

Memorandum



Buckman Direct Diversion

Date: August 28, 2018
To: Buckman Direct Diversion Board
From: Michael Dozier, BDD Operations Superintendent MD
Subject: Update on BDD Operations for the Month of August 2018

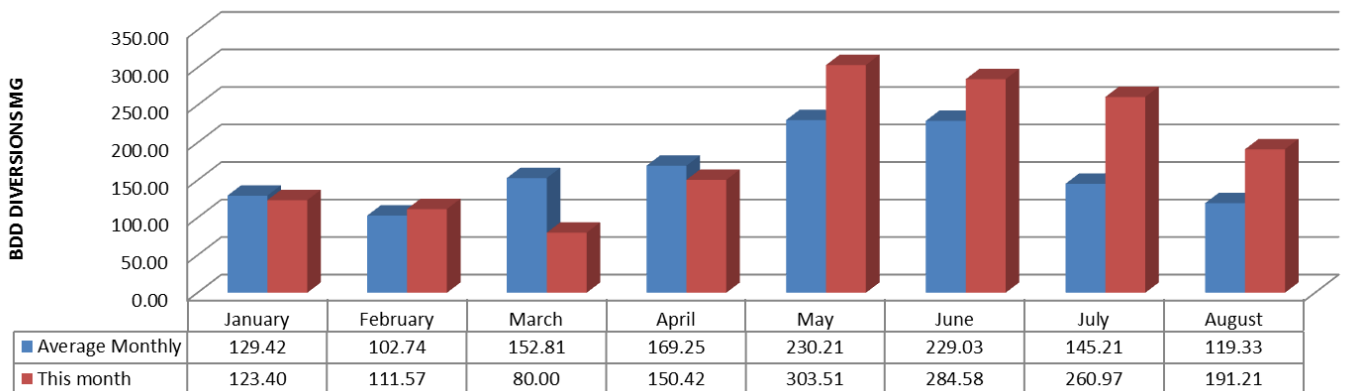
ITEM:

1. This memorandum is to update the Buckman Direct Diversion Board (BDDDB) on BDD operations during the month of August 2018. The BDD diversions and deliveries have averaged, in Million Gallons Per Day (MGD) as follows:
 - a. Raw water diversions: 7.08 MGD
 - b. Drinking water deliveries through Booster Station 4A/5A: 6.33 MGD
 - c. Raw water delivery to Las Campanas at BS2A: 0.66 MGD
 - d. Onsite treated and non-treated water storage: 0.09 MGD

2. The BDD is providing approximately 65% percent of the water supply to the City and County for the month.

3. The BDD year-to-date diversions are depicted below:

Year-To-Date Comparison



4. Background Diversion tables:

Buckman Direct Diversion Monthly SJC and Native Diversions							
Aug-18		In Acre-Feet					
Month	Total SJC + Native Rights	SP-4842 RG Native COUNTY	SD-03418 RG Native LAS CAMPANAS	SJC Call Total	SP-2847-E SJC Call CITY	SP-2847-N-A SJC Call LAS CAMPANAS	All Partners Conveyance Losses
JAN	380.137	77.791	0.000	302.346	302.346	0.000	3.023
FEB	336.287	66.413	0.000	269.874	269.874	0.000	2.699
MAR	362.730	266.898	0.000	95.832	95.832	0.000	0.958
APR	661.333	568.669	0.000	92.664	92.664	0.000	0.927
MAY	933.072	340.260	0.000	592.812	481.647	111.165	5.928
JUN	873.384	44.160	0.000	829.224	693.960	135.264	8.292
JUL	807.939	0.000	0.000	807.939	719.953	87.986	11.277
AUG	630.339	52.852	0.000	577.487	577.487	0.000	5.775
SEP	0.000	0.000	0.000	0.000	0.000	0.000	0.000
OCT	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NOV	0.000	0.000	0.000	0.000	0.000	0.000	0.000
DEC	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	4,985.221	1,417.043	0.000	3,568.178	3,233.763	334.415	38.879

In Acre-Feet							
Month	Native COUNTY	Native Las Campanas	SJC TOTAL	SJC CITY	SJC Las Campanas	All Partners Diversions BDD	
JAN	77.791	0.000	302.346	302.346	0.000	380.137	
FEB	66.413	0.000	269.874	269.874	0.000	336.287	
MAR	266.898	0.000	95.832	95.832	0.000	362.730	
APR	568.669	0.000	92.664	92.664	0.000	661.333	
MAY	340.260	0.000	592.812	481.647	111.165	933.072	
JUN	44.160	0.000	829.224	693.960	135.264	873.384	
JUL	0.000	0.000	807.939	719.953	87.986	807.939	
AUG	52.852	0.000	577.487	577.487	0.000	630.339	
SEP	0.000	0.000	0.000	0.000	0.000	0.000	
OCT	0.000	0.000	0.000	0.000	0.000	0.000	
NOV	0.000	0.000	0.000	0.000	0.000	0.000	
DEC	0.000	0.000	0.000	0.000	0.000	0.000	
TOTAL	1,417.043	0.000	3,568.178	3,233.763	334.415	4,985.221	

2016 Buckman Direct Diversion Monthly SJC and Native Diversions								
Month	Total SJC Release (Ac-ft)	Conveyance Losses (Ac-ft)	Total SJC Available at BDD Diversion (Ac-ft)	CITY Total SJC Diversion (Ac-ft)	Las Campanas Total SJC Diversion (Ac-ft)	Total Native Rio Grande Diversion (Ac-ft)	Total BDD Surface Diversion (Ac-ft)	SJC used to offset Buckman Wells
JAN	328.16	3.03	325.13	325.13		50.54	375.67	
FEB	248.93	2.29	246.65	246.65		77.48	324.13	
MAR	459.31	4.26	455.05	455.05		128.55	583.60	
APR	562.55	5.04	557.51	557.51		145.95	703.46	
MAY	407.82	3.63	404.19	404.19		179.69	583.88	
JUN	291.83	2.66	289.17	191.31	97.86	34.26	323.43	
JUL	360.03	3.26	356.77	251.89	104.87	113.93	470.69	
AUG	133.52	1.22	132.30	88.75	43.55	67.55	199.85	
SEP	313.61	2.52	311.09	311.09		316.73	627.82	
OCT	585.70	4.23	581.47	563.60	17.88	149.97	731.45	
NOV	288.72	2.58	286.14	282.09	4.05	122.83	408.97	
DEC	277.86	2.22	275.64	275.64		109.01	384.65	
TOTALS	4,258.04	36.94	4,221.11	3,952.90	268.21	1,496.49	5,717.60	

Source of SJC Releases in reporting month. Includes conveyance losses.

