





Buckman Direct Diversion

*A joint regional project of the City of Santa Fe and Santa Fe County to build a reliable and sustainable water supply.*

## Memorandum

**Date:** November 5, 2015  
**To:** Buckman Direct Diversion Board  
**From:** Mackie Romero, BDD Financial Manager 

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### Item and Issue:

Presentation of completed “Financial Statements with accompanying Independent Auditor’s Reports” for Buckman Direct Diversion Facilities Operations as of fiscal year ended June 30, 2012, June 30, 2013 and June 30, 2014.

### Background and Summary:

Under the Project Management and Fiscal Service Agreement (PMFSA) Article 7. Fiscal Agent Responsibilities, item 6 states:

“with 90 days after the end of each fiscal year, provide copies of financial statements to the City, County and Las Campanas, showing the assets, liabilities, revenue, expenses, equity balances and budget comparisons for the Project Fund on an annual basis for the prior fiscal year in accordance with GAAP and GASB, complete the Management’s Discussion and Analysis (MDA) for the annual report, and provide upon request, a monthly general ledger report but may recommend that its auditors produce the financial statements, dependent on staff available and the complexity of the report requirements”

On April 24, 2014 a report of independent certified accountants was issued by Atkinson & Co. LTD for the Capital Construction of the Buckman Direct Diversion Project. The capital asset was then transferred to the Buckman Direct Diversion Operating Fund.

On June 17, 2015 a report of independent certified accountants was issued by Accounting and Consulting Group, LLP for the operations of the facility as of June 30, 2012, June 30, 2013 and June 30, 2014.

The Buckman Direct Diversion uses three funds types to account for its fiscal activities, below is a description and summary of account balances at the end of each fiscal year as detailed in the accompanying Financial Statement.



- ❖ Enterprise Fund – BDD Operating Fund
- ❖ Capital Projects Fund – Habitat Restoration Project and BS 2A Solar Project
- ❖ Agency Fund – Emergency Reserve Fund and Major Repair and Replacement Fund

**Major Enterprise Fund at June 30, 2012**

- The *Buckman Direct Diversion Project Operations Enterprise Fund* which is used to account for the operations of the Buckman Direct Diversion facilities and reimbursement from user partners.

**Fiscal Year Ended June 30, 2012**

(Budgetary Basis - Cash)

Revenue	Approved Budget	Actuals	Variance (Unfavorable)
City of Santa Fe	6,751,484	4,253,304	(2,498,180)
Santa Fe County	1,852,362	1,195,865	(656,497)
Las Campanas	264,556	139,240	(125,316)
<b>Total Revenue</b>	<b>8,868,402</b>	<b>5,588,409</b>	<b>(3,279,993)</b>
<b>Operating Expenses</b>			
Personnel Services	3,515,552	2,908,303	607,249
Electricity	2,064,681	1,119,890	944,791
Chemicals	625,934	180,193	445,741
Solids	567,830	64,295	503,535
Materials & Supplies	576,790	388,828	187,962
Other Operating Costs	1,369,822	839,694	530,128
Fiscal Agent Fee	147,793	87,206	60,587
<b>Total Operating Expenses</b>	<b>8,868,402</b>	<b>5,588,409</b>	<b>3,279,993</b>

**Partner Credit Balances at June 30, 2012**

	City of Santa Fe	Santa Fe County	Las Campanas Entities	Totals
Payments from Partners	6,231,775	1,215,322	75,968	7,523,064
Less Operating Expenses	(4,253,304)	(1,195,865)	(139,240)	(5,588,409)
<b>Due to BDD Operating Fund</b>			<b>(63,272)</b>	
<b>Partner Credit Balances</b>	<b>1,978,471</b>	<b>19,457</b>		<b>1,934,655</b>

\*Partner payments were based on prebillings in accordance with the approved budget, revenue was recognized based on operating expenses thru final invoices, any excess receipts over invoiced amounts are recorded as Partner Credit Balances.

**Major Enterprise Fund at June 30, 2013**

**Fiscal Year Ended June 30, 2013**

(Budgetary Basis - Cash)

<b>Revenue</b>	<b>Approved Budget</b>	<b>Actuals</b>	<b>Variance (Unfavorable)</b>
City of Santa Fe	6,232,891	4,414,535	(1,818,356)
Santa Fe County	1,896,427	1,154,368	(742,059)
Las Campanas	335,194	108,112	(227,082)
<b>Total Revenue</b>	<b>8,464,512</b>	<b>5,677,015</b>	<b>(2,787,497)</b>
<b>Operating Expenses</b>			
Personnel Services	3,602,092	2,615,313	986,779
Electricity	1,443,961	1,466,412	(22,451)
Chemicals	478,245	233,658	244,587
Solids	211,462	37,990	173,472
Materials & Supplies	903,619	408,290	495,329
Other Operating Costs	1,682,379	832,134	850,245
Fiscal Agent Fee	142,754	83,218	59,536
<b>Total Operating Expenses</b>	<b>8,464,512</b>	<b>5,677,015</b>	<b>2,787,497</b>

**Partner Credit Balances at June 30, 2013**

	<b>City of Santa Fe</b>	<b>Santa Fe County</b>	<b>Las Campanas Entities</b>	<b>Totals</b>
Carryover from prior year	1,978,471	19,457	(63,272)	1,934,655
Payments from Partners	3,181,133	1,102,119	201,708	4,484,960
Less Operating Expenses	<u>(4,414,535)</u>	<u>(1,154,368)</u>	<u>(108,112)</u>	<u>(5,677,015)</u>
<b>Due to BDD Operating Fund</b>		<b><u>(32,793)</u></b>		
<b>Partner Credit Balances</b>	<b><u>745,069</u></b>		<b><u>30,323</u></b>	<b><u>742,600</u></b>

\*Partner payments were based on prebillings in accordance with the approved budget, revenue was recognized based on operating expenses thru final invoices, any excess receipts over invoiced amounts are recorded as Partner Credit Balances.

**Major Enterprise Fund at June 30, 2014**

**Fiscal Year Ended June 30, 2014**

(Budgetary Basis - Cash)

<b>Revenue</b>	<b>Approved Budget</b>	<b>Actuals</b>	<b>Variance</b>
City of Santa Fe	5,212,742	4,294,715	(918,027)
Santa Fe County	1,482,169	1,384,797	(97,372)
Las Campanas	342,692	213,502	(129,190)
PNM Solar Rebates	-	202,919	202,919
<b>Total Revenue</b>	<b>7,037,603</b>	<b>6,095,933</b>	<b>(941,670)</b>
<b>Operating Expenses</b>			
Personnel Services	2,706,248	2,568,197	138,051
Electricity	1,361,255	1,236,534	124,721
Chemicals	327,283	179,934	147,349
Solids	121,800	118,129	3,671
Materials & Supplies	764,029	883,325	(119,296)
Other Operating Costs	1,687,307	1,040,135	647,172
Fiscal Agent Fee	69,681	69,679	2
<b>Total Operating Expenses</b>	<b>7,037,603</b>	<b>6,095,933</b>	<b>941,670</b>

**Partner's Credit Balances at June 30, 2014**

	<b>City of Santa Fe</b>	<b>Santa Fe County</b>	<b>Las Campanas Entities</b>	<b>Totals</b>
Carryover from prior year	745,069	(32,793)	30,323	742,599
Payments from Partners	4,781,853	2,037,886	266,755	7,086,495
Less Reimbursements	(4,294,723)	(1,384,795)	(213,493)	(5,893,011)
<b>Partner Credit Balances</b>	<b>1,232,199</b>	<b>620,298</b>	<b>83,585</b>	<b>1,936,083</b>

\*Partner payments were based on prebillings in accordance with the approved budget, revenue was recognized based on operating expenses thru final invoices, any excess receipts over invoiced amounts are recorded as Partner Credit Balances.

- The **Capital Projects Fund** is used to account for disbursement of specific contribution or reimbursements from user partner for committed resources or construction of capital assets.
  - Habitat Restoration Project (Carve-out budget expenses)
  - Capital construction of Booster Station 2A Solar Array

**Fiscal Year Ended**  
(Budgetary Basis - Cash) - Cummulative

Revenue	Approved				Cummulative
	Budget	June 30, 2012	June 30, 2013	June 30, 2014	Variance
City of Santa Fe	3,266,508	192,215	226,524	2,607,792	(239,977)
Santa Fe County	3,266,508	192,215	226,524	2,607,792	(239,977)
Las Campanas	75,756	19,764	17,323	26,378	(12,291)
<b>Total Revenue</b>	<b>6,608,772</b>	<b>404,194</b>	<b>470,371</b>	<b>5,241,962</b>	<b>(492,245)</b>
<b>Operating Expenses</b>					
Habitat Restoration	1,558,772	404,194	356,449	542,755	255,374
Capital Outlay (FY13)	5,050,000	-	113,922	4,699,207	236,871
<b>Total Operating Expenses</b>	<b>6,608,772</b>	<b>404,194</b>	<b>470,371</b>	<b>5,241,962</b>	<b>492,245</b>

Capital Outlay - Buckman's Solar Project was completed in July 2014 and capitalized in the 2015 fiscal year.  
Habitat Restoration- Project funds continue to be budgeted, estimated completion date is June 30, 2016

- **Fiduciary Funds** are used to account for partner contributions to Buckman's agency funds which are purely custodial and are held in trust for the partners until it is needed for emergencies or repairs.
  - The Emergency Reserve Fund
  - The Major Repair and Replacement Fund

**Agency Fund Balance**  
**at Fiscal Year Ended**

Deposits held in trust	Emergency Reserve Fund			Cummulative
	June 30, 2012	June 30, 2013	June 30, 2014	Balance
City of Santa Fe	272,155	653,172	382,038	1,307,365
Santa Fe County	89,575	228,190	148,887	466,652
Las Campanas Entities	54,940	118,646	53,977	227,563
<b>Emergency Reserve Fund Balance</b>	<b>416,670</b>	<b>1,000,008</b>	<b>584,902</b>	<b>2,001,580</b>

Deposits held in trust	Major Repair & Replacement Fund			Cummulative
	June 30, 2012	June 30, 2013	June 30, 2014	Balance
City of Santa Fe	121,600	291,840	170,696	584,136
Santa Fe County	40,335	99,113	60,681	200,129
Las Campanas Entities	9,658	20,851	9,556	40,065
<b>Major Repair &amp; Replacement Fund</b>	<b>171,593</b>	<b>411,804</b>	<b>240,933</b>	<b>824,330</b>

The Buckman Direct Diversion received two findings as stated in the Financial Statements.

- FS 2011-001 Late Completion of Audit Report
- FS 2012-001 Project-Wide Cost Allocation to Partners

BDD will continue to work closely with our partners and our fiscal agent, the City of Santa Fe to ensure all financial activities have been reconciled and are ready for review within the approved budgets and protocols established by the Project Management and Fiscal Service Agreement (PMFSA). All cost sharing principles will be reviewed annually by the partners and approved by the BDD Board.

The BDD has been in operations for four years and as our operations continues to grow and evolve, staff will continue to ensure policies, accounting practices and procedures are efficient and effective, as we strive to provide full transparency to our BDD Board, our partners and our community.

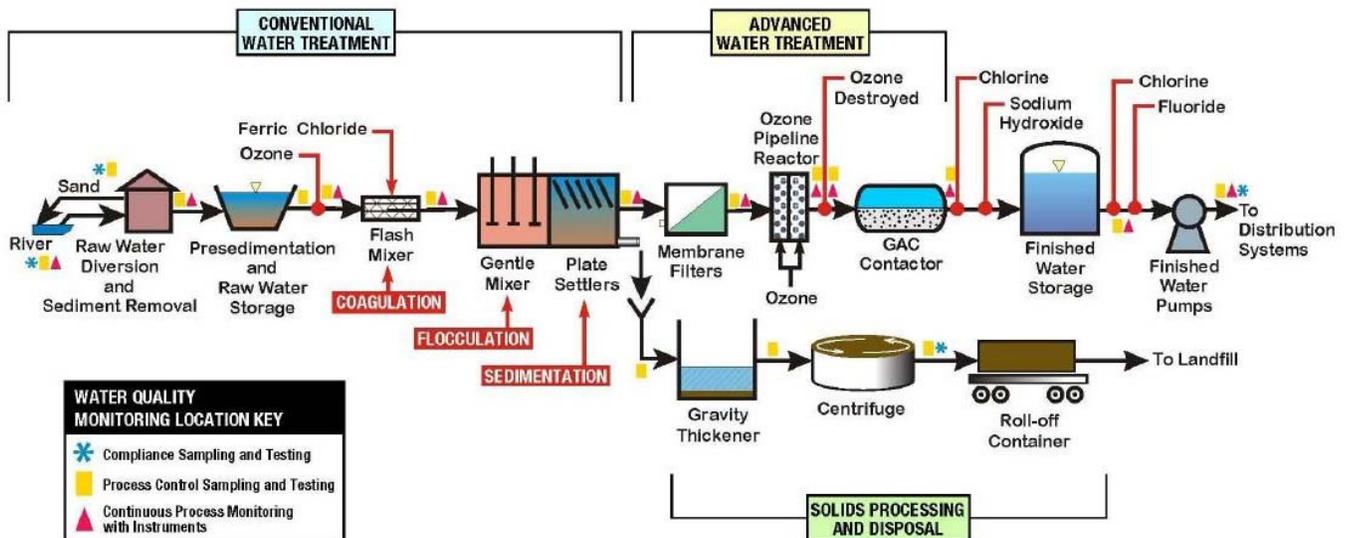
BDD staff would like to thank all of those involved, as this has been a major achievement of the Buckman Direct Diversion and its Fiscal Agent, the City of Santa Fe. The Financial Statements and Report of Independent Certified Public Accountants are available on our website.



# Buckman Direct Diversion

## Buckman Direct Diversion Project Water Treatment Facility Operations Financial Statements With Accompanying Independent Auditors' Reports

Year Ended June 30, 2012



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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
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 June 30, 2012

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**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Directory of Officials  
June 30, 2012

<u><b>Name</b></u>	<u><b>Board Members</b></u>	<u><b>Title</b></u>
Kathy Holian		Commissioner, Santa Fe County
Carmichael Dominguez		Councilor, City of Santa Fe
Liz Stefancis		Commissioner, Santa Fe County
Chris Calvert		Councilor, City of Santa Fe
Consuelo Bokum		At-Large Member

**Fiscal Agent Administration**

Dr. Melville Morgan	Finance Director, City of Santa Fe
Teresita Garcia	Assistant Finance Director, City of Santa Fe
Erica Martinez	Senior Financial Analyst, City of Santa Fe

**Buckman Administration**

Robert Mulvey	Facility Manager, Buckman
Brian Shelton	Fiscal Manager & Business Administrator, Buckman

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**FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board Members  
Santa Fe County  
City of Santa Fe  
Las Campanas  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman) as of and for the year ended June 30, 2012, which collectively comprise Buckman's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison of the major capital projects fund and proprietary fund, presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of Buckman's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Buckman as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the capital projects fund and the proprietary fund of Buckman for the year ended June 30, 2012 in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015 on our consideration of Buckman'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and budgetary comparisons. The accompanying financial information listed as Schedules I and II in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Buckman. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, NM  
June 17, 2015

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## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Net Position  
 June 30, 2012

Exhibit A-1

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets			
Cash, investments, and cash equivalents	\$ -	\$ 2,640,663	\$ 2,640,663
Partner's accounts receivable			
City of Santa Fe	192,215	-	192,215
Santa Fe County	192,215	-	192,215
Las Campanas	-	63,273	63,273
Accrued interest receivable	-	3,479	3,479
Chemical inventory	-	111,829	111,829
Total current assets	<u>384,430</u>	<u>2,819,244</u>	<u>3,203,674</u>
Noncurrent assets			
Capital assets	-	225,957,467	225,957,467
Accumulated depreciation	-	(4,570,595)	(4,570,595)
Total noncurrent assets	<u>-</u>	<u>221,386,872</u>	<u>221,386,872</u>
 Total assets	 <u>\$ 384,430</u>	 <u>\$ 224,206,116</u>	 <u>\$ 224,590,546</u>
<b>Liabilities</b>			
Current liabilities			
Cash overdraft	\$ 363,635	\$ -	\$ 363,635
Partner's credit balances			
City of Santa Fe	-	1,978,472	1,978,472
Santa Fe County	-	19,457	19,457
Las Campanas	20,795	-	20,795
Accounts payable	-	419,402	419,402
Accrued payroll	-	45,380	45,380
Compensated absences	-	105,673	105,673
Total current liabilities	<u>384,430</u>	<u>2,568,384</u>	<u>2,952,814</u>
 Total liabilities	 <u>384,430</u>	 <u>2,568,384</u>	 <u>2,952,814</u>
<b>Net Position</b>			
Net investment in capital assets	-	221,386,872	221,386,872
Unrestricted	-	250,860	250,860
 Total net position	 <u>-</u>	 <u>221,637,732</u>	 <u>221,637,732</u>
 Total liabilities and net position	 <u>\$ 384,430</u>	 <u>\$ 224,206,116</u>	 <u>\$ 224,590,546</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Statement of Activities  
 Water Treatment Facility Operations  
 For the Year Ended June 30, 2012

Exhibit A-2

	Governmental Activities	Business-type Activities	Total
<b>Program expenses:</b>			
Buckman Direct Diversion Project Operations	\$ -	\$ 10,181,765	\$ 10,181,765
Habitat restoration and compliance	404,194	-	404,194
<b>Total program expenses</b>	<b>404,194</b>	<b>10,181,765</b>	<b>10,585,959</b>
<b>Program Revenues:</b>			
Reimbursements			
City of Santa Fe	192,215	4,253,304	4,445,519
Santa Fe County	192,215	1,195,865	1,388,080
Las Campanas	19,764	139,240	159,004
PNM solar rebates	-	235,405	235,405
<b>Total program revenues</b>	<b>404,194</b>	<b>5,823,814</b>	<b>6,228,008</b>
<i>Net program (expense)</i>	-	(4,357,951)	(4,357,951)
<b>General Revenues:</b>			
Investment income	-	14,184	14,184
<b>Total general revenues</b>	<b>-</b>	<b>14,184</b>	<b>14,184</b>
Speical Item-Transfer of Buckman Direct Diversion Project Facilities and Capital Assets (See note 7)	-	225,944,230	225,944,230
Change in net position	-	221,600,463	221,600,463
Net position, beginning	-	37,269	37,269
Net position, ending	\$ -	\$ 221,637,732	\$ 221,637,732

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Balance Sheet  
 Governmental Funds  
 June 30, 2012

Exhibit B-1

	<u>Capital Projects Fund</u>
<b>ASSETS</b>	
Partner's accounts receivable	
City of Santa Fe	\$ 192,215
Santa Fe County	<u>192,215</u>
 <i>Total assets</i>	 <u><u>\$ 384,430</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
<i>Liabilities</i>	
Partner's credit balances	
Las Campanas	\$ 20,795
Cash overdraft	<u>363,635</u>
 <i>Total liabilities</i>	 <u>384,430</u>
 <i>Fund balances</i>	
Spendable:	
Committed	<u>-</u>
 <i>Total fund balances</i>	 <u>-</u>
 <i>Total liabilities and fund balances</i>	 <u><u>\$ 384,430</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2012

