RESPONSIBILITY</b>	<b>FISCAL AGENT</b>	<b>GOVERNMENT AGENCY WHERE REPORTED REVENUES AND EXPENDITURES ARE REPORTED</b>
10/15/2013- Completion of Project	\$ 10,000	\$ -	All Parties	N/A	All Parties
07/01/2013- 06/30/2018	\$ -	\$ -	All Parties	N/A	All Parties
06/20/2013- 06/20/2023	Not Specified	\$ -	All Parties	N/A	All Parties
07/01/2013- 6/18/2018	\$ 1,536,378	\$ -	All Parties	N/A	All Parties
06/11/2013- 12/31/2028	N/A	\$ -	All Parties	N/A	All Parties
05/08/2013- 12/31/2070	\$ 50,000	\$ -	All Parties	N/A	All Parties
05/20/2013- until terminated by all parties	\$50.00 per hour	\$ -	All Parties	N/A	All Parties



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,  
AND OTHER AGREEMENTS**

**June 30, 2014**

**The responsible parties in all agreements are all participants**

<b>TYPE</b>	<b>AGREEMENT NO.</b>	<b>PARTICIPANTS</b>	<b>DESCRIPTION</b>
MOU	2013-0070	ABCWUA, County of Bernalillo	Bernalillo County owns and maintains Rio Bravo Park at 3902 Isleta Blvd SW adjacent to a pump station operated by the Authority. The Authority and Bernalillo County agree to place a transportable mural on the block wall separating the two properties. The County is responsible for major maintenance and the County and the Authority are responsible for daily maintenance.
MOA	2013-0069	ABCWUA, Department of Air Force, Kirtland Air Force Base	The Authority and KAFB will jointly support the development of contingency plans for maintaining the safety of drinking water supplies potentially placed at risk by groundwater contamination associated with the Kirtland Bulk Fuels site.
MOU	2013-0030	ABCWUA, County of Bernalillo	Pilot loan program to connect County residents to available water services. The loan based program is called CONNECT. This program will be run parallel and in conjunction with the PIPE program with the County.
MOU	2012-0020	ABCWUA, CoABQ	Requires the City Fire Department and the Authority to perform various inspection and maintenance services on public fire hydrants and the Authority will map in its GIS system all public and private fire hydrants.
MOA	2012-0015	ABCWUA, CoABQ, Nob Hill Main Street, and Robert Strell	Operation and maintenance of a community garden free of charge for Nob Hill residents on property owned by Robert Strell whereby Nob Hill Main Street will make all improvements and pay the ongoing utilities, the City of Albuquerque will pay the UEC charge and the Authority will establish an irrigation only account and will establish an annual irrigation water budget that Nob Hill Main Street and Robert Strell agree to comply with.

<u>BEGINNING/ ENDING DATES OF AGREEMENT</u>	<u>TOTAL AMOUNT OF AUTHORITY SHARE</u>	<u>FY14 AMOUNT</u>	<u>AUDIT RESPONSIBILITY</u>	<u>FISCAL AGENT</u>	<u>GOVERNMENT AGENCY WHERE REPORTED REVENUES AND EXPENDITURES ARE REPORTED</u>
12/17/2012- upon 90 days of written notice	N/A	\$ -	All Parties	N/A	All Parties
12/1/2012- 11/30/2013	N/A	\$ -	All Parties	N/A	All Parties
09/04/2012- 09/04/2016	N/A	\$ -	All Parties	N/A	All Parties
08/10/2011- 08/10/2016	N/A	\$ -	All Parties	N/A	All Parties
07/19/2011 - upon 30 days of written notice	N/A	\$ -	All Parties	N/A	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,  
AND OTHER AGREEMENTS**

June 30, 2014

The responsible parties in all agreements are all participants

<u>TYPE</u>	<u>AGREEMENT NO.</u>	<u>PARTICIPANTS</u>	<u>DESCRIPTION</u>
MOU	2012-0006	ABCWUA, Department of Air Force, Kirtland Air Force Base	Kirtland agrees to provide chipped clean green waste to the Soil Amendment Facility in exchange for screened biosolids compost material. The rate will be 3 tons of green waste from Kirtland for 1 ton of compost material from the Authority.
MOU	2011-0111	ABCWUA, CoABQ	Use of non-potable water from storage tank at the Metropolitan Detention Center for dust control at the Cerro Colorado landfill operated by the City Solid Waste Department.
MOU	2011-0065	ABCWUA, County of Bernalillo	Joint funding of a staff person (to be hired as an Authority employee) and operating budget to support the Water Protection Advisory Board.
MOU	2011-0060	ABCWUA, Village of Tijeras	The Authority may at its sole discretion grant return flow credits approved by the State Engineer to the Village and the Village agrees to undertake efforts to ensure that there are no unauthorized connections to the Authority's wastewater collection system by Village water customers.
MOU	2010-0151	ABCWUA, Pajarito Mesa Mutual Domestic Water Consumer Association (PMMDWCA)	As amended, the Authority has constructed a drinking water fill station and agrees to charge PMDWCA the wholesale water rate and PMDWC agrees to be responsible for billing its customers and making remittance to the Authority and operate and maintain the water filling station.