2016 Month	Total Release (Ac-ft)	ABIQUIU		
		City	County	Club at Las Campanas
JAN	328.16	328.16		
FEB	248.93	248.93		
MAR	459.31	459.31		
APR	562.55	562.55		
MAY	407.82	407.82		
JUN	291.83	193.07		98.76
JUL	360.03	254.20		105.83
AUG	133.52	89.57		43.95
SEP	313.61	313.61		
OCT	585.70	567.69		18.01
NOV	288.71	284.63		4.08
DEC	277.86	277.86		
TOTALS	4,258.03	3,987.40		270.63

2015 Buckman Direct Diversion Monthly SJC and Native Diversions							
Month	Total SJC Release (Ac-ft)	Convey-ance Losses (Ac-ft)	Total SJC Available at BDD Diversion (Ac-ft)	CITY Total SJC Diversion (Ac-ft)	Las Campanas Total SJC Diversion (Ac-ft)	Total Native Rio Grande Diversion (Ac-ft)	Total BDD Surface Diversion (Ac-ft)
JAN	246.57	2.40	244.17	244.17		66.12	310.29
FEB	272.15	2.36	269.79	269.79		56.73	326.52
MAR	180.19	1.60	178.59	178.59		178.02	356.61
APR	0.00	0.00	0.00	0.00		40.13	40.13
MAY	226.67	2.15	224.53	224.53		238.73	463.26
JUN	563.77	5.04	558.72	448.40	110.33	128.54	687.27
JUL	299.65	2.70	296.95	234.93	62.02	148.67	445.62
AUG	279.43	2.54	276.89	276.89		213.73	490.62
SEP	552.16	4.98	547.18	547.18		130.85	678.03
OCT	597.48	5.30	592.18	592.18		80.41	672.59
NOV	428.42	3.89	424.52	424.52		66.27	490.79
DEC	197.65	1.76	195.89	195.89		111.20	307.09
TOTALS	3,844.14	34.72	3,809.41	3,637.07	172.35	1,459.40	5,268.82

Source of SJC Releases in reporting month. Includes conveyance losses.

2015	Total Release (Ac-ft)	ABIQUIU		
		City	County	Club at Las Campanas
JAN	246.57	246.57		
FEB	272.15	272.15		
MAR	180.19	180.19		
APR	0.00	0		
MAY	226.67	226.67		
JUN	563.76	452.44		111.32
JUL	299.65	237.07		62.58
AUG	279.43	279.43		
SEP	552.16	552.16		
OCT	597.48	597.48		
NOV	428.42	428.42		
DEC	197.65	197.65		
TOTALS	3,844.13	3,670.23		173.90

2014 Buckman Direct Diversion Monthly SJC and Native Diversions								
Month	Total SJC Release (Ac-ft)	Conveyance Losses (Ac-ft)	Total SJC Available at BDD Diversion (Ac-ft)	CITY Total SJC Diversion (Ac-ft)	COUNTY Total SJC Diversion (Ac-ft)	Total Native Rio Grande Diversion (Ac-ft)	Total BDD Surface Diversion (Ac-ft)	SJC used to offset Buckman Wells
JAN	383.35	3.74	390.34	390.34		12.68	403.02	
FEB	349.51	3.28	341.55	341.55		11.38	352.93	
MAR	373.88	3.66	381.69	357.07	34.09	148.83	539.99	
APR	178.75	1.70	176.78	92.46	84.47	227.22	404.15	
MAY	491.46	4.61	480.35	389.13	91.22	374.86	855.21	
JUN	427.50	3.96	412.65	295.07	117.58	292.84	705.49	
JUL	425.22	4.14	431.96	399.51	32.46	72.32	504.29	
AUG	496.68	4.60	479.66	479.66		96.07	575.73	
SEP	552.71	5.40	562.83	562.83		84.85	647.68	
OCT	381.93	3.63	378.30	378.30		142.46	520.76	
NOV	441.14	4.09	426.17	426.17		11.59	437.76	
DEC	423.99	4.13	430.74	430.74		19.56	450.30	
TOTALS	4,926.12	46.94	4,893.02	4,542.83	359.82	1,494.66	6,397.31	

Source of SJC Releases in reporting month. Includes conveyance losses.

2014	Total Release (Ac-ft)	ABIQUIU		
Month		City	County	Club at Las Campanas
JAN	383.35	383.35		
FEB	349.51	349.51		
MAR	373.74	346.37		27.37
APR	178.83	93.42		85.41
MAY	491.82	399.41		92.41
JUN	427.82	307.54		120.28
JUL	425.22	397.13		28.09
AUG	496.68	496.68		
SEP	552.71	552.71		
OCT	381.93	381.93		
NOV	441.14	441.14		
DEC	423.99	423.99		
TOTALS	4,926.74	4,573.18		353.56