	<u>Capital Projects Fund</u>
<b>REVENUES</b>	
Reimbursements	
City of Santa Fe	\$ 192,215
Santa Fe County	192,215
Las Campanas	<u>19,764</u>
<i>Total revenues</i>	<u>404,194</u>
<b>EXPENDITURES</b>	
Habitat restoration and compliance	<u>404,194</u>
<i>Total expenditures</i>	<u>404,194</u>
<i>Net change in fund balance</i>	-
<i>Fund balance - beginning of year</i>	<u>-</u>
<i>Fund balance - end of year</i>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Net Position  
 Buckman Direct Diversion Project Operations Enterprise Fund  
 June 30, 2012

Exhibit C-1

**Assets**

*Current assets*

Cash, investments, and cash equivalents	\$	2,640,663
Partner's accounts receivable		
Las Campanas		63,273
Accrued interest receivable		3,479
Chemical inventory		111,829
<i>Total current assets</i>		2,819,244

*Noncurrent assets*

Capital assets		225,957,467
Accumulated depreciation		(4,570,595)
<i>Total noncurrent assets</i>		221,386,872

*Total assets*

\$ 224,206,116

**Liabilities and net position**

*Current liabilities*

Partner's credit balances		
City of Santa Fe	\$	1,978,472
Santa Fe County		19,457
Accounts payable		419,402
Accrued wages payable		45,380
Compensated absences		105,673
<i>Total current liabilities</i>		2,568,384

*Total liabilities*

2,568,384

*Net position*

Net investment in capital assets		221,386,872
Unrestricted		250,860
<i>Total net position</i>		221,637,732

*Total net position*

221,637,732

*Total liabilities and net position*

\$ 224,206,116

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Revenues, Expenses and Changes in Net Position  
 Buckman Direct Diversion Project Operations Enterprise Fund  
 For the Year Ended June 30, 2012

Exhibit C-2

<i>Operating revenues</i>	
Reimbursements	
City of Santa Fe	\$ 4,253,304
Santa Fe County	1,195,865
Las Campanas	139,240
PNM solar rebates	235,405
<i>Total operating revenues</i>	<u>5,823,814</u>
 <i>Operating expenses</i>	
Personnel costs	2,936,406
Depreciation	4,570,595
Electricity	1,119,890
Chemicals	180,193
Solids	64,295
Materials and supplies	383,486
Contractual services	555,063
Fiscal agent fee	87,206
Uniforms	22,591
Software	30,779
Gas	17,526
Insurance	182,033
Training and subscriptions	13,183
Communication	18,519
<i>Total operating expenses</i>	<u>10,181,765</u>
<i>Operating loss</i>	<u>(4,357,951)</u>
 <i>Non-operating revenues (expenses)</i>	
Investment income	14,184
<i>Total non-operating revenues (expenses)</i>	14,184
<i>(Loss) before special item</i>	<u>(4,343,767)</u>
Special Item-Transfer of Buckman Direct Diversion Project Facilities and Capital Assets (See note 6)	<u>225,944,230</u>
<i>Change in net position</i>	221,600,463
<i>Total net position - beginning of year</i>	<u>37,269</u>
<i>Total net position, end of year</i>	<u>\$ 221,637,732</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Cash Flows  
 Buckman Direct Diversion Project Operations Enterprise Fund  
 For the Year Ended June 30, 2012

<i>Cash flows from operating activities</i>	
Cash received from partners and PNM	\$ 8,333,022
Cash paid to suppliers for goods and services	(2,755,184)
Cash paid to employees for services	(2,942,539)
	<u>2,635,299</u>
 <i>Net cash provided by operating activities</i>	
 <i>Cash flows from capital and financing activities</i>	
Acquisition and construction of capital assets	(5,340)
	<u>(5,340)</u>
 <i>Net cash used by capital and financing activities</i>	
 <i>Cash flows from investing activities</i>	
Investment income	10,704
	<u>10,704</u>
 <i>Net cash provided by investing activities</i>	
 <i>Net increase in cash, investments, and cash equivalents</i>	
	2,640,663
 <i>Cash, investments, and cash equivalents - beginning of year</i>	
	<u>-</u>
 <i>Cash, investments, and cash equivalents - end of year</i>	
	<u>\$ 2,640,663</u>

The accompanying notes are an integral part of these financial statements

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

Operating loss	\$ (4,357,951)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	4,570,595
Changes in assets and liabilities:	
Decrease in partner's accounts receivable	511,279
Increase in partner's credit balances	1,997,929
Increase in chemical inventory	(111,829)
Decrease in overdraft	(189,122)
Increase in accounts payable	220,531
Decrease in accrued wages and compensated absences	<u>(6,133)</u>
Total changes in assets and liabilities	2,422,655
Net cash provided by operating activities	<u><u>\$ 2,635,299</u></u>

Supplemental noncash disclosure item:

At the beginning of fiscal year 2012 \$225,944,230 in capital assets was transferred to the Buckman Operations Fund (see Note 6 for more information).

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**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2012

	Emergency Fund	Major Repair and Replacement Fund	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 416,670	\$ 171,593	\$ 588,263
<i>Total assets</i>	<u>\$ 416,670</u>	<u>\$ 171,593</u>	<u>\$ 588,263</u>
<i>Liabilities</i>			
Deposits held in trust for partners			
City of Santa Fe	\$ 272,155	\$ 121,600	\$ 393,755
Santa Fe County	89,575	40,335	129,910
Las Campanas	54,940	9,658	64,598
<i>Total liabilities</i>	<u>\$ 416,670</u>	<u>\$ 171,593</u>	<u>\$ 588,263</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2012

**NOTE 1. Organization**

Under a joint powers agreement for the Buckman Direct Diversion Project dated January 11, 2005 (JPA), the City of Santa Fe (City) joined Santa Fe County (County) to design and construct the Buckman Direct Diversion Project in order to divert surface water from the Rio Grande River to the independent water systems of the City and County to reduce reliance on over-taxed ground water resources. Operations of the Buckman Direct Diversion Water Treatment Facility (Buckman) commenced May 15, 2011. The Buckman site is located 15 miles northwest of Santa Fe, approximately 3 miles downstream from where Route 3 crosses the Rio Grande River at the Otowi Bridge. Buckman is considered under the provisions of the Joint Powers Act to be an entity separate from the individual parties named in the JPA as prescribed by State Statute Section II I-5(B) NMSA 1978. The City and County each own 50% of the diversion facilities of Buckman and have established a board to oversee the planning, procurement, financing, permitting, design, and construction of the Buckman Direct Diversion Project as well as the operations and management of Buckman. The Board is comprised of two members of the governing body of the City of Santa Fe, two members of the governing body of Santa Fe County Commissioners, and one citizen member at large appointed by a majority vote of the four other members. Other project participants include Las Campanas Limited Partnership, who retains no ownership interest in Buckman but pays for its proportional share of that system (diversion structure, sediment pond, and related infrastructure) it actually uses. The City of Santa Fe, Santa Fe County, and Las Campanas Limited Partnership are referred to in these financial statements as the user partners. Buckman Direct Diversion Project is jointly owned by the City of Santa Fe and the County of Santa Fe. Construction of the facility was completed in December 2010 and the project was completed under the terms of the construction contract on May 15, 2011 which is the approximate date upon which operations commenced.

**NOTE 2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of Buckman is presented to assist in the understanding of the Buckman's financial statements. The financial statements and notes are the representation of the Buckman's management who is responsible for their integrity and objectivity. The financial statement of Buckman have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the year ended June 30, 2012, Buckman early adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. Buckman does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

The more significant of Buckman's accounting policies are described below.

**A. Financial Reporting Entity**

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define Buckman, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 as amended by No. 39 and No 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2012

**NOTE 2. Summary of Significant Accounting Policies (continued)**

***A. Financial Reporting Entity (continued)***

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, Buckman does not have any component units required to be reported under GASB Statements No. 14, No. 39 and No. 61.

***B. Government-wide and fund financial statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services provided.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. Buckman's Net Position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2012

**NOTE 2. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting and financial statement presentation-(continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Program revenues included in the Statement of Activities are derived from reimbursements for the user partners. Program revenues reduce the cost of the function to be financed from Buckman's general revenues.

Buckman reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable within a function. Buckman does not currently employ indirect cost allocation systems. Depreciation expenses are specifically identified by function and included in the direct expense of each function.

Reimbursements from the user partners are recognized as revenue each month based on the monthly expenditures that have been incurred. A prebilling precedes the month of billing on an estimated basis for cash flow purposes. A final billing is made based on actual costs and expenses incurred for fixed, variable, and project-wide costs. Amounts that may be paid in excess of billings are recorded as partner's credit balances in the Statement of Net Position.

Governmental funds are used to account for Buckman's general government activities, including the collection and disbursement of specific contributions or reimbursement from user partners for committed resources, or the acquisition or construction of capital assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of Buckman's enterprise fund is reimbursements from user partners for the cost of operations. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Buckman uses fiduciary funds to account for partner contributions to Buckman's agency funds which are described below. Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations. Pursuant to the joint powers agreement the money is held in trust for the partners until it is needed for emergency or repairs.

Buckman reports the following agency funds:

The *Emergency fund and Repair and Replacement fund* are agency funds and were approved by the Board on February 3, 2011. Both the Emergency fund and the Repair and Replacement Fund are to be funded through specific contributions from the user partners and utilized for specified purposes. The Emergency fund target balance is \$2,000,000 and was funded over a two-year period. For the Repair and Replacement fund, Buckman established an accumulation target of \$411,812 in annual contributions to be fully funded by the end of each fiscal year.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2012

**NOTE 2. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting and financial statement presentation-(continued)**

The Board approved the Emergency Fund Reserve Policy and the Major Repair and Replacement Fund Policy on February 3, 2011.

**Emergency Reserve Fund Policy:** In order to secure resources assuring Buckman's timely response to emergencies, which could potentially threaten, reduce, or eliminate Buckman's capacity to meet its customers' demands, Buckman established an accumulation target amount of \$2,000,000 to fund the emergency reserve fund. While insurance may provide reimbursement of costs associated with some emergency situations, the Emergency Reserve Fund will provide an immediate infusion of the fund that are necessary to address the situation without having to first solicit funding from the partners. The total amount funded as June 30, 2012 was \$416,670.

**Major Repair and Replacement Fund Policy:** In accordance with the Buckman's intergovernmental agreements and in order to secure resources assuring Buckman's ability to cover the repair and replacement cost of capital assets already in existence within Buckman, this policy ensures funding is available to repair or replace capital equipment when the capital equipment has reached the end of its effective useful life. Buckman established an accumulation target of \$411,812 in annual contributions to be fully funded by the end of each fiscal year. The total amount funded as of June 30, 2012 was \$171,593.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities, as well as for the maintenance of facilities for Buckman Direct Diversion Project. The Board on March 1, 2012 approved the carryforward of their construction budget because it was necessary to fund on-going work efforts, and because Buckman is required to carry out certain tasks pursuant to environmental regulatory mandates including habitat restoration required by Buckman's federal environment permit. These on-going work effects and task pursuant to regulatory mandates were included in the original construction budget to ensure compliance with the National Environmental Policy Act, Environmental Impact Statements, and the Endangered Species Act. In addition, Buckman utilizes the Capital Projects fund to account for the reimbursements and construction of a large solar panel within the Buckman utility system at the Booster Station 2a facility.

Buckman reports the following major enterprise fund:

The *Buckman Direct Diversion Project Operations Enterprise fund* is used to account for the operations of the Buckman Regional Water Treatment Plant and other Buckman related facilities and reimbursements from user partners.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is Buckman's policy to use restricted resources first, then unrestricted resources as they are needed.

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Notes to Financial Statements  
 June 30, 2012

**NOTE 2. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position*

**Cash, Investments, and Cash Equivalents:** Cash is pooled into one common account maintained by the City of Santa Fe, Buckman's fiscal agent, in order to maximize investment opportunities. Buckman's monies deposited in the pooled cash account have equity therein, and interest earned on any of the investment of these monies is allocated based upon relative equity at month end. Cash and cash equivalents is considered to be a share of the City's pooled cash and short-term investments with original maturities of three months or less from the date of acquisition. Please refer to the City of Santa Fe's financial statements for the year ended June 30, 2012 for a complete description of permissible investments and risk disclosures concerning cash investments.

**Partner's Accounts Receivables / Partner's Credit Balances:** A prebilling precedes the month of billing on an estimated basis for cash flow purposes based on the monthly approved budget. Outstanding amounts owed to Buckman from prebilling activities are reported as Partner's Accounts Receivable in the Statement of Net Position. Revenue from the user partners is recognized each month based on the monthly expenses that have been incurred. A final billing is made based on actual costs and expenses incurred for fixed, variable, and project-wide costs. Amounts paid by partners in excess of final invoiced amounts are recorded as Partner's Credit Balances in the Statement of Net Position and used to offset future billings.

**Chemical Inventory:** Chemical inventory recorded in Buckman's enterprise fund is stated at the lower of cost of market and totals \$111,829 at June 30, 2012. The cost of consumption is billed to each individual partner monthly, and is determined using the average cost method.

**Capital Assets:** Capital assets are recorded at cost. The fiscal agent's (City of Santa Fe) policy is to capitalize all assets with a cost of \$5,000 or greater. Major outlays for capital assets and improvements are capitalized as projects as they are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives as follows:

Assets	Years
Buildings and Structures	50
Equipment and machinery	7
Vehicles	8
Data processing equipment	3

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2012

**NOTE 2. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities and Net Position-(continued)***

***Use of Estimates:*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures including the useful lives of depreciable assets and the estimated usage of leave balances by employees. Accordingly, actual results could differ from those estimates.

***Compensated Absences:*** It is the Fiscal Agent's (City of Santa Fe) policy to permit employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and overtime. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of Buckman and its employees is accrued as employees earn the right to the benefits. Compensated absences that relate to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences are recorded as an expense and a liability of Buckman. In prior year's all of the related expenses associated with compensated absences have been liquidated by the Buckman Direct Diversion Project enterprise fund.

***Fund Balance Classification Policies and Procedures:***

***Nonspendable Fund Balance:*** This fund classification represents amounts that are not in spendable form. At June 30, 2012, Buckman has no fund balances not in spendable form.

***Restricted Fund Balance:*** This fund classification represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Enabling legislation includes a legal enforceable requirement that resources be used only for specific purposes stipulated in the legislation. Legal enforceability means the government can be impelled by an external party to use resources for the purpose specified by the legislation. At June 30, 2012, Buckman has no fund balances that are classified as restricted.

***Committed Fund Balance:*** This fund classification represents amounts that can only be used for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for Buckman. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At June 30, 2012, Buckman has no fund balances that are classified as committed.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2012

**NOTE 2. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position-(continued)*

**Assigned Fund Balance:** This fund classification represents amounts that are constrained by the Board's intent to use them for a specific purpose, but are neither restricted nor committed. The Board has not established a policy regarding the assignment of funds. For assigned fund balance, the Board or an official or body to which the Board delegates the authority is authorized to assign amounts to a specific purpose. At June 30, 2012 Buckman has no fund balances that are classified as assigned.

**Unassigned Fund Balances:** This fund classification represents all other spendable amounts that are not classified in the above categories. At June 30, 2012 Buckman has no fund balances that are classified as unassigned.

For the classification of fund balances, Buckman considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Buckman considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Minimum Fund Balance Policies:** Buckman has minimum fund balance policies that apply to its agency funds which are described in Note 2 (C) above.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position: All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2012

**NOTE 3. Stewardship, Compliance and Accountability**

*Budgetary Information*

Buckman's annual operating budget for the enterprise fund is adopted on a basis other than generally accepted accounting principles (Non-GAAP basis). Depreciation is not budgeted for the enterprise fund. Buckman's budget for the capital projects fund is adopted on a modified accrual basis which is the same basis of accounting used for the financial statements. There are no adopted budgets for the special revenue funds due to absence of any expected expenditure activity. The budget includes both the proposed City and County portions and requires approval from both the City Council and the Santa Fe County Commission. The budget must also be approved by the BDD Buckman's Board. The budget and any adjustments are subject to the regular budget requirements and calendar cycles of the City and the County. Budgetary control is at the fund level for both the enterprise fund and the capital projects fund. Encumbrance accounting is employed in all funds. Encumbrances (purchase orders, contracts and other commitments for the expenditure of resources) outstanding at year-end are carried forward to the new fiscal year and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**NOTE 4. Cash, Investments, and Cash Equivalents**

Buckman does not have a separate bank account. At June 30, 2012, Buckman had cash, investments, and cash equivalents totaling \$3,228,926 which represents Buckman's portion in cash and investment pooled accounts maintained by the City of Santa Fe. This amount includes \$416,670 committed for emergencies and \$171,593 committed for future repairs or replacements of capital assets pursuant to Buckman policies reported in Buckman's agency funds. The City invests its pooled cash into US Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer's investment pool and US Government security mutual funds. Please refer to the Comprehensive Annual Financial Report for the City of Santa Fe, New Mexico for the disclosure information regarding the custodial credit risk and other risks that may apply. The report may be obtained from the City by contacting the Assistant Finance Director at 200 Lincoln Avenue, P.O. Box 909 Santa Fe, New Mexico 87504-0909.

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
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 Notes to Financial Statements  
 June 30, 2012

**NOTE 5. Partner's Accounts Receivable / Partner's Credit Balances**

The following table shows the balances outstanding from each partner or partner credit balance as of June 30, 2012.

	Partner's Accounts Receivable			Total
	City of Santa Fe	Santa Fe County	Las Campanas	
Business-type activities:				
Buckman operations	\$ -	\$ -	\$ 63,273	\$ 63,273
Governmental activities:				
Habitat restoration and compliance	192,215	192,215	-	384,430
<b>Total</b>	<b>\$ 192,215</b>	<b>\$ 192,215</b>	<b>\$ 63,273</b>	<b>\$ 447,703</b>
	Partner's Credit Balances			Total
	City of Santa Fe	Santa Fe County	Las Campanas	
Business-type activities:				
Buckman operations	\$ 1,978,472	\$ 19,457	\$ -	\$ 1,997,929
Governmental activities:				
Habitat restoration and compliance	-	-	20,795	20,795
<b>Total</b>	<b>\$ 1,978,472</b>	<b>\$ 19,457</b>	<b>\$ 20,795</b>	<b>\$ 2,018,724</b>

No allowance for doubtful accounts has been recorded, as Buckman expects to fully collect all outstanding receivables.