<u>BEGINNING/ ENDING DATES OF AGREEMENT</u>	<u>TOTAL AMOUNT OF AUTHORITY SHARE</u>	<u>FY14 AMOUNT</u>	<u>AUDIT RESPONSIBILITY</u>	<u>FISCAL AGENT</u>	<u>GOVERNMENT AGENCY FOR REPORTED REVENUES AND EXPENDITURES ARE REPORTED</u>
09/07/2011- 07/31/2016	N/A	\$ -	All Parties	N/A	All Parties
05/02/2011- 12/31/2060	N/A	\$ -	All Parties	N/A	All Parties
12/16/2010- until terminated by all parties	\$50,000 per year	\$ 50,000	All Parties	N/A	All Parties
12/13/2010- 12/13/2015	N/A	\$ -	All Parties	N/A	All Parties
01/05/2010- 06/30/2019 or until all parties agree to terminate.	N/A	\$ -	All Parties	N/A	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
 JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,  
 AND OTHER AGREEMENTS**

June 30, 2014

The responsible parties in all agreements are all participants

<u>TYPE</u>	<u>AGREEMENT NO.</u>	<u>PARTICIPANTS</u>	<u>DESCRIPTION</u>
MOU	2010-0090.1	ABCWUA, County of Bernalillo	Allows for the design and construction of an additional water transmission line from the new Cordero reservoir to the existing reservoir serving the Metropolitan Detention Center for which the County agrees to pay all costs and stipulates this new line shall not be used to provide service for existing or future development.
MOU	2010-0090	ABCWUA, County of Bernalillo	Expansion of water capacity in Cordero Mesa Business Park through County managed and paid for facility construction and for which the Authority agrees to extend the water system to the project area and connect to the system.
MOU	2009-0141	ABCWUA, County of Bernalillo	Long term extension of the jointly funded Partners in Improving and Protecting the Environment (PIPE) program which provides low and moderate income water and sewer connection assistance within the Authority service area.
MOA	2009-0106	ABCWUA, NM Water/Wastewater Agency Response Network (NMWARN)	Participation in the New Mexico Mutual Aid and Assistance Agreement Water/Wastewater Agency Response Network (NMWARN) whereby mutual aid and assistance activities are conducted under the New Mexico Intrastate Mutual Aid and Assistance Program and the Interstate Emergency Management Assistance Compact.

<u>BEGINNING/ ENDING DATES OF AGREEMENT</u>	<u>TOTAL AMOUNT OF AUTHORITY SHARE</u>	<u>FY14 AMOUNT</u>	<u>AUDIT RESPONSIBILITY</u>	<u>FISCAL AGENT</u>	<u>GOVERNMENT AGENCY FOR REPORTED REVENUES AND EXPENDITURES ARE REPORTED</u>
09/30/2010- until terminated by all parties	N/A	\$ -	All Parties	N/A	All Parties
12/03/2009- 12/31/2025 or until terminated by all parties	N/A	\$ -	All Parties	N/A	All Parties
06/09/2009- 06/30/2050 or 30 days notice	Not Specified	\$ -	All Parties	N/A	All Parties
03/10/2009- 12/31/2050	N/A	\$ -	All Parties	N/A	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,**  
**AND OTHER AGREEMENTS**

June 30, 2014

The responsible parties in all agreements are all participants

TYPE	AGREEMENT NO.	PARTICIPANTS	DESCRIPTION
MOU	2009-0018	ABCWUA, City of Rio Rancho	Authority agrees to provide water and wastewater services to the 11,000 acres within Bernalillo County annexed by the City of Rio Rancho and the City of Rio Rancho agrees not to extend its own water and wastewater services to this area, which was done in contemplation of a successful condemnation of New Mexico Utilities Inc. (NMUI) by the Authority which in fact was accomplished by the Authority's acquisition of NMUI.
MOU	2008-0151	ABCWUA, CoABQ Office of Emergency Management	Allows the use of the Authority's facilities at Pino Yards on a no notice basis an alternate emergency operations facility is unavailable.
MOU	2008-0076	Albuquerque Bernalillo County Water Utility Authority (ABCWUA), City of Albuquerque (CoABQ), and the County of Bernalillo	City, County & Authority have right-of-way eminent domain powers.
MOU	2008-0076	ABCWUA, CoABQ Parks & Recreation Department	Landscaping and irrigation system improvements to be made by the Authority along Campbell Road and the Rio Grande Compound made necessary by damages from the San Juan Chama drinking water project and the Parks and Recreation Department agreement to provide yearly maintenance of such improvements.
MOU	2008-0046	ABCWUA, CoABQ Fire Department	The City will paint up to 3,187 fire hydrants per year at a cost of \$8 per hydrant for an annual cost to ABCWUA not to exceed \$25,500.

<u>BEGINNING/ ENDING DATES OF AGREEMENT</u>	<u>TOTAL AMOUNT OF AUTHORITY SHARE</u>	<u>FY14 AMOUNT</u>	<u>AUDIT RESPONSIBILITY</u>	<u>FISCAL AGENT</u>	<u>GOVERNMENT AGENCY FOR REPORTED REVENUES AND EXPENDITURES ARE REPORTED</u>
09/05/2008- Perpetual	N/A	\$ -	All Parties	N/A	All Parties
04/30/2008- 12/31/2050	N/A	\$ -	All Parties	N/A	All Parties
09/22/2004- Indefinite	N/A	\$ -	All Parties	N/A	All Parties
12/06/2007- 12/31/2050	\$ 103,530	\$ -	All Parties	N/A	All Parties
08/10/2007- 12/31/2050	\$ 25,500	\$ -	All Parties	N/A	All Parties



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**EXIT CONFERENCE**  
**June 30, 2014**

An exit conference was held on November 12, 2014, and attended by the following:

**AUTHORITY PERSONNEL:**

Maggie Hart Stebbins  
Vice-Chair, Water Authority Board

Art De La Cruz  
Water Authority Board

Mark Sanchez  
Executive Director

Stanley Allred  
Chief Financial Officer

Cliff Wintrode  
Accounting Officer

Marta J. Ortiz  
Accounting Officer

**REDW LLC:**

James Montoya  
Principal

Joshua Trujillo  
Senior Manager