2013 Buckman Direct Diversion Monthly SJC and Native Diversions								
Month	Total SJC Release (Ac-ft)	Conveyance Losses (Ac-ft)	Total SJC Available at BDD Diversion (Ac-ft)	CITY Total SJC Diversion (Ac-ft)	COUNTY Total SJC Diversion (Ac-ft)	Total Native Rio Grande Diversion (Ac-ft)	Total BDD Surface Diversion (Ac-ft)	SJC used to offset Buckman Wells
JAN	439.04	4.24	441.79	441.79		44.09	485.88	
FEB	261.03	2.47	257.94	257.94		10.49	268.43	
MAR	353.69	3.30	343.57	343.57		75.66	419.23	
APR	680.73	6.34	661.33	661.33		89.47	750.80	
MAY	1,045.27	9.88	1,030.46	1030.46		22.86	1,053.32	
JUN	817.91	7.85	734.56	734.56	83.44	260.03	1,078.03	
JUL	606.85	5.90	397.47	397.47	78.83		476.30	138.43
AUG	108.68	0.91	41.68	41.68	36.91		78.59	16.46
SEP	136.77	1.43	63.86	63.86	53.76		117.62	31.68
OCT	255.24	2.46	213.87	213.87	42.66	72.92	329.45	
NOV	196.45	1.88	187.02	187.02	8.48	117.33	312.83	
DEC	293.76	2.63	274.19	274.19		12.25	286.44	
TOTALS	5,195.42	49.29	4,647.74	4,647.74	304.08	705.10	5,656.92	186.57

Source of SJC Releases in reporting month. Includes conveyance losses.

2013	Total Release (Ac-ft)	ABIQUIU		
		City	County	Club at Las Campanas
JAN	439.04	439.04		
FEB	261.03	261.03		
MAR	353.69	353.69		
APR	680.73	680.73		
MAY	1,045.27	1045.27		
JUN	817.90	729.3		88.6
JUL	606.85	473.27		133.58
AUG	108.68	65.21		43.47
SEP	136.77	83.87		52.9
OCT	255.24	211.15		44.09
NOV	196.46	186.31		10.15
DEC	293.76	293.76		
TOTALS	5,195.42	4,822.63		372.79

2012 Buckman Direct Diversion Monthly SJC and Native Diversions							
Month	Total SJC Release (Ac-ft)	Conveyance Losses (Ac-ft)	Total SJC Available at BDD Diversion (Ac-ft)	Total SJC Diversion (Ac-ft)	Total Native Rio Grande Diversion (Ac-ft)	Total BDD Surface Diversion (Ac-ft)	SJC used to offset Buckman Wells
JAN	448.09	4.06	447.00	411.56	5.02	416.58	35.44
FEB	210.29	1.97	216.94	208.13	32.21	240.34	8.81
MAR	335.75	2.94	323.61	312.85	59.21	372.06	10.76
APR	528.63	4.72	519.90	519.90	108.61	628.51	
MAY	660.18	6.24	651.05	651.05	145.51	796.56	
JUN	722.36	6.79	692.21	692.21	120.92	813.13	
JUL	152.03	2.23	191.75	157.16		157.16	34.60
AUG	86.08	0.58	60.90	60.90	239.96	300.86	
SEP	637.17	6.05	630.92	630.92	110.07	740.99	
OCT	747.21	7.14	744.87	744.87	50.82	795.69	
NOV	479.19	4.63	482.65	482.65	120.91	603.56	
DEC	442.67	4.17	434.71	434.71	119.44	554.15	
TOTALS	5,449.65	51.52	5,396.51	5,306.91	1,112.68	6,419.59	89.61

Source of SJC Releases in reporting month. Includes conveyance losses.

2012		HERON		EL VADO		ABIQUIU	
Month	Total Release (Ac-ft)	City	County	City	County	City	County
JAN	448.09					448.09	
FEB						210.29	
MAR						335.75	
APR						528.63	
MAY						660.18	
JUN			27.21			695.15	
JUL			21.42			130.61	
AUG						86.08	
SEP						637.17	
OCT						747.21	
NOV						479.19	
DEC						442.67	
TOTALS	448.09		48.63			5,401.02	

5. Drought/Monsoon, Storage, and ESA Update:

(Information Provided By Rick Carpenter City of Santa Fe)

NOAA has recently (08/20/18) updated ENSO (El Nino/La Niña) status to:

“ENSO-neutral conditions are present.

Equatorial sea surface temperatures (SSTs) are near-to-above average across most of the Pacific Ocean.

There is ~60% chance of El Niño in the Northern Hemisphere fall 2018 (September-November), increasing to ~70% during winter 2018-19.”

Heron, Abiquiu, and El Vado reservoir levels on the Chama River are declining rapidly. Runoff for this year is far below normal due to drought conditions. Local Upper Santa Fe River reservoir storage volume is slowly decreasing (about 28.2% full) and water quality has decreased recently due to sediment and algae. These reservoirs are expected to be functionally empty very soon; however, demand can be met by using BDD project water as well as groundwater. The City has received over 90% delivery from BoR of full firm-yield of San Juan-Chama Project (SJCP) water so far for year 2018 (through July). Portions of the Rio Grande have begun to dry out, so silvery minnow salvage efforts are underway. Updates on ESA issues will be made as needed. Rio Grande Compact Article VII storage restrictions are in effect, which means the City is not allowed to impound “native” runoff into Nichols and McClure Reservoirs above the pre-Compact pool of 1,061 acre-feet (AF). Updates to this condition will be made as needed; however, Article VII is expected to stay in effect for the foreseeable future.

Most current City of Santa Fe SJCP Reservoir Storage:

Heron:

9,783 AF.

El Vado:

0 AF.


Abiquiu:

5,903 AF. SJCP carry-over from previous years plus 2018 deliveries. No time limit to vacate due to storage agreement with ABCWUA

TOTAL:

15,686 AF



Date: September 6, 2018
To: Buckman Direct Diversion Board
From: Mackie M. Romero, BDD Financial Manager 
Subject: Presentation of the BDD Annual Financial Report

ITEM AND ISSUE:

Presentation of the Buckman Direct Diversion Project Annual Financial Report for fiscal year ended June 30, 2017.