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Notes to Financial Statements  
 June 30, 2012

**NOTE 6. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

**Business-type activities**

	Beginning Balance <u>June 30, 2011</u>	Transfers	Additions	Ending Balance <u>June 30, 2012</u>
Capital assets, being depreciated:				
Buildings and structures	\$ -	\$ 225,550,531	\$ -	\$ 225,550,531
Equipment and machinery	7,897	120,692	-	128,589
Vehicles	-	248,233	5,340	253,573
Data processing equipment	-	24,774	-	24,774
	<u>7,897</u>	<u>225,944,230</u>	<u>5,340</u>	<u>225,957,467</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Buildings and structures	-	-	4,511,010	4,511,010
Equipment and machinery	-	-	18,558	18,558
Vehicles	-	-	32,769	32,769
Data processing equipment	-	-	8,258	8,258
	<u>-</u>	<u>-</u>	<u>4,570,595</u>	<u>4,570,595</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>7,897</u>	<u>225,944,230</u>	<u>(4,565,255)</u>	<u>221,386,872</u>
Total capital assets	<u>\$ 7,897</u>	<u>\$ 225,944,230</u>	<u>\$ (4,565,255)</u>	<u>\$ 221,386,872</u>

The construction of the Buckman facilities was substantially completed as of May 15, 2011. The cost of the completed project and acquired capital assets totaled \$225,944,230. The completed project and capital assets were then transferred to the Buckman Water Treatment Plant Operations fund from the Buckman Direct Diversion Construction fund at the beginning of fiscal year 2012. Buckman's construction activities were subjected to annual stand-alone audits performed since the inception of the project in fiscal year 2008 through fiscal year ending June 30, 2012. A copy of those audit reports may be obtained from the City by contacting the Assistant Finance Director at 200 Lincoln Avenue, P.O. Box 909 Santa Fe, New Mexico 87504-0909. Depreciation expense totaled \$4,570,595 and was recorded in the Buckman Direct Diversion Operations fund for fiscal year ending June 30, 2012.

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Notes to Financial Statements  
 June 30, 2012

**NOTE 7. Compensated Absences**

**Business-type activities**

Compensated absences activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Compensated absences	77,641	252,510	224,478	105,673	105,673
Total	\$ 77,641	\$ 252,510	\$ 224,478	\$ 105,673	\$ 105,673

**NOTE 8. Economic Dependence and Related Party Transactions**

1. Buckman is economically dependent on three entities - City of Santa Fe, Santa Fe County, and Las Campanas (the user partners). These entities account for 100% of its funding for the period ending June 30, 2012.
2. See note 5 for outstanding balances owed from user partners and credit balances outstanding as of June 30, 2012.
3. The City of Santa Fe as fiscal agent for the Buckman Direct Diversion Project receives a fee of 1% of the annual operating budget of the project. The City of Santa Fe received \$87,206 of fees for services as fiscal agent for the year ended June 30, 2012.

**NOTE 9. Risk Management**

Pursuant to the Joint Powers Agreement section 23, Buckman is required to carry insurance coverage separate and apart from the partner's respective insurance policies. Buckman carries public liability insurance coverage (including directors and officers coverage) consistent with its responsibilities as a public entity under the New Mexico Tort Claims Act, NMSA 1978, Section 41-1-1 with combined single limits of \$1,000,000. Buckman carries a public liability commercial insurance policy with occurrence-based coverage against losses arising out of all operations conducted on the premises, contractual liability coverage, crime, automobile, directors and officers' coverage and other appropriate coverages. Buckman carries commercial property insurance on all of Buckman's buildings, structures, equipment, improvements, and vehicles to protect itself from losses arising from fire, earthquake, and flood disasters. Buckman also has commercial insurance for potential losses arising from excess liability and failures to supply materials needed to operate Buckman facilities.

Buckman Staff, as employees of the City of Santa Fe participate in the Santa Fe Health Fund and the Workers' Compensation Fund, which are self-insured programs administered by the fiscal agent. Buckman makes pro rata payments to the City based on actuarial estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for catastrophic losses. Health claims are handled by a professional third-party claims administrator. The fiscal agent maintains specific stop loss coverage for individual claims in excess of \$200,000 with a \$1,000,000 statutory limit. Workers' compensation claims are handled by a professional, third-party claims administrator. Buckman maintains specific stop loss coverage for individual claims in excess of \$500,000 with a \$1,000,000 statutory limit. There was no reduction in amount of coverage for 2012.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
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**NOTE 10. Pension Plan-Public Employee Retirement Association (PERA)**

*Plan Description.* Buckman staff, as employees of the City of Santa Fe 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 multi-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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 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.* State statutes required that plan members who are regular employees contributed 13.15%. The City is required by state statute to contribute 9.15% of regular employees' salaries, however, as an employee benefit, the City elected to adopt the 75% pick-up provision allowed by state statute thereby contributing 19.0125% to the regular employees' 3.2875% contribution. The contribution requirements of plan members and the City are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Buckman's contributions for the years ended June 30, 2012 and June 30, 2011 amounted to \$350,773 and \$127,948, which equals the amounts of the required contributions.

**NOTE 11. Post Employment Benefits –State Retiree Health Care Plan**

*Plan Description.* Buckman 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, NMSA1978). 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 NE, Suite 104, Albuquerque, NM 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 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. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

**STATE OF NEW MEXICO**  
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Notes to Financial Statements  
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**NOTE 11. Post Employment Benefits –State Retiree Health Care Plan-(continued)**

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
FY 13	2.000%	1.000%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

Buckman’s contributions to the RHCA for the years ended June 30, 2012, and June 30, 2011, were \$33,838 and \$11,211 which equal the required contributions for each year.

**NOTE 12. Project Manager / Fiscal Agent Agreement**

In November 2007, the Buckman Direct Diversion Board entered into an agreement with the City of Santa Fe to act in the capacity as project manager and fiscal agent for the Board. Duties of the City include:

Project Manager

- Carry out the directives and policies of the BOD Board, make recommendations to the BOD Board related to the Project, provide support staff for BOD Board meetings, contract with independent legal counsel selected by the BOD Board, contract with specialized legal counsel as needed to support design, construction, operation and maintenance of the Project, and, as directed by the BOD Board, implement the Project during design and construction and, following completion of construction, manage, operate, and maintain the Project;
- Seek and apply for funding (except for funding to be provided by the City and the County pursuant to the Project Agreements) in the form of grants, loans or loan guarantees, or other funding sources as may be deemed appropriate by the BOD Board, for the Project as directed by the BOD Board and manage any such grants, loans or loan guarantees;
- Administer all funds loaned, granted or contributed by the City, the County, or Las Campanas in connection with the Project, and respond to related audits as may be necessary;
- Prepare and submit to the BOD Board, the City, the County, and Las Campanas no later than December 15 of each Fiscal Year, an Annual Operating Budget, which shall include annual and 5-year projected Operations, Maintenance, Replacement & Reserve (OMR&R) costs, including a 5-year schedule with the Project Manager's proposed facilities and equipment major maintenance and replacement costs, proposed allocation of costs among the City, the County, and Las Campanas as provided in the Facilities Operations and Procedures Agreement (FOPA), a facilities and equipment major repair and replacement fund, and an emergency reserve fund;

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**NOTE 12. Project Manager / Fiscal Agent Agreement-(continued)**

- Develop and implement prior to initial operation a cost accounting system to apportion the total fixed and variable cost of OMR&R to the City, the County, and Las Campanas in accordance with the cost sharing provisions of the FOPA;
- Develop a document retention and protection policy for adoption by the BOD Board;
- Act as fiscal agent for the Project;
- Once an Annual Operating Budget is approved by the BOD Board, implement the budget, adhere strictly to the budget, and make recommendations for necessary budget adjustments throughout the Fiscal Year, and contract for an annual independent audit, consistent with GMP and GASB and with the New Mexico Audit Act, NMSA 1978, Sections 12-6-1-, et seq., and 2.2.2. NMAC, et seq., as amended, and report the results of the audit to the BDD Board;
- Prepare and submit to the BOD Board for approval all documentation to be used for procurement in the Project including, but not limited to, documents related to design, engineering, construction, operation and maintenance of the Project, including, without limitation, requests for proposals, requests for qualifications and contracts in amounts greater than \$20,000;
- Develop all procurement documents in accordance with the City's Purchasing Manual and present same to the BOD Board;
- Consult with staff of the City, the County, and Las Campanas regarding the planning and design and OMR&R of the Project;
- In consultation with the BOD Board, apply for, manage and maintain, including the preparation and submittal of all required compliance reports, all necessary permits for the operation of the Project, including, without limitation, those permits, easements, and rights-of-way held in the name of the BOD Board, and those permits required to be obtained by the BOD Board pursuant to Section 6 of the FOPA;
- Maintain communication with the BOD Board, the City, the County, and Las Campanas, primarily via monthly BOD Board meetings, and keep these entities informed of important matters as may be necessary in the interim between monthly BOD Board meetings;
- As directed by the BOD Board, act as liaison for the BOD Board and represent the BOD Board in Project matters involving tribal governments, state and federal government agencies, and non-governmental organizations;
- Perform other duties as assigned by the BOD Board consistent with funding and the Project Agreements

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
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Notes to Financial Statements  
June 30, 2012

**NOTE 12. Project Manager / Fiscal Agent Agreement-(continued)**

Fiscal Agent

- Maintain segregated books and records consistent with GAAP to account for all separate funding sources, including, without limitation, funds provided by the City, the County, or Las Campanas in support of construction or subsequent OMR&R of the Project and funds secured by the Board pursuant to grants or loans from funding agencies;
  
- Within 90 days after the end of each fiscal year, provide copies of financial statements to the City, the County, and Las Campanas, showing the assets, liabilities, revenues, expenses, equity balances and budget comparisons for the Project fund on an annual basis for the prior fiscal year in accordance with GMP and GASB, complete the Management's Discussion and Analysis (MDA) for the annual financial report, and provide upon request, a monthly general ledger report; and
  
- Procure, contract, and pay for as budgeted an annual independent audit, consistent with GAAP and GASB and with the New Mexico Audit Act, NMSA 1978, Sections 12-6-1-, et seq., and NMAC, et seq., as amended, and report the results of the audit to the BOD Board.

The agreement expires on December 1, 2015.

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Buckman Direct Diversion Project  
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Notes to Financial Statements  
June 30, 2012

**NOTE 13. Subsequent Events**

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is June 17, 2015, which is the date on which the financial statements were available to be issued.

**NOTE 14. Subsequent Pronouncements**

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012*—an amendment of GASB Statements No. 10 and No. 62, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans*—an amendment of GASB Statements No. 25 Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on Buckman in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*—an amendment of GASB Statements No. 27 Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. Buckman will implement this standard during the fiscal year June 30, 2015.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. Buckman is still evaluating how this reporting standard will affect Buckman.

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. Buckman is still evaluating how this reporting standard will affect Buckman.

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**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance-Budget (Modified Accrual Basis) and Actual  
 Capital Projects Fund  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Modified Accrual) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Reimbursements				
City of Santa Fe	\$ 741,508	\$ 741,508	\$ 192,215	\$ (549,293)
Santa Fe County	741,508	741,508	192,215	(549,293)
Las Campanas	<u>75,756</u>	<u>75,756</u>	<u>19,764</u>	<u>(55,992)</u>
<i>Total revenues</i>	1,558,772	1,558,772	404,194	(1,154,578)
<i>Expenditures:</i>				
Current:				
Habitat restoration and compliance	1,558,772	1,558,772	404,194	1,154,578
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>1,558,772</u>	<u>1,558,772</u>	<u>404,194</u>	<u>1,154,578</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Internal transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement A-2

Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Schedule of Revenues, Expenses and Changes in Net Position  
Budget (Non-GAAP Budgetary Basis) and Actual  
Buckman Direct Diversion Project Operations Fund  
For the Year Ended June 30, 2012

	Budgeted Amounts		Non-GAAP Budgetary Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues</i>				
City of Santa Fe	\$ 6,751,484	\$ 6,751,484	\$ 4,253,304	\$ (2,498,180)
Santa Fe County	1,852,362	1,852,362	1,195,865	(656,497)
Las Campanas	264,556	264,556	139,240	(125,316)
PNM Solar Rebates	-	-	235,405	235,405
<i>Total operating revenues</i>	8,868,402	8,868,402	5,823,814	(3,044,588)
<i>Operating expenses</i>				
Personnel services	3,515,552	3,515,552	2,936,406	579,146
Electricity	2,064,681	2,064,681	1,119,890	944,791
Chemicals	625,934	625,934	180,193	445,741
Solids	567,830	567,830	64,295	503,535
Materials & Supplies	576,790	576,790	383,486	193,304
Other operating costs	1,369,822	1,369,822	839,694	530,128
Fiscal agent fee	147,793	147,793	87,206	60,587
<i>Total operating expenses</i>	8,868,402	8,868,402	5,611,170	3,257,232
<i>Non-operating revenues (expenses)</i>				
Investment income	-	-	14,184	14,184
Interest expense	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	14,184	14,184
<i>Excess (deficiency) of revenues and sources over expenses and uses</i>				
	-	-	226,828	226,828
Designated cash	\$ -	\$ -	-	\$ -
Change in net position (Non-GAAP budgetary basis)			\$ 226,828	
Adjustments for GAAP basis (non-budgeted items)				
Depreciation			(4,570,595)	
Special Item-Transfer of Buckman Direct Diversion Project Facilities and Capital Assets (See note 6)			225,944,230	
<i>Change in net position, Exhibit B</i>			221,600,463	
<i>Net position - beginning of year</i>			37,269	
<i>Net position- end of year</i>			\$ 221,637,732	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Emergency Fund  
 For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>ASSETS</b>				
Cash				
City of Santa Fe	\$ -	\$ 272,155	\$ -	\$ 272,155
Santa Fe County	-	89,575	-	89,575
Las Campanas	-	54,940	-	54,940
	\$ -	\$ 416,670	\$ -	\$ 416,670
<i>Total assets</i>	\$ -	\$ 416,670	\$ -	\$ 416,670
 <b>LIABILITIES</b>				
Deposits held in trust for partners				
City of Santa Fe	\$ -	\$ 272,155	\$ -	\$ 272,155
Santa Fe County	-	89,575	-	89,575
Las Campanas	-	54,940	-	54,940
	\$ -	\$ 416,670	\$ -	\$ 416,670
<i>Total liabilities</i>	\$ -	\$ 416,670	\$ -	\$ 416,670

See independent auditors' report

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Major Repair and Replacement Fund  
 For the Year Ended June 30, 2012

Schedule II

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>ASSETS</b>				
Cash				
City of Santa Fe	\$ -	\$ 121,600	\$ -	\$ 121,600
Santa Fe County	-	40,335	-	40,335
Las Campanas	-	9,658	-	9,658
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 171,593</u>	<u>\$ -</u>	<u>\$ 171,593</u>
<b>LIABILITIES</b>				
Deposits held in trust for partners				
City of Santa Fe	\$ -	\$ 121,600	\$ -	\$ 121,600
Santa Fe County	-	40,335	-	40,335
Las Campanas	-	9,658	-	9,658
<i>Total liabilities</i>	<u>\$ -</u>	<u>\$ 171,593</u>	<u>\$ -</u>	<u>\$ 171,593</u>

See independent auditors' report

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**COMPLIANCE SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

**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***

Board Members  
Santa Fe County  
City of Santa Fe  
Las Campanas  
Buckman Direct Diversion Project  
Water Treatment Plant Operations  
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Buckman Direct Diversion Project Water Treatment Plant Operations (Buckman) as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents and have issued our report thereon dated June 17, 2015. We also have audited the budgetary comparisons for the capital projects fund and proprietary fund presented as supplementary information for the year ended June 30, 2012 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Buckman is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Buckman's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Buckman's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Buckman's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Buckman's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Buckman's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and responses as findings 11-01 (FS 2011-001) and (FS 2012-001).

Buckman's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Buckman's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Buckman's management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
June 17, 2015

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Schedule of Findings and Responses  
June 30, 2012

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements:*

1. Type of auditors’ report issued	Unmodified
2. Internal Control over financial Reporting	
a. Material weaknesses identified?	None Noted
b. Significant deficiencies identified not considered to be material weaknesses?	None Noted
c. Noncompliance material to the financial statements?	None Noted

**SECTION II-STATUS OF PRIOR YEAR FINDINGS**

11-01 (FS 2011-001) Late Completion of Audit Report-	Repeated and Modified
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**SECTION III-CURRENT YEAR FINDINGS**

**FINANCIAL STATEMENT FINDINGS**

**11-01 (FS 2011-001) Late Completion of Audit Report-Repeated and Modified- Other Matter**

*Condition:* The June 30, 2012 audit report was not completed in the time frame contemplated by the Project Management and Fiscal Services Agreement between the Buckman Direct Diversion Project Board and the City of Santa Fe and Santa Fe County. It was not completed until July 2015.

*Criteria:* The Project Management and Fiscal Services Agreement, And Fiscal Services Agreement, Article 7 Sec. (4) and (77) specify that books and record be complete within 90 days (September 30, 2012) after the end of the fiscal year for all external users and to allow the timely performance of the annual audit.

*Effect:* Buckman is not in compliance with the Project Management and Fiscal Services agreement. The users of the financial statements did not have timely financial statements for management and compliance purposes.

*Cause:* Final reconciliation related to accounts receivable and revenue required additional time to complete and additional time to make correcting entries to achieve final balances.

*Auditors’ Recommendation:* We recommend Buckman evaluate whether there is adequate personnel resources to produce a timely audit and identify areas where additional training and procedures could be established.

*Management Response:* The City agrees that this audit was not in compliance with the Project Management and Fiscal Services Agreement. The City and BDD staff will continue to evaluate the procedures and the process pertaining to the accounting for Buckman’s billing and receivable transactions. The City will work with BDD personnel to coordinate a review of the Project Management and Fiscal Services Agreement to see if an amendment is necessary to better organize the reporting dates and cycles.

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Schedule of Findings and Responses  
 June 30, 2012

**FS 2012-001 Project-Wide Cost Allocation to Partners- Other Matter**

*Condition:* During our review of 12 monthly billings that occurred in fiscal year 2012 we noted there was not a documented agreement between partners on how project-wide costs (i.e. indirect costs) were to be billed to each partner. A calculation was performed by the fiscal manager that allocated project-wide costs totaling \$2,526,031.56 to the City of Santa Fe, Santa Fe County, and Las Campanas using the percentages detailed in the table below.

Partner	Project-Wide Cost Allocation Percentage
City of Santa Fe	73.34%
Santa Fe County	24.02%
Las Campanas	2.64%

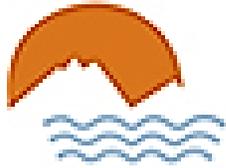
*Criteria:* Paragraphs 20 through 23 of the facility operation procedures agreement dated September 7, 2006 provide specific guidance on how fixed and variable costs should be billed to each partner; however, there was no specific provision that addressed how project-wide costs should have been billed to each partner.

*Effect:* Since there was no specific provision that addressed how project-wide costs should have been billed to each partner the fiscal manager had to determine the appropriate costs to be billed to each partner instead of the partners determining and approving the project-wide costs allocation percentages. The potential outcome is that partners could question the appropriateness and accuracy of the project-wide costs allocation and demand reimbursement.

*Cause:* The billing of project-wide costs and allocation was not contemplated during preparation of the original facility operation procedure agreement dated September 7, 2006.

*Auditors' Recommendation:* We recommend management and the Board consider and agree upon how project-wide costs should be billed and incorporate that agreement into the facility operations procedures agreement.