BACKGROUND AND SUMMARY:

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

“within 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 July 13, 2018 a report of independent certified accountants was issued by CliftonLarsonAllen, LLP for the business-type activities of the Buckman Direct Diversion Project Water Treatment Facility Operations as of and for the year ended June 30, 2017.

The Buckman Direct Diversion is a single purpose government entity and has only business type activities. In the statement of net position, activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis.

The presentation of the financial statements includes consolidation of all activity of the following enterprise funds.

- ❖ BDD Operating Fund
- ❖ BDD Capital Carve-out Project Fund
- ❖ BDD Emergency Reserve Fund
- ❖ BDD Major Repair and Replacement Fund

The auditors have disclosed the following audit findings, late submission of the audit report and a material weakness in financial reporting, due to the restatement of net position.

The Financial Statements and Supplementary Information are available on our website.



**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
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**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2017**

ELECTED OFFICIALS

Henry Roybal	Chairperson of the BDD Board, County Commissioner
Carmichael Dominguez	Councilor, City of Santa Fe
Anna Hamilton	Commissioner, Santa Fe County
Anna Hansen	Commissioner, Santa Fe County Alternate
Peter Ives	Councilor, City of Santa Fe
Ms. Dennis Fort	Member At-Large
Mr. J.C. Helms	Member Alternate At-Large
Michael Harris	City Councilor Alternate
Mr. Tom Egelhoff	Las Campanas, nonvoting member
Ginny Selvin	Las Campanas, Alternate

FISCAL AGENT ADMINISTRATION

Adam K. Johnson	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

Charles Vokes	Facility Manager, Buckman
Mackie Romero	Fiscal Manager and Business Administrator, Buckman

INDEPENDENT AUDITORS' REPORT

Board Members

Santa Fe County, City of Santa Fe, Las Campanas,
Buckman Direct Diversion Project
Water Treatment Facility Operations, and
Mr. Wayne Johnson, New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Buckman's basic financial statements, 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.

Auditors' Responsibility

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

Board Members
Santa Fe County, City of Santa Fe, Las Campanas,
Buckman Direct Diversion Project
Water Treatment Facility Operations, and
Mr. Wayne Johnson, New Mexico State Auditor

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of business-type activities of Buckman as of June 30, 2017, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of Errors

As discussed in Note 14 to the financial statements, Buckman restated beginning balances for the correction of accounting errors that occurred in the prior period. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Board Members
Santa Fe County, City of Santa Fe, Las Campanas,
Buckman Direct Diversion Project
Water Treatment Facility Operations, and
Mr. Wayne Johnson, New Mexico State Auditor

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Buckman's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Buckman's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
July 13, 2018

**BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Management's discussion and analysis (MDA) of the Buckman Direct Diversion Project – Water Treatment Facility Operations is designed to provide an overview of Buckman Direct Diversion's financial activity for the year ended June 30, 2017.

Under a joint powers agreement dated January 15, 2005 for the Buckman Direct Diversion (BDD), 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 the County. Other project participants include the Las Campanas Water and Sewer Cooperative and the Club at Las Campanas (Las Campanas Entities). Construction of the facility was completed by the end of December 31, 2010. Operations of the facility commenced on May 2, 2011. Operations are fully funded by the City, County, and Las Campanas Entities who are billed pursuant to the Facility Operations and Procedures Agreement (FOPA) dated October 16, 2006.

The BDD operates pursuant to the Facility Operations and Procedures Agreement for the Buckman Direct Diversion Project between the City of Santa Fe Santa Fe County and Las Campanas Entities with the City of Santa Fe acting as fiscal agent, per the Project Management and Fiscal Services Agreement (PMFSA). A board of directors has been established and delegated all powers necessary to oversee both the management and operations of the BDD. The board is comprised of two members of the governing body of the City (along with an alternate), two members of the governing body of the County (along with one alternate), one non-voting member of the Las Campanas Entities (along with one alternate) and one citizen member at large (along with one alternate) appointed by a majority vote of the four other voting members.

Financial Highlights

- In 2017 the Buckman Direct Diversion provided 1,832,180,000 gallons of water to the project partners.
- The Buckman Direct Diversion Board authorized \$1,048,000 of funding from restricted cash of the Major Repair and Replacement to design, build and install (8) new raw water pumps at Booster Station 1A and 2A. At June 30th these pumps were still being constructed.
- The Buckman Direct Diversion Board entered into an agreement for \$108,781 to fund two projects, the BDD LED Lighting Upgrade project and the BDD Security System Upgrade and Replace Project. The lighting upgrade project is projected to provide a utility savings of over \$6,000 annually.
- The Buckman Direct Diversion Board authorized \$49,820 of funding from restricted cash of the Major Repair and Replacement to replace and install two variable frequency drives units at the BDD Membrane Feed Pump Station.

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Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the BDD's basic financial statements. The BDD's financial statements are comprised of basic financial statements, notes to the financial statements and other information. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The BDD operates under the accrual basis of accounting, required for State and Local Governments' enterprise operations. The BDD's operating fund utilizes cost codes to track expenditures for proper allocation and billing to the City, County, and Las Campanas Entities.

Proprietary Fund

The BDD operates as proprietary fund for regional water supply with all operating costs covered by reimbursements to the City, County, and Las Campanas Entities. Proprietary funds are used for activities that are financed and operated in a manner similar to a private business enterprise. The intent of the BDD Board of Directors is to ensure the costs (expenses) of providing services, in this case, regional water supply on a continuing basis be financed or recovered through billings.

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

Budgets

The BDD's annual operating budget is adopted on annual basis and includes annual contributions to the Emergency Reserve Fund and Major Repair and Replacement fund based on yearly targeted balances. The annual budget is recommended by the BDD Board to be approved by the governing bodies of our participating partners. Once the budget has been approved by the governing bodies the budget is formally adopted by the BDD Board. The annual operating budget is budgeted by major category; any adjustments between major categories must be approved by the BDD Board.

The budget is prepared on another comprehensive basis of accounting other than the accrual basis required by GAAP.

There were no major changes to the fiscal year 2017 annual operating budget in comparison to the final fiscal year 2016 annual operating budget.

Statement of Net Position

The statement of net position presents information on all of Buckman Direct Diversion's assets, liabilities, and net position. In 2017, beginning net position was restated due to a reduction in capital assets reported on the City of Santa Fe's and Santa Fe County's financial statements and a change in reporting of governmental activities to business type activities.

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The following table provides condensed financial information related to BDD's net assets for the year ended June 30, 2017 as compared to the year ended June 30, 2016 as restated.

**Statement of Net Position
Fiscal Year Ended June 30, 2017 and June 30, 2016 (as restated)**

	2017	2016 (as restated)	Amount Change	% Change
ASSETS				
Current Assets	\$ 5,492,155	\$ 6,203,431	\$ (711,276)	-11%
Capital Assets, Net	8,229,807	8,147,901	81,906	1%
Total Assets	<u>\$ 13,721,962</u>	<u>\$ 14,351,332</u>	<u>\$ (629,370)</u>	-4%
LIABILITIES				
	\$ 1,286,987	\$ 2,082,354	\$ (795,367)	-38%
NET POSITION				
Net Investment in Capital Assets	8,229,807	8,147,901	81,906	1%
Restricted for:				
Emergency Reserves	2,035,111	2,012,827	22,284	1%
Major Repair and Replacement Reserves	1,657,304	1,577,035	80,269	5%
Unrestricted	512,753	531,215	(18,462)	-3%
Total Net Position	<u>12,434,975</u>	<u>12,268,978</u>	<u>165,997</u>	1%
TOTAL LIABILITIES AND NET POSITION	<u>\$ 13,721,962</u>	<u>\$ 14,351,332</u>	<u>\$ (629,370)</u>	-4%

The statement of net position reports comparison activity of the current and previous fiscal years of operations. The change of current assets is due to a reduction of cash and accounts receivable, as it relates to amounts due from the participating partners. The change in current liabilities represents unearned revenues for amounts paid by the participating partners in excess of costs due to prebilling estimates. The capital assets held by BDD represent a portion of the original construction cost of the BDD Project, excluding assets reported on the City of Santa Fe and Santa Fe County's financial statements. All new assets purchased by BDD are reported as capital assets.

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Statement of Revenues, Expenses, and Changes in Net Position

The following table provides condensed financial information related to BDD's changes in net position for the year ended June 30, 2017 as compared to the year ended June 30, 2016 as restated.

**Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended June 30, 2017 and June 30, 2016 (as restated)**

	2017	2016 (as restated)	Amount Change	% Change
OPERATING REVENUES				
Reimbursements:				
City of Santa Fe	\$ 4,786,062	\$ 4,552,478	\$ 233,584	5%
Santa Fe County	1,630,319	1,614,674	15,645	1%
Las Campanas Entities	227,256	134,287	92,969	69%
PNM Solar Rebates	82,049	170,341	(88,292)	-52%
Grants-Federal	22,785	93,590	(70,805)	-76%
Total Operating Revenues	<u>6,748,471</u>	<u>6,565,370</u>	<u>183,101</u>	<u>3%</u>
OPERATING EXPENSES				
Buckman Direct Diversion Project Operations	6,447,410	11,502,309	(5,054,899)	-44%
Habitat Restoration and Compliance	26,493	89,396	(62,903)	-70%
Major Repairs	85,305	78,899	6,406	8%
Emergencies	25,000	1,226	23,774	1939%
Total Operating Expenses	<u>6,584,208</u>	<u>11,671,830</u>	<u>(5,087,622)</u>	<u>-44%</u>
OPERATING INCOME	164,263	(5,106,460)	5,270,723	-103%
NONOPERATING REVENUES				
Investment Income	<u>1,734</u>	<u>2,883</u>	<u>(1,149)</u>	<u>-40%</u>
CHANGE IN NET POSITION	165,997	(5,103,577)	5,269,574	-103%
Net Position - Beginning of Year, as Restated	12,268,978	17,372,555	(5,103,577)	-29%
NET POSITION - END OF YEAR	<u>\$ 12,434,975</u>	<u>\$ 12,268,978</u>	<u>\$ 165,997</u>	<u>1%</u>

The BDD's revenues include reimbursements from the City, the County, and Las Campanas Entities (project participants) for fixed, variable and project wide costs, which are billed pursuant to the JPA and the FOPA.

Operating expenses consists of salaries, utilities, chemicals, other operating costs, materials and supplies and a fiscal agent fee. Expenses should approximate revenues as all operating costs are billed to the partners.

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BDD has received federal funding from the Department of Energy for the BDD Location Sampling program which is passed thru the City of Santa Fe as fiscal agent. BDD also receives PNM Solar Rebate revenue for over production of our solar photovoltaic system at our water treatment plant location. The revenue received is used to support a portion of BDD solar expenses.

The BDD has restricted cash held for specific purposes related to the BDD's emergency reserve fund policy and repair and replacement fund policy. All expenditures must be authorized by the BDD Board and must meet criteria as established per the policy.

Partner Reimbursements/Restricted Cash

Participating partners are billed monthly, quarterly, and pre-billed for reimbursement or prepayment of all operating costs per the BDD Working Capital & Billing Policy. In order to secure resources assuring BDD's ability to cover major repairs and replacement of system equipment, BDD has established an annual partner contribution to be fully funded by the end of each fiscal year.

The following table shows the balances outstanding from each partner or partner credit balance as of June 30, 2017. Application of any credits to outstanding accounts receivable must be approved by the partners.