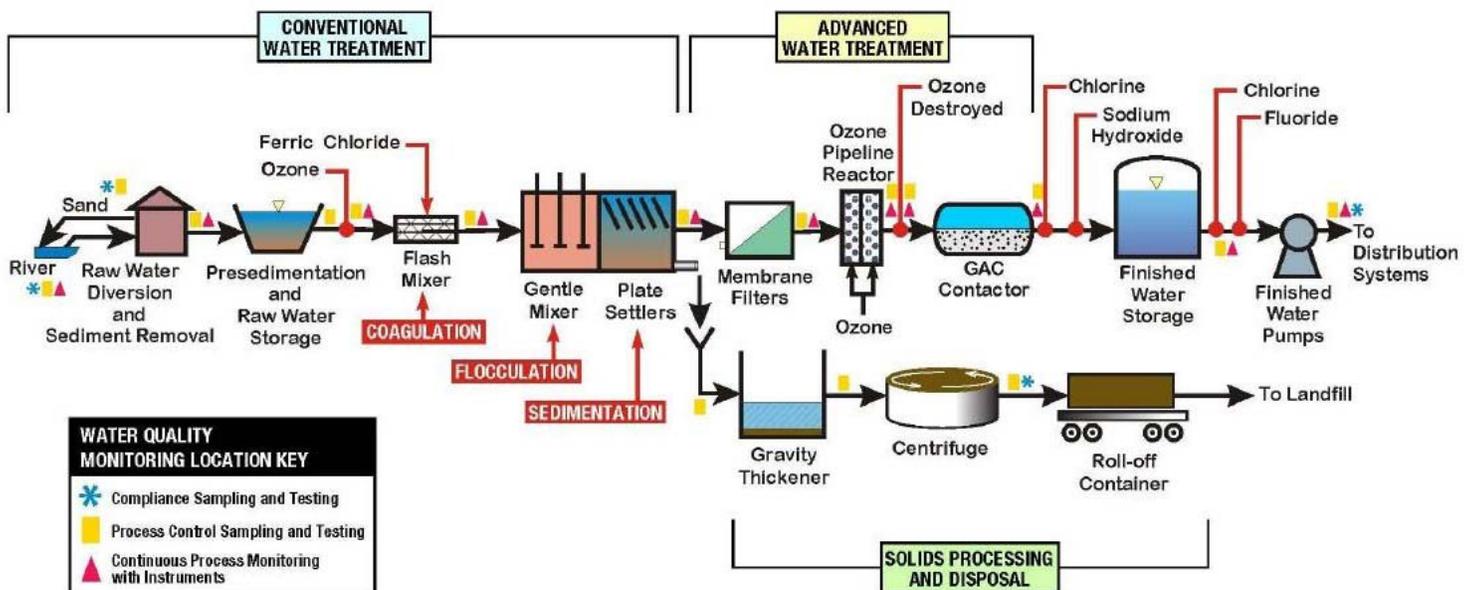
*Management Response:* BDD management and the City of Santa Fe, as fiscal agent concur with the audit finding. BDD management, BDD Partners and the BDD Board shall review, evaluate, and recommend how the cost sharing principle Project-Wide Costs, shall be allocated amongst all BDD Partners. Upon concurrence and BDD Board approval the allocation methodology shall also be incorporated into the Facility Operations and Procedures Agreement. In addition all cost-sharing principles shall be reviewed by BDD management and its partners annually and in connection with the budget process to ensure allocation is reasonable and appropriate.



# Buckman Direct Diversion

## Buckman Direct Diversion Project Water Treatment Facility Operations Financial Statements With Accompanying Independent Auditors' Reports

Year Ended June 30, 2013



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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
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 June 30, 2013

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**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Directory of Officials  
June 30, 2013

<u>Name</u>	<u>Board Members</u>	<u>Title</u>
Kathy Holian		Commissioner, Santa Fe County
Carmichael Dominguez		Councilor, City of Santa Fe
Liz Stefanics		Commissioner, Santa Fe County
Chris Calvert		Councilor, City of Santa Fe
Consuelo Bokum		At-Large Member

**Fiscal Agent Administration**

Marcos A. Tapia	Finance Director, City of Santa Fe
Teresita Garcia	Assistant Finance Director, City of Santa Fe
Erica Martinez	Senior Financial Analyst, City of Santa Fe

**Buckman Administration**

Vacant	Facility Manager, Buckman
Vacant	Fiscal Manager & Business Administrator, Buckman

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**FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board Members  
Santa Fe County  
City of Santa Fe  
Las Campanas  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Santa Fe, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Buckman's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison of the major capital projects fund and proprietary fund presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2013 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

### Opinions

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Buckman as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the capital projects fund and the proprietary fund of Buckman for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other information*

Our audit was conducted for the purpose of forming opinions on Buckman's financial statements, and the budgetary comparisons. Schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements. Schedules I and II 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, Schedules I and II are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015, on our consideration of Buckman'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 the 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 Buckman's internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, NM  
June 17, 2015

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## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**Buckman Direct Diversion Project**  
**Water Treatment Facility Operations**  
**Statement of Net Position**  
**June 30, 2013**

Exhibit A-1

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets			
Cash, investments, and cash equivalents	\$ -	\$ 1,880,196	\$ 1,880,196
Partner's accounts receivable			
City of Santa Fe	58,459	-	58,459
Santa Fe County	58,459	32,793	91,252
Accrued interest receivable	-	3,199	3,199
Chemical inventory	-	151,332	151,332
Total current assets	<u>116,918</u>	<u>2,067,520</u>	<u>2,184,438</u>
Noncurrent assets			
Capital assets	113,922	226,013,233	226,127,155
Accumulated depreciation	-	(9,152,840)	(9,152,840)
Total noncurrent assets	<u>113,922</u>	<u>216,860,393</u>	<u>216,974,315</u>
 Total assets	 <u>\$ 230,840</u>	 <u>\$ 218,927,913</u>	 <u>\$ 219,158,753</u>
<b>Liabilities</b>			
Current liabilities			
Partner's credit balances			
City of Santa Fe	\$ -	\$ 745,069	\$ 745,069
Las Campanas	23,084	30,323	53,407
Cash overdraft	16,124	-	16,124
Accounts payable	77,710	700,752	778,462
Accrued payroll	-	39,033	39,033
Compensated absences	-	95,989	95,989
Total current liabilities	<u>116,918</u>	<u>1,611,166</u>	<u>1,728,084</u>
 Total liabilities	 <u>116,918</u>	 <u>1,611,166</u>	 <u>1,728,084</u>
<b>Net Position</b>			
Net investment in capital assets	113,922	216,860,393	216,974,315
Unrestricted	-	456,354	456,354
 Total net position	 <u>113,922</u>	 <u>217,316,747</u>	 <u>217,430,669</u>
 Total liabilities and net position	 <u>\$ 230,840</u>	 <u>\$ 218,927,913</u>	 <u>\$ 219,158,753</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Activities  
 For the Year Ended June 30, 2013

Exhibit A-2

	Governmental Activities	Business-type Activities	Total
<b>Program expenses:</b>			
Buckman Direct Diversion Project Operations	\$ -	\$ 10,193,809	\$ 10,193,809
Habitat restoration and compliance	356,449	-	356,449
	<u>356,449</u>	<u>-</u>	<u>356,449</u>
Total program expenses	<u>356,449</u>	<u>10,193,809</u>	<u>10,550,258</u>
<b>Program Revenues:</b>			
Reimbursements			
City of Santa Fe	226,524	4,414,535	4,641,059
Santa Fe County	226,524	1,154,368	1,380,892
Las Campanas	17,323	108,112	125,435
PNM solar rebates	-	190,080	190,080
	<u>470,371</u>	<u>5,867,095</u>	<u>6,337,466</u>
Total program revenues	<u>470,371</u>	<u>5,867,095</u>	<u>6,337,466</u>
<i>Net program revenues (expense)</i>	<u>113,922</u>	<u>(4,326,714)</u>	<u>(4,212,792)</u>
<b>General Revenues:</b>			
Investment income	-	5,729	5,729
	<u>-</u>	<u>5,729</u>	<u>5,729</u>
Total general revenues	<u>-</u>	<u>5,729</u>	<u>5,729</u>
Change in net position	113,922	(4,320,985)	(4,207,063)
Net position, beginning	-	221,637,732	221,637,732
	<u>-</u>	<u>221,637,732</u>	<u>221,637,732</u>
Net position, ending	<u>\$ 113,922</u>	<u>\$ 217,316,747</u>	<u>\$ 217,430,669</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Balance Sheet  
 Governmental Funds  
 June 30, 2013

	<u>Capital Projects Fund</u>
<b>ASSETS</b>	
Cash, investments, and cash equivalents	\$ -
Partner's accounts receivable	
City of Santa Fe	58,459
Santa Fe County	<u>58,459</u>
<i>Total assets</i>	<u><u>\$ 116,918</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<i>Liabilities</i>	
Partner's credit balances	
Las Campanas	\$ 23,084
Cash overdraft	16,124
Accounts payable	<u>77,710</u>
<i>Total liabilities</i>	<u>116,918</u>
<i>Fund balances</i>	
Spendable:	
Committed	<u>-</u>
<i>Total fund balances</i>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u><u>\$ 116,918</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
June 30, 2013

Fund Balance - Governmental Funds (Exhibit B-1)	\$ -
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>113,922</u>
Total net position (Exhibit A-1)	<u><u>\$ 113,922</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2013

	Capital Projects Fund
<b>REVENUES</b>	
Reimbursements	
City of Santa Fe	\$ 226,524
Santa Fe County	226,524
Las Campanas	17,323
<i>Total revenues</i>	470,371
<b>EXPENDITURES</b>	
Habitat restoration and compliance	356,449
Capital outlay	113,922
<i>Total expenditures</i>	470,371
<i>Net change in fund balance</i>	-
<i>Fund balance - beginning of year</i>	-
<i>Fund balance - end of year</i>	\$ -

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2013

Net Change in Fund Balance - Governmental Funds \$ -

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital asset additions reported as capital outlay expenditures 113,922

Change in Net Position (Exhibit A-2) \$ 113,922

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Net Position  
 Buckman Direct Diversion Project Operations Enterprise Fund  
 June 30, 2013

**Assets***Current assets*

Cash, investments, and cash equivalents	\$	1,880,196
Partner's accounts receivable		
Santa Fe County		32,793
Accrued interest receivable		3,199
Chemical inventory		151,332
<i>Total current assets</i>		2,067,520

*Noncurrent assets*

Capital assets		226,013,233
Accumulated depreciation		(9,152,840)
<i>Total noncurrent assets</i>		216,860,393

*Total assets*

	\$	218,927,913
--	----	-------------

**Liabilities and net position***Current liabilities*

Partner's credit balances		
City of Santa Fe	\$	745,069
Las Campanas		30,323
Accounts payable		700,752
Accrued wages payable		39,033
Compensated absences		95,989
<i>Total current liabilities</i>		1,611,166

*Total liabilities*

		1,611,166
--	--	-----------

*Net position*

Net investment in capital assets		216,860,393
Unrestricted		456,354
<i>Total net position</i>		217,316,747

*Total net position*

		217,316,747
--	--	-------------

*Total liabilities and net position*

	\$	218,927,913
--	----	-------------

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Revenues, Expenses and Changes in Net Position  
 Buckman Direct Diversion Project Operations Enterprise Fund  
 For the Year Ended June 30, 2013

Exhibit C-2

<i>Operating revenues</i>	
Reimbursements	
City of Santa Fe	\$ 4,414,535
Santa Fe County	1,154,368
Las Campanas	108,112
PNM solar rebates	190,080
<i>Total operating revenues</i>	<u>5,867,095</u>
 <i>Operating expenses</i>	
Personnel costs	2,605,628
Depreciation	4,582,245
Electricity	1,466,412
Chemicals	233,658
Solids	37,991
Materials and supplies	352,523
Contractual services	568,709
Fiscal agent fee	83,218
Uniforms	15,742
Software	1,994
Gas	43,579
Insurance	159,444
Training and subscriptions	15,794
Communication	26,872
<i>Total operating expenses</i>	<u>10,193,809</u>
 <i>Operating (loss)</i>	 <u>(4,326,714)</u>
 <i>Non-operating revenues (expenses)</i>	
Investment income	<u>5,729</u>
<i>Total non-operating revenues (expenses)</i>	<u>5,729</u>
 <i>Change in net position</i>	 (4,320,985)
 <i>Total net position - beginning of year</i>	 <u>221,637,732</u>
 <i>Total net position, end of year</i>	 <u>\$ 217,316,747</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Cash Flows  
 Buckman Direct Diversion Project Operations Enterprise Fund  
 For the Year Ended June 30, 2013

<i>Cash flows from operating activities</i>	
Cash received from partners and PNM	\$ 4,255,636
Cash paid to suppliers for goods and services	(2,390,067)
Cash paid to employees for services	<u>(2,576,279)</u>
<i>Net cash used by operating activities</i>	<u>(710,710)</u>
 <i>Cash flows from capital and financing activities</i>	
Acquisition and construction of capital assets	<u>(55,766)</u>
<i>Net cash used by capital and financing activities</i>	<u>(55,766)</u>
 <i>Cash flows from investing activities</i>	
Investment income	<u>6,009</u>
<i>Net cash provided by investing activities</i>	<u>6,009</u>
<i>Net decrease in cash, investments, and cash equivalents</i>	(760,467)
<i>Cash, investments, and cash equivalents - beginning of year</i>	<u>2,640,663</u>
<i>Cash, investments, and cash equivalents - end of year</i>	<u><u>\$ 1,880,196</u></u>

The accompanying notes are an integral part of these financial statements

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

Operating loss	\$ (4,326,714)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	4,582,245
Changes in assets and liabilities:	
Decrease in partner's accounts receivable	30,480
Increase in partner's credit balances	(1,641,939)
Increase in chemical inventory	(39,503)
Increase in accounts payable	655,372
Increase in accrued wages and compensated absences	29,349
Total changes in assets and liabilities	(966,241)
Net cash used by operating activities	<u>\$ (710,710)</u>

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**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2013

	Emergency Fund	Major Repair and Replacement Fund	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 1,416,678	\$ 583,397	\$ 2,000,075
<i>Total assets</i>	\$ 1,416,678	\$ 583,397	\$ 2,000,075
<i>Liabilities</i>			
Deposits held in trust for partners			
City of Santa Fe	\$ 925,327	\$ 413,440	\$ 1,338,767
Santa Fe County	317,765	139,448	457,213
Las Campanas	173,586	30,509	204,095
<i>Total liabilities</i>	\$ 1,416,678	\$ 583,397	\$ 2,000,075

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Organization**

Under a joint powers agreement for the Buckman Direct Diversion Project dated January 11, 2005 (JPA), the City of Santa Fe (City) joined Santa Fe County (County) to design and construct the Buckman Direct Diversion Project in order to divert surface water from the Rio Grande River to the independent water systems of the City and County to reduce reliance on over-taxed ground water resources. Operations of the Buckman Direct Diversion Water Treatment Facility (Buckman) commenced May 15, 2011. The Buckman site is located 15 miles northwest of Santa Fe, approximately 3 miles downstream from where Route 3 crosses the Rio Grande River at the Otowi Bridge. Buckman is considered under the provisions of the Joint Powers Act to be an entity separate from the individual parties named in the JPA as prescribed by State Statute Section II I-5(B) NMSA 1978. The City and County each own 50% of the diversion facilities of Buckman and have established a board to oversee the planning, procurement, financing, permitting, design, and construction of the Buckman Direct Diversion Project as well as the operations and management of Buckman. The Board is comprised of two members of the governing body of the City of Santa Fe, two members of the governing body of Santa Fe County Commissioners, and one citizen member at large appointed by a majority vote of the four other members. Other project participants include Las Campanas Limited Partnership, who retains no ownership interest in Buckman but pays for its proportional share of that system (diversion structure, sediment pond, and related infrastructure) it actually uses. The City of Santa Fe, Santa Fe County, and Las Campanas Limited Partnership are referred to in these financial statements as the user partners. Buckman Direct Diversion Project is jointly owned by the City of Santa Fe and the County of Santa Fe. Construction of the facility was completed in December 2010 and the project was completed under the terms of the construction contract on May 15, 2011 which is the approximate date upon which operations commenced.

**NOTE 2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of Buckman is presented to assist in the understanding of the Buckman's financial statements. The financial statements and notes are the representation of the Buckman's management who is responsible for their integrity and objectivity. The financial statement of Buckman have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of Buckman's accounting policies are described below.

**A. Financial Reporting Entity**

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define Buckman, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 as amended by No. 39 and No 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2013

**NOTE 2. Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity (continued)**

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, Buckman does not have any component units required to be reported under GASB Statements No. 14, No. 39 and No. 61.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services provided.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. Buckman's Net Position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2013

**NOTE 2. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting and financial statement presentation-(continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Program revenues included in the Statement of Activities are derived from reimbursements for the user partners. Program revenues reduce the cost of the function to be financed from Buckman's general revenues.

Buckman reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable within a function. Buckman does not currently employ indirect cost allocation systems. Depreciation expenses are specifically identified by function and included in the direct expense of each function.

Reimbursements from the user partners are recognized as revenue each month based on the monthly expenditures that have been incurred. A prebilling precedes the month of billing on an estimated basis for cash flow purposes. A final billing is made based on actual costs and expenses incurred for fixed, variable, and project-wide costs. Amounts that may be paid in excess of billings are recorded as partner's credit balances in the Statement of Net Position.

Governmental funds are used to account for Buckman's general government activities, including the collection and disbursement of specific contributions or reimbursement from user partners for committed resources, or the acquisition or construction of capital assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of Buckman's enterprise fund is reimbursements from user partners for the cost of operations. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Buckman uses fiduciary funds to account for partner contributions to Buckman's agency funds which are described below. Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations. Pursuant to the joint powers agreement the money is held in trust for the partners until it is needed for emergency or repairs.

Buckman reports the following agency funds:

The *Emergency fund and Repair and Replacement fund* are agency and were approved by the Board on February 3, 2011. Both the Emergency fund and the Repair and Replacement Fund are to be funded through specific contributions from the user partners and utilized for specified purposes. The Emergency fund target balance is \$2,000,000 and was funded over a two-year period. For the Repair and Replacement fund, Buckman established an accumulation target of \$411,812 in annual contributions to be fully funded by the end of each fiscal year.

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**NOTE 2. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting and financial statement presentation-(continued)**

The Board approved the Emergency Fund Reserve Policy and the Major Repair and Replacement Fund Policy on February 3, 2011.

**Emergency Reserve Fund Policy:** In order to secure resources assuring Buckman's timely response to emergencies, which could potentially threaten, reduce, or eliminate Buckman's capacity to meet its customers' demands, Buckman established an accumulation target amount of \$2,000,000 to fund the emergency reserve fund. While insurance may provide reimbursement of costs associated with some emergency situations, the Emergency Reserve Fund will provide an immediate infusion of the fund that are necessary to address the situation without having to first solicit funding from the partners. The total amount funded as June 30, 2013 was \$1,416,678.

**Major Repair and Replacement Fund Policy:** In accordance with the Buckman's intergovernmental agreements and in order to secure resources assuring Buckman's ability to cover the repair and replacement cost of capital assets already in existence within Buckman, this policy ensures funding is available to repair or replace capital equipment when the capital equipment has reached the end of its effective useful life. Buckman established an accumulation target of \$411,812 in annual contributions to be fully funded by the end of each fiscal year. The total amount funded as of June 30, 2013 was \$583,397.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities, as well as for the maintenance of facilities for Buckman Direct Diversion Project. The Board on March 1, 2012 approved the carryforward of their construction budget because it was necessary to fund on-going work efforts, and because Buckman is required to carry out certain tasks pursuant to environmental regulatory mandates including habitat restoration required by Buckman's federal environment permit. These on-going work effects and task pursuant to regulatory mandates were included in the original construction budget to ensure compliance with the National Environmental Policy Act, Environmental Impact Statements, and the Endangered Species Act. In addition, Buckman utilizes the Capital Projects fund to account for the reimbursements and construction of a large solar panel within the Buckman utility system at the Booster Station 2a facility.

Buckman reports the following major enterprise fund:

The *Buckman Direct Diversion Project Operations Enterprise fund* is used to account for the operations of the Buckman Regional Water Treatment Plant and other Buckman related facilities and reimbursements from user partners.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is Buckman's policy to use restricted resources first, then unrestricted resources as they are needed.

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**NOTE 2. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities and Net Position***

***Cash, Investments, and Cash Equivalents:*** Cash is pooled into one common account maintained by the City of Santa Fe, Buckman's fiscal agent, in order to maximize investment opportunities. Buckman's monies deposited in the pooled cash account have equity therein, and interest earned on any of the investment of these monies is allocated based upon relative equity at month end. Cash and cash equivalents is considered to be a share of the City's pooled cash and short-term investments with original maturities of three months or less from the date of acquisition. Please refer to the City of Santa Fe's financial statements for the year ended June 30, 2013 for a complete description of permissible investments and risk disclosures concerning cash investments.

***Partner's Accounts Receivables / Partner's Credit Balances:*** A prebilling precedes the month of billing on an estimated basis for cash flow purposes based on the monthly approved budget. Outstanding amounts owed to Buckman from prebilling activities are reported as Partner's Accounts Receivable in the Statement of Net Position. Revenue from the user partners is recognized each month based on the monthly expenses that have been incurred. A final billing is made based on actual costs and expenses incurred for fixed, variable, and project-wide costs. Amounts paid by partners in excess of final invoiced amounts are recorded as Partner's Credit Balances in the Statement of Net Position and used to offset future billings.

***Chemical Inventory:*** Chemical inventory recorded in Buckman's enterprise fund is stated at the lower of cost of market and totals \$151,332 at June 30, 2013. The cost of consumption is billed to each individual partner monthly, and is determined using the average cost method.

***Capital Assets:*** Capital assets are recorded at cost. The Fiscal Agent's (City of Santa Fe) policy is to capitalize all assets with a cost of \$5,000 or greater. Major outlays for capital assets and improvements are capitalized as projects as they are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives as follows:

Assets	Years
Buildings and Structures	50
Equipment and machinery	7
Vehicles	8
Data processing equipment	3

***Use of Estimates:*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures including the useful lives of depreciable assets and the estimated usage of leave balances by employees. Accordingly, actual results could differ from those estimates.

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**NOTE 2. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities and Net Position-(continued)***

***Compensated Absences:*** It is the Fiscal Agent's (City of Santa Fe) policy to permit employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and overtime. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of Buckman and its employees is accrued as employees earn the right to the benefits. Compensated absences that relate to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences are recorded as an expense and a liability of Buckman. In prior year's all of the related expenses associated with compensated absences have been liquidated by the Buckman Direct Diversion Project enterprise fund.

***Fund Balance Classification Policies and Procedures:***

***Nonspendable Fund Balance:*** This fund classification represents amounts that are not in spendable form. At June 30, 2013, Buckman has no fund balances not in spendable form.

***Restricted Fund Balance:*** This fund classification represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Enabling legislation includes a legal enforceable requirement that resources be used only for specific purposes stipulated in the legislation. Legal enforceability means the government can be impelled by an external party to use resources for the purpose specified by the legislation. At June 30, 2013, Buckman has no fund balances that are classified as restricted.

***Committed Fund Balance:*** This fund classification represents amounts that can only be used for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for Buckman. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At June 30, 2013 Buckman has no fund balances that are classified as committed.

***Assigned Fund Balance:*** This fund classification represents amounts that are constrained by the Board's intent to use them for a specific purpose, but are neither restricted nor committed. The Board has not established a policy regarding the assignment of funds. For assigned fund balance, the Board or an official or body to which the Board delegates the authority is authorized to assign amounts to a specific purpose. At June 30, 2013 Buckman has no fund balances that are classified as assigned.

***Unassigned Fund Balances:*** This fund classification represents all other spendable amounts that are not classified in the above categories. At June 30, 2013 Buckman has no fund balances that are classified as unassigned.

For the classification of fund balances, Buckman considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Buckman considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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**NOTE 2. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position-(continued)*

**Minimum Fund Balance Policies:** Buckman has minimum fund balance policies that apply to its agency funds which are described in Note 2 (C) above.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position: All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**NOTE 3. Stewardship, Compliance and Accountability**

*Budgetary Information*

Buckman’s annual operating budget for the enterprise fund is adopted on a basis other than generally accepted accounting principles (Non-GAAP basis). Depreciation is not budgeted for the enterprise fund. Buckman’s budget for the capital projects fund is adopted on a modified accrual basis which is the same basis of accounting used for the financial statements. There are no adopted budgets for the special revenue funds due to absence of any expected expenditure activity. The budget includes both the proposed City and County portions and requires approval from both the City Council and the Santa Fe County Commission. The budget must also be approved by the BDD Buckman’s Board. The budget and any adjustments are subject to the regular budget requirements and calendar cycles of the City and the County. Budgetary control is at the fund level for both the enterprise fund and the capital projects fund. Encumbrance accounting is employed in all funds. Encumbrances (purchase orders, contracts and other commitments for the expenditure of resources) outstanding at year-end are carried forward to the new fiscal year and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**NOTE 4. Cash, Investments, and Cash Equivalents**

Buckman does not have a separate bank account. At June 30, 2013, Buckman had cash, investments, and cash equivalents totaling \$3,880,271 which represents Buckman’s portion in cash and investment pooled accounts maintained by the City of Santa Fe. This amount includes \$1,416,678 committed for emergencies and \$583,397 committed for future repairs or replacements of capital assets pursuant to Buckman policies. The City invests its pooled cash into US Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer's investment pool and US Government security mutual funds. Please refer to the Comprehensive Annual Financial Report for the City of Santa Fe, New Mexico for the disclosure information regarding the custodial credit risk and other risks that may apply. The report may be obtained from the City by contacting the Assistant Finance Director at 200 Lincoln Avenue, P.O. Box 909 Santa Fe, New Mexico 87504-0909.

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**NOTE 5. Partner's Accounts Receivable / Partner's Credit Balances**

The following table shows the balances outstanding from each partner or partner credit balance as of June 30, 2013.

	Partner's Accounts Receivable			
	City of Santa Fe	Santa Fe County	Las Campanas	Total
Business-type activities:				
Buckman operations	\$ -	\$ 32,793	\$ -	\$ 32,793
Governmental activities:				
Habitat restoration, compliance and construction	58,459	58,459	-	116,918
<b>Total</b>	<b>\$ 58,459</b>	<b>\$ 91,252</b>	<b>\$ -</b>	<b>\$ 149,711</b>
	Partner's Credit Balances			
	City of Santa Fe	Santa Fe County	Las Campanas	Total
Business-type activities:				
Buckman operations	\$ 745,069	\$ -	\$ 30,323	\$ 775,392
Governmental activities:				
Habitat restoration, compliance and construction	-	-	23,084	23,084
<b>Total</b>	<b>\$ 745,069</b>	<b>\$ -</b>	<b>\$ 53,407</b>	<b>\$ 798,476</b>

No allowance for doubtful accounts has been recorded, as Buckman expects to fully collect all outstanding receivables.

**Cash Overdraft**

Cash overdraft reported in the Capital Project fund totals \$16,124. The amount represents pending reimbursements for project expenditures related to the solar array project that commenced in May of 2013. The project includes design, acquisition, construction, permitting and installation of a solar photovoltaic system to service the Buckman Diversion Project at its Booster Station 2a facility. The project is being funded through a loan and grant agreement between the City of Santa Fe and the New Mexico Finance Authority.

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**NOTE 6. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

**Business-type activities**

	Beginning Balance June 30, 2012	Additions	Deletions	Ending Balance June 30, 2013
Capital assets, being depreciated:				
Buildings and structures	\$ 225,550,531	\$ -	\$ -	\$ 225,550,531
Equipment and machinery	128,589	34,152	-	162,741
Vehicles	253,573	-	-	253,573
Data processing equipment	24,774	21,614	-	46,388
<b>Total capital assets being depreciated</b>	<b>225,957,467</b>	<b>55,766</b>	<b>-</b>	<b>226,013,233</b>
Less accumulated depreciation:				
Buildings and structures	4,511,010	4,511,011	-	9,022,021
Equipment and machinery	18,558	21,668	-	40,226
Vehicles	32,769	34,103	-	66,872
Data processing equipment	8,258	15,463	-	23,721
<b>Total accumulated depreciation</b>	<b>4,570,595</b>	<b>4,582,245</b>	<b>-</b>	<b>9,152,840</b>
<b>Total capital assets being depreciated, net</b>	<b>221,386,872</b>	<b>(4,526,479)</b>	<b>-</b>	<b>216,860,393</b>
<b>Total capital assets</b>	<b>\$ 221,386,872</b>	<b>\$ (4,526,479)</b>	<b>\$ -</b>	<b>\$ 216,860,393</b>

Depreciation expense totaled \$4,582,245 and was recorded in the Buckman Direct Diversion Operations fund for fiscal year ending June 30, 2013.

**Governmental activities**

	Beginning Balance June 30, 2012	Additions	Deletions	Ending Balance June 30, 2013
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 113,922	\$ -	\$ 113,922

Construction in progress relates to Buckman's solar array project that commenced in May of 2013. The project includes design, acquisition, construction, permitting and installation of a solar photovoltaic system to service the Buckman Diversion Project at its Booster Station 2a facility. The total estimated cost was \$5,050,000 and the project was completed in fiscal year 2015.

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**NOTE 7. Compensated Absences**

**Business-type activities**

Compensated absences activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Compensated absences	105,673	208,365	218,049	95,989	95,989
Total	<u>\$ 105,673</u>	<u>\$ 208,365</u>	<u>\$ 218,049</u>	<u>\$ 95,989</u>	<u>\$ 95,989</u>

**NOTE 8. Economic Dependence and Related Party Transactions**

1. Buckman is economically dependent on three entities - City of Santa Fe, Santa Fe County, and Las Campanas (the user partners). These entities account for 100% of its funding for the period ending June 30, 2013.
2. See note 5 for outstanding balances owed from user partners and credit balances outstanding as of June 30, 2013.
3. The City of Santa Fe as fiscal agent for the Buckman Direct Diversion Project receives a fee of 1% of the annual operating budget of the project. The City of Santa Fe received \$83,218 of fees for services as fiscal agent for the year ended June 30, 2013.

**NOTE 9. Risk Management**

Pursuant to the Joint Powers Agreement section 23, Buckman is required to carry insurance coverage separate and apart from the partner's respective insurance policies. Buckman carries public liability insurance coverage (including directors and officers coverage) consistent with its responsibilities as a public entity under the New Mexico Tort Claims Act, NMSA 1978, Section 41-1-1 with combined single limits of \$1,000,000. Buckman carries a public liability commercial insurance policy with occurrence-based coverage against losses arising out of all operations conducted on the premises, contractual liability coverage, crime, automobile, directors and officers' coverage and other appropriate coverages. Buckman carries commercial property insurance on all of Buckman's buildings, structures, equipment, improvements, and vehicles to protect itself from losses arising from fire, earthquake, and flood disasters. Buckman also has commercial insurance for potential losses arising from excess liability and failures to supply materials needed to operate Buckman facilities.

Buckman Staff, as employees of the City of Santa Fe participate in the Santa Fe Health Fund and the Workers' Compensation Fund, which are self-insured programs administered by the fiscal agent. Buckman makes pro rata payments to the City based on actuarial estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for catastrophic losses. Health claims are handled by a professional third-party claims administrator. The fiscal agent maintains specific stop loss coverage for individual claims in excess of \$200,000 with a \$1,000,000 statutory limit. Workers' compensation claims are handled by a professional, third-party claims administrator. Buckman maintains specific stop loss coverage for individual claims in excess of \$500,000 with a \$1,000,000 statutory limit. There was no reduction in amount of coverage for 2013.

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**NOTE 10. Pension Plan-Public Employee Retirement Association (PERA)**

*Plan Description.* Buckman staff, as employees of the City of Santa Fe 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 multi-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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 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.* State statutes required that plan members who are regular employees contributed 13.15%. The City is required by state statute to contribute 9.15% of regular employees' salaries, however, as an employee benefit, the City elected to adopt the 75% pick-up provision allowed by state statute thereby contributing 19.0125% to the regular employees' 3.2875% contribution. The contribution requirements of plan members and the City are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Buckman's contributions for the years ended June 30, 2013, June 30, 2012 and June 30, 2011 amounted to \$299,615 \$350,773 and \$127,948, which equals the amounts of the required contributions.

**NOTE 11. Post Employment Benefits –State Retiree Health Care Plan**

*Plan Description.* Buckman 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, NMSA1978). 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 NE, Suite 104, Albuquerque, NM 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.

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**NOTE 11. Post Employment Benefits –State Retiree Health Care Plan-(continued)**

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, 2013, 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, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% 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.

Buckman's contributions to the RHCA for the years ended June 30, 2013, June 30, 2012, and June 30, 2011, were \$31,465, \$33,838 and \$11,211 which equal the required contributions for each year.

**NOTE 12. Project Manager / Fiscal Agent Agreement**

In November 2007, the Buckman Direct Diversion Board entered into an agreement with the City of Santa Fe to act in the capacity as project manager and fiscal agent for the Board. Duties of the City include:

Project Manager

- Carry out the directives and policies of the BOD Board, make recommendations to the BOD Board related to the Project, provide support staff for BOD Board meetings, contract with independent legal counsel selected by the BOD Board, contract with specialized legal counsel as needed to support design, construction, operation and maintenance of the Project, and, as directed by the BOD Board, implement the Project during design and construction and, following completion of construction, manage, operate, and maintain the Project;
- Seek and apply for funding (except for funding to be provided by the City and the County pursuant to the Project Agreements) in the form of grants, loans or loan guarantees, or other funding sources as may be deemed appropriate by the BOD Board, for the Project as directed by the BOD Board and manage any such grants, loans or loan guarantees;
- Administer all funds loaned, granted or contributed by the City, the County, or Las Campanas in connection with the Project, and respond to related audits as may be necessary;
- Prepare and submit to the BOD Board, the City, the County, and Las Campanas no later than December 15 of each Fiscal Year, an Annual Operating Budget, which shall include annual and 5-year projected Operations, Maintenance, Replacement & Reserve (OMR&R) costs, including a 5-year schedule with the Project Manager's proposed facilities and equipment major maintenance and replacement costs, proposed allocation of costs among the City, the County, and Las Campanas as provided in the Facilities Operations and Procedures Agreement (FOPA), a facilities and equipment major repair and replacement fund, and an emergency reserve fund;
- Develop and implement prior to initial operation a cost accounting system to apportion the total fixed and variable cost of OMR&R to the City, the County, and Las Campanas in accordance with the cost sharing provisions of the FOPA;

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**NOTE 12. Project Manager / Fiscal Agent Agreement-(continued)**

Project Manager-Continued

- Develop a document retention and protection policy for adoption by the BOD Board;
- Act as fiscal agent for the Project;
- Once an Annual Operating Budget is approved by the BOD Board, implement the budget, adhere strictly to the budget, and make recommendations for necessary budget adjustments throughout the Fiscal Year, and contract for an annual independent audit, consistent with GMP and GASB and with the New Mexico Audit Act, NMSA 1978, Sections 12-6-1-, et seq., and 2.2.2. NMAC, et seq., as amended, and report the results of the audit to the BDD Board;
- Prepare and submit to the BOD Board for approval all documentation to be used for procurement in the Project including, but not limited to, documents related to design, engineering, construction, operation and maintenance of the Project, including, without limitation, requests for proposals, requests for qualifications and contracts in amounts greater than \$20,000;
- Develop all procurement documents in accordance with the City's Purchasing Manual and present same to the BOD Board;
- Consult with staff of the City, the County, and Las Campanas regarding the planning and design and OMR&R of the Project;
- In consultation with the BOD Board, apply for, manage and maintain, including the preparation and submittal of all required compliance reports, all necessary permits for the operation of the Project, including, without limitation, those permits, easements, and rights-of-way held in the name of the BOD Board, and those permits required to be obtained by the BOD Board pursuant to Section 6 of the FOPA;
- Maintain communication with the BOD Board, the City, the County, and Las Campanas, primarily via monthly BOD Board meetings, and keep these entities informed of important matters as may be necessary in the interim between monthly BOD Board meetings;
- As directed by the BOD Board, act as liaison for the BOD Board and represent the BOD Board in Project matters involving tribal governments, state and federal government agencies, and non-governmental organizations;
- Perform other duties as assigned by the BOD Board consistent with funding and the Project Agreements

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**NOTE 12. Project Manager / Fiscal Agent Agreement-(continued)**

Fiscal Agent-Continued

- Maintain segregated books and records consistent with GAAP to account for all separate funding sources, including, without limitation, funds provided by the City, the County, or Las Campanas in support of construction or subsequent OMR&R of the Project and funds secured by the Board pursuant to grants or loans from funding agencies;
  
- Within 90 days after the end of each fiscal year, provide copies of financial statements to the City, the County, and Las Campanas, showing the assets, liabilities, revenues, expenses, equity balances and budget comparisons for the Project fund on an annual basis for the prior fiscal year in accordance with GMP and GASB, complete the Management's Discussion and Analysis (MDA) for the annual financial report, and provide upon request, a monthly general ledger report; and
  
- Procure, contract, and pay for as budgeted an annual independent audit, consistent with GAAP and GASB and with the New Mexico Audit Act, NMSA 1978, Sections 12-6-1-, et seq., and NMAC, et seq., as amended, and report the results of the audit to the BOD Board.

The agreement expires on December 1, 2015.

**NOTE 13. Subsequent Events**

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is June 17, 2015, which is the date on which the financial statements were available to be issued.

**NOTE 14. Subsequent Pronouncements**

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27 Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. Buckman will implement this standard during the fiscal year June 30, 2015.