	City of Santa Fe	Santa Fe County	Las Campanas Club	Las Campanas CoOp	Total
Partner Receivables	\$ 669,356	\$ 489,419	\$ 12,974	\$ 26,102	\$ 1,197,851
Partner Credits		\$ (167,009)	\$ (15,295)	\$ (8,489)	(190,793)
Net Total	<u>\$ 669,356</u>	<u>\$ 322,410</u>	<u>\$ (2,321)</u>	<u>\$ 17,613</u>	<u>\$ 1,007,058</u>

The BDD expects to fully collect all outstanding receivables and refund any partner credits.

Items Expected to Have a Significant Effect for Fiscal Year 2018

The Buckman Direct Diversion is expected to operate successfully and will continue to adaptively manage water deliveries to meet changes in partner demands. The ability to meet partner demand can be affected by circumstances beyond the control of the BDD. The BDD will not operate when suspended solids concentrations in the Rio Grande exceed a threshold value or when the Los Alamos National Laboratory Early Notification System indicates the Rio Grande may be influenced by runoff from Los Alamos Canyon. During periods of inability to fulfill water delivery orders, the City will supply both its own and in accordance with the County/City Water Resource Agreement, the County's potable water demands from stored drinking water and its other sources of water supply.

Capital Assets and Debt Administration

Total capital assets, restated, net of depreciation, for BDD make up 60% of BDD's total assets. Refer to Note 6 for information about capital assets and Note 14 for detail on the restatement.

Total compensated absences at June 30, 2017 are \$130,944 and expected to be paid within one year from BDD's proprietary fund.

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Requests for Information

The financial report is designed to provide a general overview of BDD's finances for those interested in government enterprise finances. Questions concerning any of the information provided or requests for additional financial information should be addressed to the Buckman Direct Diversion, 341 Caja Del Rio Rd. Santa Fe, NM 87506, BDD also maintains a website at www.bddproject.org.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS	<u>Business-Type Activity</u>
CURRENT ASSETS	
Cash, Investments, and Cash Equivalents	\$ 604,552
Restricted Cash:	
Emergencies	2,026,976
Major Repair and Replacement	1,545,340
Partner's Accounts Receivable:	
City of Santa Fe	669,356
Santa Fe County	489,419
Las Campanas Club	12,974
Las Campanas Coop	26,102
Chemical Inventory	117,436
Total Current Assets	<u>5,492,155</u>
NONCURRENT ASSETS	
Capital Assets	9,769,645
Accumulated Depreciation	<u>(1,539,838)</u>
Total Noncurrent Assets	<u>8,229,807</u>
Total Assets	<u><u>\$ 13,721,962</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Partner's Credit Balances:	
Santa Fe County	\$ 167,009
Las Campanas Club	15,295
Las Campanas Coop	8,489
Accounts Payable	575,975
Intergovernmental Payable	288,724
Accrued Payroll	100,551
Compensated Absences	130,944
Total Current Liabilities	<u>1,286,987</u>
NET POSITION	
Net Investment in Capital Assets	8,229,807
Restricted for:	
Emergency Reserves	2,035,111
Major Repair and Replacement Reserves	1,657,304
Unrestricted	512,753
Total Net Position	<u>12,434,975</u>
Total Liabilities and Net Position	<u><u>\$ 13,721,962</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activity</u>
OPERATING REVENUES	
Reimbursements:	
City of Santa Fe	\$ 4,786,062
Santa Fe County	1,630,319
Las Campanas Club	201,313
Las Campanas Coop	25,943
PNM Solar Rebates	82,049
Grants-Federal	22,785
Total Operating Revenues	<u>6,748,471</u>
OPERATING EXPENSES	
Buckman Direct Diversion Project Operations	6,447,410
Habitat Restoration and Compliance	26,493
Major Repairs	85,305
Emergencies	25,000
Total Operating Expenses	<u>6,584,208</u>
OPERATING INCOME	164,263
NONOPERATING REVENUES	
Investment Income	<u>1,734</u>
CHANGE IN NET POSITION	165,997
Net Position - Beginning of Year	207,225,868
Restatement	<u>(194,956,890)</u>
Net Position - Beginning of Year, as Restated	<u>12,268,978</u>
NET POSITION - END OF YEAR	<u><u>\$ 12,434,975</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activity</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Partners and PNM	\$ 5,921,310
Cash Paid to Suppliers for Goods and Services	(3,153,134)
Cash Paid for Personnel Reimbursements	(2,961,023)
Net Cash Used by Operating Activities	<u>(192,847)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(302,209)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>1,734</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(493,322)
Cash and Cash Equivalents - Beginning of Year	<u>4,670,190</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,176,868</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income	\$ 164,263
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	220,303
Changes in Assets and Liabilities:	
Increase in Partner's Accounts Receivable	226,507
Decrease in Partner's Credit Balances	(1,057,973)
Decrease in Other Receivables	4,306
Increase in Chemical Inventory	(12,859)
Decrease in Accounts Payable	(69,745)
Increase in Intergovernmental Payable	288,724
Increase in Accrued Wages and Compensated Absences	43,627
Net Cash Used by Operating Activities	<u><u>\$ (192,847)</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 three 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 1-5(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 (which includes the Las Campanas Club and Las Campanas CoOp), 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 Buckman's management who is responsible for their integrity and objectivity. The financial statements of Buckman have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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.

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.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Buckman does not have any component units required to be reported under the GASB codification.

Enterprise Fund Financial Statements

Buckman is a single purpose government entity and has only business-type activities. In the statement of net position, activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of Buckman are organized on the basis of a proprietary or enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. Enterprise funds are accounted for on the flow of economic resources, measurement focus, and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. In fiscal year 2017, Buckman received a grant award from the U.S. Department of Energy for water quality monitoring activities. The total award was \$96,000 and \$22,785 in allowable costs was incurred against the grant during fiscal year 2017.

Enterprise funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

Assets, Liabilities, and Net Position

Buckman reports the following 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.