In January 2013, GASB Statement No. 69 Government Combinations and Disposals of Government Operations, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. Buckman is still evaluating how this reporting standard will affect Buckman.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2013

**NOTE 14. Subsequent Pronouncements-(continued)**

In April 2013, GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. Buckman is still evaluating how this reporting standard will affect Buckman.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance-Budget (Modified Accrual Basis) and Actual  
 Capital Projects Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Modified Accrual) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Reimbursements				
City of Santa Fe	\$ 3,075,790	\$ 3,075,790	\$ 226,524	\$ (2,849,266)
Santa Fe County	3,075,790	3,075,790	226,524	(2,849,266)
Las Campanas	56,145	56,145	17,323	(38,822)
<i>Total revenues</i>	6,207,725	6,207,725	470,371	(5,737,354)
<i>Expenditures:</i>				
Current:				
Habitat restoration and compliance	1,157,725	1,157,725	356,449	801,276
Capital outlay	5,050,000	5,050,000	113,922	4,936,078
<i>Total expenditures</i>	6,207,725	6,207,725	470,371	5,737,354
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Internal transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	\$ -	\$ -	-	\$ -
			-	
Net change in fund balance GAAP basis			\$ -	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement A-2

Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Schedule of Revenues, Expenses and Changes in Net Position  
Budget (Non-GAAP Budgetary Basis) and Actual  
Buckman Direct Diversion Project Operations Fund  
For the Year Ended June 30, 2013

	Budgeted Amounts		Non-GAAP Budgetary Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues</i>				
City of Santa Fe	\$ 6,232,891	\$ 6,232,891	\$ 4,414,535	\$ (1,818,356)
Santa Fe County	1,896,427	1,896,427	1,154,368	(742,059)
Las Campanas	335,194	335,194	108,112	(227,082)
PNM Solar Rebates	-	-	190,080	190,080
<i>Total operating revenues</i>	8,464,512	8,464,512	5,867,095	(2,597,417)
<i>Operating expenses</i>				
Personnel services	3,602,092	3,602,092	2,605,628	996,464
Electricity	1,443,961	1,443,961	1,466,412	(22,451)
Chemicals	478,245	478,245	233,658	244,587
Solids	615,462	211,462	37,991	173,471
Materials & Supplies	673,619	903,619	352,523	551,096
Other operating costs	1,508,379	1,682,379	832,134	850,245
Fiscal agent fee	142,754	142,754	83,218	59,536
<i>Total operating expenses</i>	8,464,512	8,464,512	5,611,564	2,852,948
<i>Non-operating revenues (expenses)</i>				
Investment income	-	-	5,729	5,729
Interest expense	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	5,729	5,729
<i>Excess (deficiency) of revenues and sources over expenses and uses</i>				
	-	-	261,260	261,260
Designated cash	\$ -	\$ -	-	\$ -
<i>Change in net position (Non-GAAP budgetary basis)</i>				
			\$ 261,260	
<i>Adjustments for GAAP basis (non-budgeted items)</i>				
Depreciation			(4,582,245)	
<i>Change in net position, Exhibit C-2</i>				
			(4,320,985)	
<i>Net position - beginning of year</i>				
			221,637,732	
<i>Net position- end of year</i>				
			\$ 217,316,747	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Emergency Fund  
 For the Year Ended June 30, 2013

Schedule I

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>ASSETS</b>				
Cash				
City of Santa Fe	\$ 272,155	\$ 653,172	\$ -	\$ 925,327
Santa Fe County	89,575	228,190	-	317,765
Las Campanas	54,940	118,646	-	173,586
<i>Total assets</i>	<u>\$ 416,670</u>	<u>\$ 1,000,008</u>	<u>\$ -</u>	<u>\$ 1,416,678</u>
<b>LIABILITIES</b>				
Deposits held in trust for partners				
City of Santa Fe	\$ 272,155	\$ 653,172	\$ -	\$ 925,327
Santa Fe County	89,575	228,190	-	317,765
Las Campanas	54,940	118,646	-	173,586
<i>Total liabilities</i>	<u>\$ 416,670</u>	<u>\$ 1,000,008</u>	<u>\$ -</u>	<u>\$ 1,416,678</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Major Repair and Replacement Fund  
 For the Year Ended June 30, 2013

Schedule II

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>ASSETS</b>				
Cash				
City of Santa Fe	\$ 121,600	\$ 291,840	\$ -	\$ 413,440
Santa Fe County	40,335	99,113	-	139,448
Las Campanas	9,658	20,851	-	30,509
<i>Total assets</i>	<u>\$ 171,593</u>	<u>\$ 411,804</u>	<u>\$ -</u>	<u>\$ 583,397</u>
<b>LIABILITIES</b>				
Deposits held in trust for partners				
City of Santa Fe	\$ 121,600	\$ 291,840	\$ -	\$ 413,440
Santa Fe County	40,335	99,113	-	139,448
Las Campanas	9,658	20,851	-	30,509
<i>Total liabilities</i>	<u>\$ 49,993</u>	<u>\$ 411,804</u>	<u>\$ -</u>	<u>\$ 583,397</u>

See independent auditors' report

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**COMPLIANCE SECTION**



Accounting & Consulting Group, LLP  
Certified Public Accountants

**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***

**INDEPENDENT AUDITORS' REPORT**

Board Members  
Santa Fe County  
City of Santa Fe  
Las Campanas  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Buckman's basic financial statements, and related budgetary comparisons of Buckman presented as supplementary information, and have issued our report thereon dated June 17, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Buckman'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Buckman's internal control. Accordingly, we do not express an opinion on the effectiveness of Buckman's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Buckman's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 is described in the accompanying schedule of findings and responses as items FS 2011-001 and FS 2012-001.

### **Buckman's Response to the Finding**

Buckman's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Buckman's responses were not subjected to the auditing procedures applies 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 Buckman's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buckman's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, NM  
June 17, 2015

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Schedule of Findings and Responses  
 June 30, 2013

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements:*

1. Type of auditors’ report issued	Unmodified
2. Internal Control over financial Reporting	
a. Material weaknesses identified?	None Noted
b. Significant deficiencies identified not considered to be material weaknesses?	None Noted
c. Noncompliance material to the financial statements?	None Noted

**SECTION II-STATUS OF PRIOR YEAR FINDINGS**

FS 2011-001 Late Completion of Audit Report-	Repeated and Modified
FS 2012-001 Project-Wide Cost Allocation to Partners	Repeated and Modified

**SECTION III-CURRENT YEAR FINDINGS**

**FINANCIAL STATEMENT FINDINGS**

**FS 2011-001 Late Completion of Audit Report-Repeated and Modified- Other Matter**

*Condition:* The June 30, 2013 audit report was not completed in the time frame contemplated by the Project Management and Fiscal Services Agreement between the Buckman Direct Diversion Project Board and the City of Santa Fe and Santa Fe County. It was not completed until July 2015.

*Criteria:* The Project Management and Fiscal Services Agreement, And Fiscal Services Agreement, Article 7 Sec. (4) and (77) specify that books and record be complete within 90 days (September 30, 2013) after the end of the fiscal year for all external users and to allow the timely performance of the annual audit.

*Effect:* Buckman is not in compliance with the Project Management and Fiscal Services agreement. The users of the financial statements did not have timely financial statements for management and compliance purposes.

*Cause:* Final reconciliation related to accounts receivable and revenue required additional time to complete and additional time to make correcting entries to achieve final balances.

*Auditors’ Recommendation:* We recommend Buckman evaluate whether there is adequate personnel resources to produce a timely audit and identify areas where additional training and procedures could be established.

*Management Response:* The City agrees that this audit was not in compliance with the Project Management and Fiscal Services Agreement. The City and BDD staff will continue to evaluate the procedures and the process pertaining to the accounting for Buckman’s billing and receivable transactions. The City will work with BDD personnel to coordinate a review of the Project Management and Fiscal Services Agreement to see if an amendment is necessary to better organize the reporting dates and cycles.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Schedule of Findings and Responses  
June 30, 2013

**FS 2012-001 Project-Wide Cost Allocation to Partners-Repeated and Modified- Other Matter**

*Condition:* During our review of 12 monthly billings that occurred in fiscal year 2013 we noted there was not a documented agreement between partners on how project-wide costs (i.e. indirect costs) were to be billed to each partner. A calculation was performed by the fiscal manager that allocated project-wide costs totaling \$1,948,945 to the City of Santa Fe, Santa Fe County, and Las Campanas using the percentages detailed in the table below.

Partner	Project-Wide Cost Allocation Percentage
City of Santa Fe	73.34%
Santa Fe County	24.02%
Las Campanas	2.64%

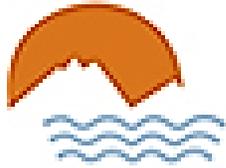
*Criteria:* Paragraphs 20 through 23 of the facility operation procedures agreement dated September 7, 2006 provide specific guidance on how fixed and variable costs should be billed to each partner; however, there was no specific provision that addressed how project-wide costs should have been billed to each partner.

*Effect:* Since there was no specific provision that addressed how project-wide costs should have been billed to each partner the fiscal manager had to determine the appropriate costs to be billed to each partner instead of the partners determining and approving the project-wide costs allocation percentages. The potential outcome is that partners could question the appropriateness and accuracy of the project-wide costs allocation and demand reimbursement.

*Cause:* The billing of project-wide costs and allocation was not contemplated during preparation of the original facility operation procedure agreement dated September 7, 2006.

*Auditors' Recommendation:* We recommend management and the Board consider and agree upon how project-wide costs should be billed and incorporate that agreement into the facility operations procedures agreement.

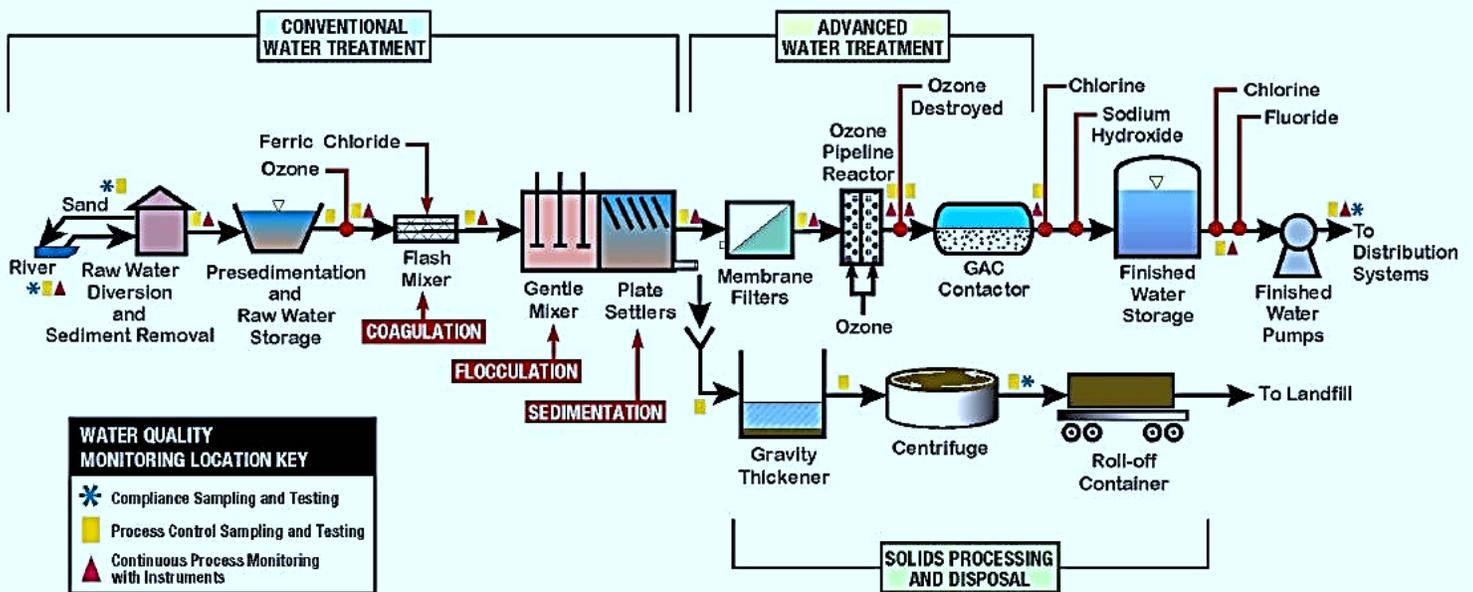
*Management Response:* BDD management and the City of Santa Fe, as fiscal agent concur with the audit finding. BDD management, BDD Partners and the BDD Board shall review, evaluate, and recommend how the cost sharing principle Project-Wide Costs, shall be allocated amongst all BDD Partners. Upon concurrence and BDD Board approval the allocation methodology shall also be incorporated into the Facility Operations and Procedures Agreement. In addition all cost-sharing principles shall be reviewed by BDD management and its partners annually and in connection with the budget process to ensure allocation is reasonable and appropriate.



# Buckman Direct Diversion

## Buckman Direct Diversion Project Water Treatment Facility Operations Financial Statements With Accompanying Independent Auditors' Reports

Year Ended June 30, 2014



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**INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
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 June 30, 2014

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**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Directory of Officials  
June 30, 2014

<u><b>Name</b></u>	<u><b>Board Members</b></u>	<u><b>Title</b></u>
Miguel Chavez		Commissioner, Santa Fe County
Carmichael Dominguez		Councilor, City of Santa Fe
Liz Stefanics		Commissioner, Santa Fe County
Chris Calvert		Councilor, City of Santa Fe
Consuelo Bokum		At-Large Member

**Fiscal Agent Administration**

Oscar Rodriguez	Finance Director, City of Santa Fe
Teresita Garcia	Assistant Finance Director, City of Santa Fe
Erica Martinez	Senior Financial Analyst, City of Santa Fe

**Buckman Administration**

Shannon Jones	Facility Manager, Buckman
Mackie Romero	Fiscal Manager & Business Administrator, Buckman

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**FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board Members  
Santa Fe County  
City of Santa Fe  
Las Campanas  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Santa Fe, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Buckman's basic financial statements, as listed in the table of contents. We also have audited the budgetary comparison of the major capital projects fund and proprietary fund presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2014 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

### Opinions

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Buckman as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the capital projects fund and the proprietary fund of Buckman 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*

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other information*

Our audit was conducted for the purpose of forming opinions on Buckman's financial statements, and the budgetary comparisons. Schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements. Schedules I and II 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, Schedules I and II are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015, on our consideration of Buckman'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 the 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 Buckman's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP  
Albuquerque, NM  
June 17, 2015

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**BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**Buckman Direct Diversion Project**  
**Water Treatment Facility Operations**  
**Statement of Net Position**  
**June 30, 2014**

Exhibit A-1

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets			
Cash, investments, and cash equivalents	\$ -	\$ 2,995,466	\$ 2,995,466
Partner's accounts receivable			
City of Santa Fe	2,411,160	-	2,411,160
Santa Fe County	2,411,160	-	2,411,160
Las Campanas	3,294	-	3,294
Accrued interest receivable	-	2,906	2,906
Chemical inventory	-	106,283	106,283
Total current assets	4,825,614	3,104,655	7,930,269
Noncurrent assets			
Capital assets	4,813,129	226,037,002	230,850,131
Accumulated depreciation	-	(13,733,646)	(13,733,646)
Total noncurrent assets	4,813,129	212,303,356	217,116,485
 Total assets	\$ 9,638,743	\$ 215,408,011	\$ 225,046,754
<b>Liabilities</b>			
Current liabilities			
Partner's credit balances			
City of Santa Fe	\$ -	\$ 1,232,199	\$ 1,232,199
Santa Fe County	-	620,298	620,298
Las Campanas	-	83,585	83,585
Cash overdraft	4,128,922	-	4,128,922
Accounts payable	696,692	533,241	1,229,933
Accrued payroll	-	52,309	52,309
Compensated absences	-	89,270	89,270
Total current liabilities	4,825,614	2,610,902	7,436,516
 Total liabilities	4,825,614	2,610,902	7,436,516
<b>Net Position</b>			
Net investment in capital assets	4,813,129	212,303,356	217,116,485
Unrestricted	-	493,753	493,753
 Total net position	4,813,129	212,797,109	217,610,238
 Total liabilities and net position	\$ 9,638,743	\$ 215,408,011	\$ 225,046,754

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Activities  
 For the Year Ended June 30, 2014

Exhibit A-2

	Governmental Activities	Business-type Activities	Total
<b>Program expenses:</b>			
Buckman Direct Diversion Project Operations	\$ -	\$ 10,646,250	\$ 10,646,250
Habitat restoration and compliance	542,755	-	542,755
	<u>542,755</u>	<u>-</u>	<u>542,755</u>
Total program expenses	<u>542,755</u>	<u>10,646,250</u>	<u>11,189,005</u>
<b>Program Revenues:</b>			
Reimbursements			
City of Santa Fe	2,607,792	4,294,715	6,902,507
Santa Fe County	2,607,792	1,384,797	3,992,589
Las Campanas	26,378	213,502	239,880
PNM solar rebates	-	213,554	213,554
	<u>5,241,962</u>	<u>6,106,568</u>	<u>11,348,530</u>
Total program revenues	<u>5,241,962</u>	<u>6,106,568</u>	<u>11,348,530</u>
<i>Net program revenue (expense)</i>	<u>4,699,207</u>	<u>(4,539,682)</u>	<u>159,525</u>
<b>General Revenues:</b>			
Investment income	-	20,044	20,044
	<u>-</u>	<u>20,044</u>	<u>20,044</u>
Total general revenues	<u>-</u>	<u>20,044</u>	<u>20,044</u>
Change in net position	4,699,207	(4,519,638)	179,569
Net position, beginning	113,922	217,316,747	217,430,669
	<u>113,922</u>	<u>217,316,747</u>	<u>217,430,669</u>
Net position, ending	<u>\$ 4,813,129</u>	<u>\$ 212,797,109</u>	<u>\$ 217,610,238</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Balance Sheet  
 Governmental Funds  
 June 30, 2014

	<u>Capital Projects</u> <u>Fund</u>
<b>ASSETS</b>	
Partner's accounts receivable	
City of Santa Fe	\$ 2,411,160
Santa Fe County	2,411,160
Las Campanas	3,294
<i>Total assets</i>	<u>\$ 4,825,614</u>
 <b>LIABILITIES AND FUND BALANCES</b>	
<i>Liabilities</i>	
Cash overdraft	\$ 4,128,922
Accounts payable	<u>696,692</u>
<i>Total liabilities</i>	<u>4,825,614</u>
 <i>Fund balances</i>	
Spendable:	
Committed	<u>-</u>
<i>Total fund balances</i>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 4,825,614</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
June 30, 2014

Fund Balance - Governmental Funds (Exhibit B-1)	\$ -
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>4,813,129</u>
Total net position (Exhibit A-1)	<u><u>\$ 4,813,129</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2014

	<u>Capital Projects Fund</u>
<b>REVENUES</b>	
Reimbursements	
City of Santa Fe	\$ 2,607,792
Santa Fe County	2,607,792
Las Campanas	<u>26,378</u>
<i>Total revenues</i>	<u>5,241,962</u>
<b>EXPENDITURES</b>	
Habitat restoration and compliance	542,755
Capital outlay	<u>4,699,207</u>
<i>Total expenditures</i>	<u>5,241,962</u>
<i>Net change in fund balance</i>	-
<i>Fund balance - beginning of year</i>	<u>-</u>
<i>Fund balance - end of year</i>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2014

Net Change in Fund Balance - Governmental Funds \$ -

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital asset additions reported as capital outlay expenditures 4,699,207

Change in Net Position (Exhibit A-2) \$ 4,699,207

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Net Position  
 Buckman Direct Diversion Project Operations Enterprise Fund  
 June 30, 2014

Exhibit C-1

**Assets**

*Current assets*

Cash, investments, and cash equivalents	\$ 2,995,466
Accrued interest receivable	2,906
Chemical inventory	106,283
<i>Total current assets</i>	3,104,655