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)

Assets, Liabilities, and Net Position (Continued)

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 are 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, 2017 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 \$117,436 at June 30, 2017. 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:

	<u>Years</u>
Buildings and Structures	50
Equipment and Machinery	7
Vehicles	8
Data Processing Equipment	3

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 years, all of the related expenses associated with compensated absences have been liquated by the Buckman Direct Diversion Project enterprise fund.

Pensions

Buckman is allocated a portion of the pension expense that is paid by the City, as Buckman's fiscal agent. Buckman is not considered an employer with full-time employees. As outlined in the Project Management/Fiscal Agent Agreement (Note 12), the City of Santa Fe (City), as Buckman's Fiscal Agent, provides Buckman with City employees to maintain Buckman operations. The City is a contributing employer to a cost sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for Buckman apply to the City as a whole, and as such, this information will be presented in the Comprehensive Annual Financial Report (CAFR) of the City of Santa Fe. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the CAFR and will be available, when issued, from City of Santa Fe.

Minimum Restricted Net Position Policies

The Emergency reserve and Repair and Replacement reserve are reserve funds that were approved by the board on February 3, 2011. Both the Emergency reserve and the Repair and Replacement reserve are to be funded through specific contributions from the user partners and utilized for specified purposes. The Emergency reserve target balance is \$2,000,000 and was funded over a two-year period and fully funded at June 30, 2014. For the Repair and Replacement reserve, Buckman approved \$411,812

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

Minimum Restricted Net Position Policies (Continued)

in annual partner contributions for fiscal year 2017. There was also interest additions of \$18,730, for total contributions of \$430,542. During fiscal year 2017, \$375,273 was utilized for combined emergency and repair purposes.

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

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/partners, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Buckman's restricted net position balances are a result of the Emergency Fund Policy and Major Repair and Replacement Fund Policy, described below:

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 at June 30, 2017 was \$2,035,111.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

Equity Classifications (Continued)

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, 2017 was \$1,657,304.

- 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-U.S. GAAP basis). Depreciation is not budgeted for the enterprise fund. 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 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 the enterprise fund. 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 expenses or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 CASH, INVESTMENTS, AND CASH EQUIVALENTS

Buckman does not have a separate bank account. At June 30, 2017, Buckman had cash, investments, and cash equivalents totaling \$4,176,868, which represents Buckman's portion in cash and investment pooled accounts maintained by the City of Santa Fe. The City invests its pooled cash into U.S. Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer's investment pool, and U.S. 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.

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, 2017.

Partner's Accounts Receivable					
Las Campanas					Total
City of Santa Fe	Santa Fe County	Las Campanas	CoOp	Total	
Buckman Operations	\$ 552,981	\$ 489,419	\$ 12,974	\$ 26,102	\$ 1,081,476
Pass-Through Grant	116,375	-	-	-	116,375
Total	\$ 669,356	\$ 489,419	\$ 12,974	\$ 26,102	\$ 1,197,851
Partner's Credit Balances					
Las Campanas					Total
City of Santa Fe	Santa Fe County	Las Campanas	CoOp	Total	
Buckman Operations	\$ -	\$ 167,009	\$ 15,295	\$ 8,489	\$ 190,793

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
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JUNE 30, 2017**

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance June 30, 2016	* Restatement	Beginning Balance June 30, 2016, Restated	Additions	Deletions	Ending Balance June 30, 2017
Non-Depreciable Capital Assets:						
Construction in Process	\$ -	\$ -	\$ -	\$ 264,967	\$ -	\$ 264,967
Total Non-Depreciable Capital Assets	-	-	-	264,967	-	264,967
Capital Assets Being Depreciated:						
Buildings and Structures	225,550,533	(216,813,150)	8,737,383	-	-	8,737,383
Equipment and Machinery	5,023,717	(4,842,162)	181,555	27,146	-	208,701
Vehicles	487,695	-	487,695	-	-	487,695
Data Processing Equipment	60,803	-	60,803	10,096	-	70,899
Total Capital Assets Being Depreciated	231,122,748	(221,655,312)	9,467,436	37,242	-	9,504,678
Less: Accumulated Depreciation:						
Buildings and Structures	22,555,053	(21,681,315)	873,738	174,748	-	1,048,486
Equipment and Machinery	1,556,927	(1,427,245)	129,682	25,936	-	155,618
Vehicles	268,926	-	268,926	13,975	-	282,901
Data Processing Equipment	47,189	-	47,189	5,644	-	52,833
Total Accumulated Depreciation	24,428,095	(23,108,560)	1,319,535	220,303	-	1,539,838
Total Capital Assets Being Depreciated, Net	206,694,653	(198,546,752)	8,147,901	(183,061)	-	7,964,840
Total Capital Assets	\$ 206,694,653	\$ (198,546,752)	\$ 8,147,901	\$ 81,906	\$ -	\$ 8,229,807

Because of the joint venture agreement between the City of Santa Fe and Santa Fe County the following amounts are recorded in the City's and County's financial statements and are therefore removed from BDD's financial statements.

	Buildings and Structures	Equipment and Machinery	Total Restatement
City of Santa Fe	115,440,642	4,842,162	120,282,804
Santa Fe County	101,372,507	-	101,372,507
			<u>221,655,311</u>
Accumulated Depreciation	(21,681,315)	(1,427,245)	<u>(23,108,560)</u>
			<u>198,546,751</u>

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 COMPENSATED ABSENCES

Business-Type Activity

Compensated absences for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Compensated Absences	\$ 109,237	\$ 209,178	\$ 187,471	\$ 130,944	\$ 130,944

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, 2017.
2. See Note 5 for outstanding balances owed from user partners and credit balances outstanding as of June 30, 2017.
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 \$78,883 of fees for services as fiscal agent for the year ended June 30, 2017.

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

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 RISK MANAGEMENT (CONTINUED)

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 2017.