*Noncurrent assets*

Capital assets	226,037,002
Accumulated depreciation	(13,733,646)
<i>Total noncurrent assets</i>	212,303,356

*Total assets*

\$ 215,408,011

**Liabilities and net position**

*Current liabilities*

Partner's credit balances	
City of Santa Fe	\$ 1,232,199
Santa Fe County	620,298
Las Campanas	83,585
Accounts payable	533,241
Accrued wages payable	52,309
Compensated absences	89,270
<i>Total current liabilities</i>	2,610,902

*Total liabilities*

2,610,902

*Net position*

Net investment in capital assets	212,303,356
Unrestricted	493,753

*Total net position*

212,797,109

*Total liabilities and net position*

\$ 215,408,011

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Revenues, Expenses and Changes in Net Position  
 Buckman Direct Diversion Project Operations Enterprise Fund  
 For the Year Ended June 30, 2014

Exhibit C-2

<i>Operating revenues</i>	
Reimbursements	
City of Santa Fe	\$ 4,294,715
Santa Fe County	1,384,797
Las Campanas	213,502
PNM solar rebates	213,554
<i>Total operating revenues</i>	<u>6,106,568</u>
 <i>Operating expenses</i>	
Personnel costs	2,561,477
Depreciation	4,580,806
Electricity	1,236,534
Chemicals	179,934
Solids	118,129
Materials and supplies	859,556
Contractual services	738,943
Fiscal agent fee	69,679
Uniforms	15,387
Software	5,461
Gas	54,338
Insurance	175,348
Training and subscriptions	14,709
Travel	203
Communication	35,746
<i>Total operating expenses</i>	<u>10,646,250</u>
 <i>Operating (loss)</i>	 <u>(4,539,682)</u>
 <i>Non-operating revenues (expenses)</i>	
Investment income	<u>20,044</u>
<i>Total non-operating revenues (expenses)</i>	<u>20,044</u>
 <i>Change in net position</i>	 (4,519,638)
 <i>Total net position - beginning of year</i>	 <u>217,316,747</u>
 <i>Total net position, end of year</i>	 <u>\$ 212,797,109</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Cash Flows  
 Buckman Direct Diversion Project Operations Enterprise Fund  
 For the Year Ended June 30, 2014

<i>Cash flows from operating activities</i>	
Cash received from partners and PNM	\$ 6,599,299
Cash paid to suppliers for goods and services	(2,964,710)
Cash paid to employees for services	<u>(2,515,887)</u>
<i>Net cash provided by operating activities</i>	<u>1,118,702</u>
<i>Cash flows from capital and financing activities</i>	
Acquisition and construction of capital assets	<u>(23,768)</u>
<i>Net cash used by capital and financing activities</i>	<u>(23,768)</u>
<i>Cash flows from investing activities</i>	
Investment income	<u>20,336</u>
<i>Net cash provided by investing activities</i>	<u>20,336</u>
<i>Net increase in cash, investments, and cash equivalents</i>	1,115,270
<i>Cash, investments, and cash equivalents - beginning of year</i>	<u>1,880,196</u>
<i>Cash, investments, and cash equivalents - end of year</i>	<u><u>\$ 2,995,466</u></u>

The accompanying notes are an integral part of these financial statements

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

Operating loss	\$	(4,539,682)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense		4,580,806
Changes in assets and liabilities:		
Decrease in partner's accounts receivable		32,793
Increase in partner's credit balances		459,938
Decrease in chemical inventory		45,049
Increase in accounts payable		494,208
Increase in accrued wages and compensated absences		<u>45,590</u>
Total changes in assets and liabilities		1,077,578
Net cash provided by operating activities	\$	<u><u>1,118,702</u></u>

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**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2014

	Emergency Fund	Major Repair and Replacement Fund	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 2,001,272	\$ 824,133	\$ 2,825,405
Partner's accounts receivable			
Las Campanas	-	70	70
Accrued interest	308	127	435
<i>Total assets</i>	<u>\$ 2,001,580</u>	<u>\$ 824,330</u>	<u>\$ 2,825,910</u>
<i>Liabilities</i>			
Deposits held in trust for partners			
City of Santa Fe	\$ 1,307,365	\$ 584,136	\$ 1,891,501
Santa Fe County	466,652	200,129	666,781
Las Campanas	227,563	40,065	267,628
<i>Total liabilities</i>	<u>\$ 2,001,580</u>	<u>\$ 824,330</u>	<u>\$ 2,825,910</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2014

**NOTE 1. Organization**

Under a joint powers agreement for the Buckman Direct Diversion Project dated January 11, 2005 (JPA), the City of Santa Fe (City) joined Santa Fe County (County) to design and construct the Buckman Direct Diversion Project in order to divert surface water from the Rio Grande River to the independent water systems of the City and County to reduce reliance on over-taxed ground water resources. Operations of the Buckman Direct Diversion Water Treatment Facility (Buckman) commenced May 15, 2011. The Buckman site is located 15 miles northwest of Santa Fe, approximately 3 miles downstream from where Route 3 crosses the Rio Grande River at the Otowi Bridge. Buckman is considered under the provisions of the Joint Powers Act to be an entity separate from the individual parties named in the JPA as prescribed by State Statute Section II I-5(B) NMSA 1978. The City and County each own 50% of the diversion facilities of Buckman and have established a board to oversee the planning, procurement, financing, permitting, design, and construction of the Buckman Direct Diversion Project as well as the operations and management of Buckman. The Board is comprised of two members of the governing body of the City of Santa Fe, two members of the governing body of Santa Fe County Commissioners, and one citizen member at large appointed by a majority vote of the four other members. Other project participants include Las Campanas Limited Partnership, who retains no ownership interest in Buckman but pays for its proportional share of that system (diversion structure, sediment pond, and related infrastructure) it actually uses. The City of Santa Fe, Santa Fe County, and Las Campanas Limited Partnership are referred to in these financial statements as the user partners. Buckman Direct Diversion Project is jointly owned by the City of Santa Fe and the County of Santa Fe. Construction of the facility was completed in December 2010 and the project was completed under the terms of the construction contract on May 15, 2011 which is the approximate date upon which operations commenced.

**NOTE 2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of Buckman is presented to assist in the understanding of the Buckman's financial statements. The financial statements and notes are the representation of the Buckman's management who is responsible for their integrity and objectivity. The financial statement of Buckman have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In fiscal year 2014 Buckman adopted new accounting standard GASB Statement No. 65, Items Previously Reported as Assets and Liabilities ("GASB 65"), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This had no impact on Buckman's financial statements.

The more significant of Buckman's accounting policies are described below.

**A. Financial Reporting Entity**

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define Buckman, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 as amended by No. 39 and No 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2014

**NOTE 2. Summary of Significant Accounting Policies (continued)**

**A. *Financial Reporting Entity (continued)***

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, Buckman does not have any component units required to be reported under GASB Statements No. 14, No. 39 and No. 61.

**B. *Government-wide and fund financial statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services provided.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. Buckman's Net Position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2014

**NOTE 2. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting and financial statement presentation-(continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Program revenues included in the Statement of Activities are derived from reimbursements for the user partners. Program revenues reduce the cost of the function to be financed from Buckman's general revenues.

Buckman reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable within a function. Buckman does not currently employ indirect cost allocation systems. Depreciation expenses are specifically identified by function and included in the direct expense of each function.

Reimbursements from the user partners are recognized as revenue each month based on the monthly expenditures that have been incurred. A prebilling precedes the month of billing on an estimated basis for cash flow purposes. A final billing is made based on actual costs and expenses incurred for fixed, variable, and project-wide costs. Amounts that may be paid in excess of billings are recorded as partner's credit balances in the Statement of Net Position.

Governmental funds are used to account for Buckman's general government activities, including the collection and disbursement of specific contributions or reimbursement from user partners for committed resources, or the acquisition or construction of capital assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of Buckman's enterprise fund is reimbursements from user partners for the cost of operations. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Buckman uses fiduciary funds to account for partner contributions to Buckman's Emergency fund and Major Repair and Replacement fund which are described below. Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations. Pursuant to the joint powers agreement the money is held in trust for the partners until it is needed for emergency or repairs.

Buckman reports the following agency funds:

The *Emergency fund and Repair and Replacement fund* are agency funds and were approved by the Board on February 3, 2011. Both the Emergency fund and the Repair and Replacement Fund are to be funded through specific contributions from the user partners and utilized for specified purposes. The Emergency fund target balance is \$2,000,000 and was funded over a two-year period. For the Repair and Replacement fund, Buckman established an accumulation target of \$823,624 with \$411,812 in annual contributions for fiscal year 2015.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2014

**NOTE 2. Summary of Significant Accounting Policies (continued)**

*C. Measurement focus, basis of accounting and financial statement presentation-(continued)*

The Board approved the Emergency Fund Reserve Policy and the Major Repair and Replacement Fund Policy on February 3, 2011.

**Emergency Reserve Fund Policy:** In order to secure resources assuring Buckman's timely response to emergencies, which could potentially threaten, reduce, or eliminate Buckman's capacity to meet its customers' demands, Buckman established an accumulation target amount of \$2,000,000 to fund the emergency reserve fund. While insurance may provide reimbursement of costs associated with some emergency situations, the Emergency Reserve Fund will provide an immediate infusion of the fund that are necessary to address the situation without having to first solicit funding from the partners. The total amount funded as June 30, 2014 was \$2,001,272.

**Major Repair and Replacement Fund Policy:** In accordance with the Buckman's intergovernmental agreements and in order to secure resources assuring Buckman's ability to cover the repair and replacement cost of capital assets already in existence within Buckman, this policy ensures funding is available to repair or replace capital equipment when the capital equipment has reached the end of its effective useful life. Buckman established an accumulation target of \$411,812 in annual contributions to be fully funded by the end of each fiscal year. The total amount funded as of June 30, 2014 was \$824,133.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities, as well as for the maintenance of facilities for Buckman Direct Diversion Project. The Board on March 1, 2012 approved the carryforward of their construction budget because it was necessary to fund on-going work efforts, and because Buckman is required to carry out certain tasks pursuant to environmental regulatory mandates including habitat restoration required by Buckman's federal environment permit. These on-going work effects and task pursuant to regulatory mandates were included in the original construction budget to ensure compliance with the National Environmental Policy Act, Environmental Impact Statements, and the Endangered Species Act. In addition, Buckman utilizes the Capital Projects fund to account for the reimbursements and construction of a large solar panel within the Buckman utility system at the Booster Station 2a facility.

Buckman reports the following major enterprise fund:

The *Buckman Direct Diversion Project Operations Enterprise fund* is used to account for the operations of the Buckman Regional Water Treatment Plant and other Buckman related facilities and reimbursements from user partners.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is Buckman's policy to use restricted resources first, then unrestricted resources as they are needed.

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Notes to Financial Statements  
 June 30, 2014

**NOTE 2. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities and Net Position***

***Cash, Investments, and Cash Equivalents:*** Cash is pooled into one common account maintained by the City of Santa Fe, Buckman's fiscal agent, in order to maximize investment opportunities. Buckman's monies deposited in the pooled cash account have equity therein, and interest earned on any of the investment of these monies is allocated based upon relative equity at month end. Cash and cash equivalents is considered to be a share of the City's pooled cash and short-term investments with original maturities of three months or less from the date of acquisition. Please refer to the City of Santa Fe's financial statements for the year ended June 30, 2014 for a complete description of permissible investments and risk disclosures concerning cash investments.

***Partner's Accounts Receivables / Partner's Credit Balances:*** A prebilling precedes the month of billing on an estimated basis for cash flow purposes based on the monthly approved budget. Outstanding amounts owed to Buckman from prebilling activities are reported as Partner's Accounts Receivable in the Statement of Net Position. Revenue from the user partners is recognized each month based on the monthly expenses that have been incurred. A final billing is made based on actual costs and expenses incurred for fixed, variable, and project-wide costs. Amounts paid by partners in excess of final invoiced amounts are recorded as Partner's Credit Balances in the Statement of Net Position and used to offset future billings.

***Chemical Inventory:*** Chemical inventory recorded in Buckman's enterprise fund is stated at the lower of cost of market and totals \$106,283 at June 30, 2014. The cost of consumption is billed to each individual partner monthly, and is determined using the average cost method.

***Capital Assets:*** Capital assets are recorded at cost. The fiscal agent's (City of Santa Fe) policy is to capitalize all assets with a cost of \$5,000 or greater. Major outlays for capital assets and improvements are capitalized as projects as they are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives as follows:

Assets	Years
Buildings and Structures	50
Equipment and machinery	7
Vehicles	8
Data processing equipment	3

***Use of Estimates:*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures including the useful lives of depreciable assets and the estimated usage of leave balances by employees. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2014

**NOTE 2. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities and Net Position-(continued)***

***Compensated Absences:*** It is the Fiscal Agent's (City of Santa Fe) policy to permit employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and overtime. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of Buckman and its employees is accrued as employees earn the right to the benefits. Compensated absences that relate to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences are recorded as an expense and a liability of Buckman. In prior year's all of the related expenses associated with compensated absences have been liquidated by the Buckman Direct Diversion Project enterprise fund.

***Fund Balance Classification Policies and Procedures:***

***Nonspendable Fund Balance:*** This fund classification represents amounts that are not in spendable form. At June 30, 2014, Buckman has no fund balances not in spendable form.

***Restricted Fund Balance:*** This fund classification represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Enabling legislation includes a legal enforceable requirement that resources be used only for specific purposes stipulated in the legislation. Legal enforceability means the government can be impelled by an external party to use resources for the purpose specified by the legislation. At June 30, 2014, Buckman has no fund balances that are classified as restricted.

***Committed Fund Balance:*** This fund classification represents amounts that can only be used for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for Buckman. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At June 30, 2014 Buckman has no fund balance amounts that are classified as committed.

***Assigned Fund Balance:*** This fund classification represents amounts that are constrained by the Board's intent to use them for a specific purpose, but are neither restricted nor committed. The Board has not established a policy regarding the assignment of funds. For assigned fund balance, the Board or an official or body to which the Board delegates the authority is authorized to assign amounts to a specific purpose. At June 30, 2014 Buckman has no fund balances that are classified as assigned.

***Unassigned Fund Balances:*** This fund classification represents all other spendable amounts that are not classified in the above categories. At June 30, 2014 Buckman has no fund balances that are classified as unassigned.

For the classification of fund balances, Buckman considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Buckman considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2014

**NOTE 2. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position-(continued)*

**Minimum Fund Balance Policies:** Buckman has minimum fund balance policies that apply to its agency funds which are described in Note 2 (C) above.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position: All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**NOTE 3. Stewardship, Compliance and Accountability**

*Budgetary Information*

Buckman’s annual operating budget for the enterprise fund is adopted on a basis other than generally accepted accounting principles (Non-GAAP basis). Depreciation is not budgeted for the enterprise fund. Buckman’s budget for the capital projects fund is adopted on a modified accrual basis which is the same basis of accounting used for the financial statements. There are no adopted budgets for the special revenue funds due to absence of any expected expenditure activity. The budget includes both the proposed City and County portions and requires approval from both the City Council and the Santa Fe County Commission. The budget must also be approved by the BDD Buckman’s Board. The budget and any adjustments are subject to the regular budget requirements and calendar cycles of the City and the County. Budgetary control is at the fund level for both the enterprise fund and the capital projects fund. Encumbrance accounting is employed in all funds. Encumbrances (purchase orders, contracts and other commitments for the expenditure of resources) outstanding at year-end are carried forward to the new fiscal year and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**NOTE 4. Cash, Investments, and Cash Equivalents**

Buckman does not have a separate bank account. At June 30, 2014, Buckman had cash, investments, and cash equivalents totaling \$5,820,871 which represents Buckman’s portion in cash and investment pooled accounts maintained by the City of Santa Fe. This amount includes \$2,001,272 committed for emergencies and \$824,133 committed for future repairs or replacements of capital assets pursuant to Buckman policies. The City invests its pooled cash into US Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer's investment pool and US Government security mutual funds. Please refer to the Comprehensive Annual Financial Report for the City of Santa Fe, New Mexico for the disclosure information regarding the custodial credit risk and other risks that may apply. The report may be obtained from the City by contacting the Assistant Finance Director at 200 Lincoln Avenue, P.O. Box 909 Santa Fe, New Mexico 87504-0909.

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Notes to Financial Statements  
 June 30, 2014

**NOTE 5. Partner's Accounts Receivable / Partner's Credit Balances**

The following table shows the balances outstanding from each partner or partner credit balance as of June 30, 2014.

	Partner's Accounts Receivable			Total
	City of Santa Fe	Santa Fe County	Las Campanas	
Governmental activities:				
Habitat restoration, compliance and construction	\$ 2,411,160	\$ 2,411,160	\$ 3,294	\$ 4,825,614
Total	<u>\$ 2,411,160</u>	<u>\$ 2,411,160</u>	<u>\$ 3,294</u>	<u>\$ 4,825,614</u>
	Partner's Credit Balances			Total
	City of Santa Fe	Santa Fe County	Las Campanas	
Business-type activities:				
Buckman operations	\$ 1,232,199	\$ 620,298	\$ 83,585	\$ 1,936,082
Total	<u>\$ 1,232,199</u>	<u>\$ 620,298</u>	<u>\$ 83,585</u>	<u>\$ 1,936,082</u>

No allowance for doubtful accounts has been recorded, as Buckman expects to fully collect all outstanding receivables.

**Cash Overdraft**

Cash overdraft reported in the Capital Project fund totals \$4,128,922. The amount represents pending reimbursements for project expenditures related to the solar array project that commenced in May of 2013. The project includes design, acquisition, construction, permitting and installation of a solar photovoltaic system to service the Buckman Diversion Project at its Booster Station 2a facility. The project is being funded through a loan and grant agreement between the City of Santa Fe and the New Mexico Finance Authority.

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
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 Notes to Financial Statements  
 June 30, 2014

**NOTE 6. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

**Business-type activities**

	Beginning Balance June 30, 2013	Additions	Deletions	Ending Balance June 30, 2014
Capital assets, being depreciated:				
Buildings and structures	\$ 225,550,531	\$ -	\$ -	\$ 225,550,531
Equipment and machinery	162,741	-	-	162,741
Vehicles	253,573	23,769	-	277,342
Data processing equipment	46,388	-	-	46,388
 Total capital assets being depreciated	 226,013,233	 23,769	 -	 226,037,002
 Less accumulated depreciation:				
Buildings and structures	9,022,021	4,511,011	-	13,533,032
Equipment and machinery	40,226	21,932	-	62,158
Vehicles	66,872	32,401	-	99,273
Data processing equipment	23,721	15,462	-	39,183
 Total accumulated depreciation	 9,152,840	 4,580,806	 -	 13,733,646
 Total capital assets being depreciated, net	 216,860,393	 (4,557,037)	 -	 212,303,356
 Total capital assets	 \$ 216,860,393	 \$ (4,557,037)	 \$ -	 \$ 212,303,356

Depreciation expense totaled \$4,580,806 and was recorded in the Buckman Direct Diversion Operations fund for fiscal year ending June 30, 2014.

**Governmental activities**

	Beginning Balance June 30, 2013	Additions	Deletions	Ending Balance June 30, 2014
Capital assets, not being depreciated:				
Construction in progress	\$ 113,922	\$ 4,699,207	\$ -	\$ 4,813,129

Construction in progress relates to Buckman's solar array project that commenced in May of 2013. The project includes design, acquisition, construction, permitting and installation of a solar photovoltaic system to service the Buckman Diversion Project at its Booster Station 2a facility. The total estimated cost was \$5,050,000 and the project was completed in fiscal year 2015.

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Notes to Financial Statements  
 June 30, 2014

**NOTE 7. Compensated Absences**

**Business-type activities**

Compensated absences activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Compensated absences	95,989	224,379	231,098	89,270	89,270
Total	<u>\$ 95,989</u>	<u>\$ 224,379</u>	<u>\$ 231,098</u>	<u>\$ 89,270</u>	<u>\$ 89,270</u>

**NOTE 8. Economic Dependence and Related Party Transactions**

1. Buckman is economically dependent on three entities - City of Santa Fe, Santa Fe County, and Las Campanas (the user partners). These entities account for 100% of its funding for the period ending June 30, 2014.
2. See note 5 for outstanding balances owed from user partners and credit balances outstanding as of June 30, 2014.
3. The City of Santa Fe as fiscal agent for the Buckman Direct Diversion Project receives a fee of 1% of the annual operating budget of the project. The City of Santa Fe received \$69,679 of fees for services as fiscal agent for the year ended June 30, 2014.

**NOTE 9. Risk Management**

Pursuant to the Joint Powers Agreement section 23, Buckman is required to carry insurance coverage separate and apart from the partner's respective insurance policies. Buckman carries public liability insurance coverage (including directors and officers coverage) consistent with its responsibilities as a public entity under the New Mexico Tort Claims Act, NMSA 1978, Section 41-1-1 with combined single limits of \$1,000,000. Buckman carries a public liability commercial insurance policy with occurrence-based coverage against losses arising out of all operations conducted on the premises, contractual liability coverage, crime, automobile, directors and officers' coverage and other appropriate coverages. Buckman carries commercial property insurance on all of Buckman's buildings, structures, equipment, improvements, and vehicles to protect itself from losses arising from fire, earthquake, and flood disasters. Buckman also has commercial insurance for potential losses arising from excess liability and failures to supply materials needed to operate Buckman facilities.

Buckman Staff, as employees of the City of Santa Fe participate in the Santa Fe Health Fund and the Workers' Compensation Fund, which are self-insured programs administered by the fiscal agent. Buckman makes pro rata payments to the City based on actuarial estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for catastrophic losses. Health claims are handled by a professional third-party claims administrator. The fiscal agent maintains specific stop loss coverage for individual claims in excess of \$200,000 with a \$1,000,000 statutory limit. Workers' compensation claims are handled by a professional, third-party claims administrator. Buckman maintains specific stop loss coverage for individual claims in excess of \$500,000 with a \$1,000,000 statutory limit. There was no reduction in amount of coverage for 2014.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
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June 30, 2014

**NOTE 10. Pension Plan-Public Employee Retirement Association (PERA)**

*Plan Description.* Buckman staff, as employees of the City of Santa Fe 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 multi-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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 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.* State statutes required that plan members who are regular employees contributed 14.65%. The City is required by state statute to contribute 9.15% of regular employees' salaries, however, as an employee benefit, the City elected to adopt the 75% pick-up provision allowed by state statute thereby contributing 20.1375% to the regular employees' 3.6625% contribution. The contribution requirements of plan members and the City are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Buckman's contributions for the years ended June 30, 2014, June 30, 2013 and June 30, 2012 amounted to \$307,411, \$299,615, and \$350,773 which equals the amounts of the required contributions.

**NOTE 11. Post Employment Benefits –State Retiree Health Care Plan**

*Plan Description.* Buckman 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, NMSA1978). 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 NE, Suite 104, Albuquerque, NM 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.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
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Notes to Financial Statements  
June 30, 2014

**NOTE 11. Post Employment Benefits –State Retiree Health Care Plan-(continued)**

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. During the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; each participating employee was required to contribute 1.00% of their salary.

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) [10-12B-1 NMSA 1978], 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.

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.

Buckman's contributions to the RHCA for the years ended June 30, 2014, June 30, 2013, and June 30, 2012, were \$30,562, \$31,465, and \$33,838 which equal the required contributions for each year.

**NOTE 12. Project Manager / Fiscal Agent Agreement**

In November 2007, the Buckman Direct Diversion Board entered into an agreement with the City of Santa Fe to act in the capacity as project manager and fiscal agent for the Board. Duties of the City include:

Project Manager

- Carry out the directives and policies of the BOD Board, make recommendations to the BOD Board related to the Project, provide support staff for BOD Board meetings, contract with independent legal counsel selected by the BOD Board, contract with specialized legal counsel as needed to support design, construction, operation and maintenance of the Project, and, as directed by the BOD Board, implement the Project during design and construction and, following completion of construction, manage, operate, and maintain the Project;
- Seek and apply for funding (except for funding to be provided by the City and the County pursuant to the Project Agreements) in the form of grants, loans or loan guarantees, or other funding sources as may be deemed appropriate by the BOD Board, for the Project as directed by the BOD Board and manage any such grants, loans or loan guarantees;
- Administer all funds loaned, granted or contributed by the City, the County, or Las Campanas in connection with the Project, and respond to related audits as may be necessary;
- Prepare and submit to the BOD Board, the City, the County, and Las Campanas no later than December 15 of each Fiscal Year, an Annual Operating Budget, which shall include annual and 5-year projected Operations, Maintenance, Replacement & Reserve (OMR&R) costs, including a 5-year schedule with the Project Manager's proposed facilities and equipment major maintenance and replacement costs, proposed allocation of costs among the City, the County, and Las Campanas as provided in the Facilities Operations and Procedures Agreement (FOPA), a facilities and equipment major repair and replacement fund, and an emergency reserve fund;

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2014

**NOTE 12. Project Manager / Fiscal Agent Agreement-(continued)**

Project Manager-Continued

- Develop and implement prior to initial operation a cost accounting system to apportion the total fixed and variable cost of OMR&R to the City, the County, and Las Campanas in accordance with the cost sharing provisions of the FOPA;
- Develop a document retention and protection policy for adoption by the BOD Board;
- Act as fiscal agent for the Project;
- Once an Annual Operating Budget is approved by the BOD Board, implement the budget, adhere strictly to the budget, and make recommendations for necessary budget adjustments throughout the Fiscal Year, and contract for an annual independent audit, consistent with GMP and GASB and with the New Mexico Audit Act, NMSA 1978, Sections 12-6-1-, et seq., and 2.2.2. NMAC, et seq., as amended, and report the results of the audit to the BDD Board;
- Prepare and submit to the BOD Board for approval all documentation to be used for procurement in the Project including, but not limited to, documents related to design, engineering, construction, operation and maintenance of the Project, including, without limitation, requests for proposals, requests for qualifications and contracts in amounts greater than \$20,000;
- Develop all procurement documents in accordance with the City's Purchasing Manual and present same to the BOD Board;
- Consult with staff of the City, the County, and Las Campanas regarding the planning and design and OMR&R of the Project;
- In consultation with the BOD Board, apply for, manage and maintain, including the preparation and submittal of all required compliance reports, all necessary permits for the operation of the Project, including, without limitation, those permits, easements, and rights-of-way held in the name of the BOD Board, and those permits required to be obtained by the BOD Board pursuant to Section 6 of the FOPA;
- Maintain communication with the BOD Board, the City, the County, and Las Campanas, primarily via monthly BOD Board meetings, and keep these entities informed of important matters as may be necessary in the interim between monthly BOD Board meetings;
- As directed by the BOD Board, act as liaison for the BOD Board and represent the BOD Board in Project matters involving tribal governments, state and federal government agencies, and non-governmental organizations;
- Perform other duties as assigned by the BOD Board consistent with funding and the Project Agreements

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2014

**NOTE 12. Project Manager / Fiscal Agent Agreement-(continued)**

Fiscal Agent-Continued

- Maintain segregated books and records consistent with GAAP to account for all separate funding sources, including, without limitation, funds provided by the City, the County, or Las Campanas in support of construction or subsequent OMR&R of the Project and funds secured by the Board pursuant to grants or loans from funding agencies;
  
- Within 90 days after the end of each fiscal year, provide copies of financial statements to the City, the County, and Las Campanas, showing the assets, liabilities, revenues, expenses, equity balances and budget comparisons for the Project fund on an annual basis for the prior fiscal year in accordance with GMP and GASB, complete the Management's Discussion and Analysis (MDA) for the annual financial report, and provide upon request, a monthly general ledger report; and
  
- Procure, contract, and pay for as budgeted an annual independent audit, consistent with GAAP and GASB and with the New Mexico Audit Act, NMSA 1978, Sections 12-6-1-, et seq., and NMAC, et seq., as amended, and report the results of the audit to the BOD Board.

The agreement expires on December 1, 2015.

**NOTE 13. Subsequent Events**

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is June 17, 2015, which is the date on which the financial statements were available to be issued.

**NOTE 14. Subsequent Pronouncements**

In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27 Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. Buckman will implement this standard during the fiscal year June 30, 2015.

In January 2013, GASB Statement No. 69 Government Combinations and Disposals of Government Operations, Effective Date: The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. Buckman is still evaluating how this standard will affect Buckman.

In November 2013, GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The standard will be implemented during fiscal year June 30, 2015.

**STATE OF NEW MEXICO**  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Notes to Financial Statements  
June 30, 2014

**NOTE 14. Subsequent Pronouncements-(continued)**

In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. The provisions of this Statement requires government entities to measure investments at fair value and to use valuation techniques for investments that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The standard will be implemented during fiscal year June 30, 2016.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance-Budget (Modified Accrual Basis) and Actual  
 Capital Projects Fund  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Modified Accrual) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Reimbursements				
City of Santa Fe	\$ 2,890,715	\$ 2,890,715	\$ 2,607,792	\$ (282,923)
Santa Fe County	2,890,715	2,890,715	2,607,792	(282,923)
Las Campanas	41,609	41,609	26,378	(15,231)
<i>Total revenues</i>	5,823,039	5,823,039	5,241,962	(581,077)
<i>Expenditures:</i>				
Current:				
Habitat restoration and compliance	858,625	784,293	542,755	241,538
Capital outlay	4,964,414	5,038,746	4,699,207	339,539
<i>Total expenditures</i>	5,823,039	5,823,039	5,241,962	581,077
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Internal transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	\$ -	\$ -	-	\$ -
			-	
Net change in fund balance GAAP basis			\$ -	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement A-2

Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Schedule of Revenues, Expenses and Changes in Net Position  
Budget (Non-GAAP Budgetary Basis) and Actual  
Buckman Direct Diversion Project Operations Fund  
For the Year Ended June 30, 2014

	Budgeted Amounts		Non-GAAP Budgetary Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues</i>				
City of Santa Fe	\$ 5,212,742	\$ 5,212,742	\$ 4,294,715	\$ (918,027)
Santa Fe County	1,482,169	1,482,169	1,384,797	(97,372)
Las Campanas	342,692	342,692	213,502	(129,190)
PNM Solar Rebates	-	-	213,554	213,554
<i>Total operating revenues</i>	7,037,603	7,037,603	6,106,568	(931,035)
<i>Operating expenses</i>				
Personnel services	3,141,851	2,706,248	2,561,477	144,771
Electricity	1,233,755	1,361,255	1,236,534	124,721
Chemicals	374,783	327,283	179,934	147,349
Solids	77,800	121,800	118,129	3,671
Materials & Supplies	578,919	764,029	859,556	(95,527)
Other operating costs	1,526,999	1,687,307	1,040,135	647,172
Fiscal agent fee	103,496	69,681	69,679	2
<i>Total operating expenses</i>	7,037,603	7,037,603	6,065,444	972,159
<i>Non-operating revenues (expenses)</i>				
Investment income	-	-	20,044	20,044
Interest expense	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	20,044	20,044
<i>Excess (deficiency) of revenues and sources over expenses and uses</i>				
	-	-	61,168	61,168
Designated cash	\$ -	\$ -	-	\$ -
Change in net position (Non-GAAP budgetary basis)			\$ 61,168	
Adjustments for GAAP basis (non-budgeted items)				
Depreciation			(4,580,806)	
<i>Change in net position, Exhibit C-2</i>			(4,519,638)	
<i>Net position - beginning of year</i>			217,316,747	
<i>Net position- end of year</i>			\$ 212,797,109	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Emergency Fund  
 For the Year Ended June 30, 2014

Schedule I

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>ASSETS</b>				
Cash and accrued interest				
City of Santa Fe	\$ 925,327	\$ 382,038	\$ -	\$ 1,307,365
Santa Fe County	317,765	148,887	-	466,652
Las Campanas	173,586	53,977	-	227,563
<i>Total assets</i>	<u>\$ 1,416,678</u>	<u>\$ 584,902</u>	<u>\$ -</u>	<u>\$ 2,001,580</u>
<b>LIABILITIES</b>				
Deposits held in trust for partners				
City of Santa Fe	\$ 925,327	\$ 382,038	\$ -	\$ 1,307,365
Santa Fe County	317,765	148,887	-	466,652
Las Campanas	173,586	53,977	-	227,563
<i>Total liabilities</i>	<u>\$ 1,416,678</u>	<u>\$ 584,902</u>	<u>\$ -</u>	<u>\$ 2,001,580</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Major Repair and Replacement Fund  
 For the Year Ended June 30, 2014

Schedule II

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>ASSETS</b>				
Cash, accounts receivable, accrued interest				
City of Santa Fe	\$ 413,440	\$ 170,696	\$ -	\$ 584,136
Santa Fe County	139,448	60,681	-	200,129
Las Campanas	30,509	9,556	-	40,065
<i>Total assets</i>	<u>\$ 583,397</u>	<u>\$ 240,933</u>	<u>\$ -</u>	<u>\$ 824,330</u>
<b>LIABILITIES</b>				
Deposits held in trust for partners				
City of Santa Fe	\$ 413,440	\$ 170,696	\$ -	\$ 584,136
Santa Fe County	139,448	60,681	-	200,129
Las Campanas	30,509	9,556	-	40,065
<i>Total liabilities</i>	<u>\$ 169,957</u>	<u>\$ 240,933</u>	<u>\$ -</u>	<u>\$ 824,330</u>

See independent auditors' report

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**COMPLIANCE SECTION**



**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***

**INDEPENDENT AUDITORS' REPORT**

Board Members  
Santa Fe County  
City of Santa Fe  
Las Campanas  
Buckman Direct Diversion Project  
Water Treatment Facility Operations  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Buckman's basic financial statements, and related budgetary comparisons of Buckman presented as supplementary information, and have issued our report thereon dated June 17, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Buckman'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Buckman's internal control. Accordingly, we do not express an opinion on the effectiveness of Buckman's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Buckman's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 FS 2011-001 and FS 2012-001.

### **Buckman's Responses to the Finding**

Buckman's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Buckman's responses were not subjected to the auditing procedures applies 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 Buckman's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buckman's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, NM  
June 17, 2015

**STATE OF NEW MEXICO**  
 Buckman Direct Diversion Project  
 Water Treatment Facility Operations  
 Schedule of Findings and Responses  
 June 30, 2014

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements:*

1. Type of auditors’ report issued	Unmodified
2. Internal Control over financial Reporting	
a. Material weaknesses identified?	None Noted
b. Significant deficiencies identified not considered to be material weaknesses?	None Noted
c. Noncompliance material to the financial statements?	None Noted

**SECTION II-STATUS OF PRIOR YEAR FINDINGS**

FS 2011-001 Late Completion of Audit Report-	Repeated and Modified
FS 2012-001 Project-Wide Cost Allocation to Partners	Repeated and Modified

**SECTION III-CURRENT YEAR FINDINGS**

**FINANCIAL STATEMENT FINDINGS**

**FS 2011-001 Late Completion of Audit Report-Repeated and Modified- Other Matter**

*Condition:* The June 30, 2014 audit report was not completed in the time frame contemplated by the Project Management and Fiscal Services Agreement between the Buckman Direct Diversion Project Board and the City of Santa Fe and Santa Fe County. It was not completed until July 2015.

*Criteria:* The Project Management and Fiscal Services Agreement, And Fiscal Services Agreement, Article 7 Sec. (4) and (77) specify that books and record be complete within 90 days (September 30, 2014) after the end of the fiscal year for all external users and to allow the timely performance of the annual audit.

*Effect:* Buckman is not in compliance with the Project Management and Fiscal Services agreement. The users of the financial statements did not have timely financial statements for management and compliance purposes.

*Cause:* Final reconciliation related to accounts receivable and revenue required additional time to complete and additional time to make correcting entries to achieve final balances.

*Auditors’ Recommendation:* We recommend Buckman evaluate whether there is adequate personnel resources to produce a timely audit and identify areas where additional training and procedures could be established.

*Management Response:* The City agrees that this audit was not in compliance with the Project Management and Fiscal Services Agreement. The City and BDD staff will continue to evaluate the procedures and the process pertaining to the accounting for Buckman’s billing and receivable transactions. The City will work with BDD personnel to coordinate a review of the Project Management and Fiscal Services Agreement to see if an amendment is necessary to better organize the reporting dates and cycles.

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**FS 2012-001 Project-Wide Cost Allocation to Partners-Repeated and Modified- Other Matter**

*Condition:* During our review of 12 monthly billings that occurred in fiscal year 2014 we noted there was not a documented agreement between partners on how project-wide costs (i.e. indirect costs) were to be billed to each partner. A calculation was performed by the fiscal manager that allocated project-wide costs totaling \$2,588,870 to the City of Santa Fe, Santa Fe County, and Las Campanas using the percentages detailed in the table below.

Partner	Project-Wide Cost Allocation Percentage
City of Santa Fe	73.34%
Santa Fe County	24.02%
Las Campanas	2.64%

*Criteria:* Paragraphs 20 through 23 of the facility operation procedures agreement dated September 7, 2006 provide specific guidance on how fixed and variable costs should be billed to each partner; however, there was no specific provision that addressed how project-wide costs should have been billed to each partner.

*Effect:* Since there was no specific provision that addressed how project-wide costs should have been billed to each partner the fiscal manager had to determine the appropriate costs to be billed to each partner instead of the partners determining and approving the project-wide costs allocation percentages. The potential outcome is that partners could question the appropriateness and accuracy of the project-wide costs allocation and demand reimbursement.

*Cause:* The billing of project-wide costs and allocation was not contemplated during preparation of the original facility operation procedure agreement dated September 7, 2006.

*Auditors' Recommendation:* We recommend management and the Board consider and agree upon how project-wide costs should be billed and incorporate that agreement into the facility operations procedures agreement.

*Management Response:* BDD management and the City of Santa Fe, as fiscal agent concur with the audit finding. BDD management, BDD Partners and the BDD Board shall review, evaluate, and recommend how the cost sharing principle Project-Wide Costs, shall be allocated amongst all BDD Partners. Upon concurrence and BDD Board approval the allocation methodology shall also be incorporated into the Facility Operations and Procedures Agreement. In addition all cost-sharing principles shall be reviewed by BDD management and its partners annually and in connection with the budget process to ensure allocation is reasonable and appropriate.