NOTE 10 PENSION PLAN PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (PERA)

General Information about the Pension Plan

Plan Description

Buckman is not considered an employer with full-time employees. As outlined in the Project Management/Fiscal Agent Agreement (Note 12), the City of Santa Fe (City), as Buckman's Fiscal Agent, provides Buckman with City employees to maintain Buckman operations.

The Public Employees Retirement Fund (PERA Fund) is a cost sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State general, State police/adult correction officer, municipal general, municipal police/detention officers, municipal fire, and State legislative divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund. PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits Provided

For a description of the benefits provided and recent changes to the benefits, see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 10 PENSION PLAN PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (PERA)
(CONTINUED)**

General Information about the Pension Plan (Continued)

Contributions

The contribution requirements of plan members and the board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 40 through 42 of the PERA FY16 annual audit report at the following website address:

https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf.

The PERA coverage option that applies to the board is municipal general. Statutorily required contributions to the pension plan by the City that were allocated to Buckman were \$355,542 for the year ended June 30, 2017.

Disclosure requirements including schedules of required supplementary information and related notes for governmental funds apply to the primary government as a whole, and as such this information will be presented in the City's Comprehensive Annual Financial Report.

Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the City will be contained in the City's CAFR and will be available, when issued, from the City of Santa Fe. Questions concerning any of the information provided in the report or request for additional financial information should be addressed to the City Finance Director, P.O. Box 909, City of Santa Fe, New Mexico 87504.

NOTE 11 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

Buckman is not considered an employer with full-time employees. As outlined in the Project Management/Fiscal Agent Agreement (Note 12), the City of Santa Fe (City), as Buckman's Fiscal Agent, provides Buckman with City employees to maintain Buckman operations.

Buckman reimburses the City for contributions made by the City 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) for employees that are loaned to Buckman. The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978).

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 11 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Plan Description (Continued)

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, New Mexico 87107.

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; each participating employee was required to contribute 1.25% of their salary.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 11 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Funding Policy (Continued)

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, 2017, June 30, 2016, and June 30, 2015 were \$34,622, \$34,226, and \$34,344, which equal the required contributions for each year.

NOTE 12 PROJECT MANAGER/FISCAL AGENT AGREEMENT

In November 2007, the Buckman Direct Diversion (BDD) 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 BDD board, make recommendations to the BDD board related to the Project; provide support staff for BDD board meetings; contract with independent legal counsel selected by the BDD board; contract with specialized legal counsel as needed to support design, construction, operation, and maintenance of the Project; and, as directed by the BDD 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 BDD board, for the Project as directed by the BDD board and manage any such grants, loans or loan guarantees;
- Administer all amounts 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;

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 PROJECT MANAGER/FISCAL AGENT AGREEMENT (CONTINUED)

Project Manager (Continued)

- Prepare and submit to the BDD 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 five-year projected operations, maintenance, replacement and reserve (OMR&R) costs, including a five-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;
- Develop a document retention and protection policy for adoption by the BOD board;
- Act as fiscal agent for the Project;
- Provide all necessary staff, materials, and supplies necessary to operate and maintain the Project consistent with BDD board funding;
- Recruit, hire and train staff for the Project accounting to the BDD board's approved staffing plan as it may be amended from time to time and arrange for state drinking water certification for such staff in advance of operation of the Project, so that certified staff is available to operate the Project when the Project becomes operational, and as set forth in each proposed budget the costs of the staff apportioned according to the respective benefit to the City and the Project.
- Once an annual operating budget is approved by the BDD 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 BDD 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 \$50,000;
- Develop all procurement documents in accordance with the City's purchasing manual and present same to the BDD board;

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 PROJECT MANAGER/FISCAL AGENT AGREEMENT (CONTINUED)

Project Manager (Continued)

- 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 BDD 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 BDD board, and those permits required to be obtained by the BDD board pursuant to Section 6 of the FOPA;
- Maintain communication with the BDD board, the City, the County, and Las Campanas, primarily via monthly BDD 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 BDD board, act as liaison for the BDD board and represent the BDD board in Project matters involving tribal governments, state and federal government agencies, and nongovernmental organizations;
- Perform other duties as assigned by the BDD board consistent with funding and the Project agreements;
- Maintain segregated books and records consistent with U.S. 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 U.S. 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 BDD board.

**STATE OF NEW MEXICO
 BUCKMAN DIRECT DIVERSION PROJECT
 WATER TREATMENT FACILITY OPERATIONS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 13 FEDERAL AND STATE GRANTS

In the normal course, of operations, Buckman receives grant funds from federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes any liability resulting from these audits would be immaterial.

NOTE 14 RESTATEMENT

Buckman's beginning net position is restated for the following reasons:

1. Reduction to capital assets because the value of certain assets are reported on the City of Santa Fe's and Santa Fe County's financial statements as their respective investments in the capital assets used in the operation of Buckman.
2. Funds previously reported as agency funds, but don't meet the definition of agency funds because Buckman is not holding the money in a custodial capacity. Rather, the balances represent cash from partners that are restricted for specific purposes related to Buckman's emergency fund policy and repair and replacement fund policy.

Beginning Net Position	\$ 207,225,868
Restatements:	
Reduction of Capital Assets, Net	(198,546,752)
Agency Funds	<u>3,589,862</u>
Total Restatement	<u>(194,956,890)</u>
Beginning Net Position, as Restated	<u><u>\$ 12,268,978</u></u>

STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET (NON-U.S. GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Non-U.S. GAAP Budgetary Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
OPERATING REVENUES				
City of Santa Fe	\$ 6,429,727	\$ 6,259,292	\$ 4,786,062	\$ (1,473,230)
Santa Fe County	2,233,508	2,174,577	1,630,319	(544,258)
Las Campanas Entities	497,387	490,104	227,256	(262,848)
PNM Solar Rebates	150,000	150,000	82,049	(67,951)
Federal Revenue	96,000	96,000	22,785	(73,215)
Total Operating Revenues	9,406,622	9,169,973	6,748,471	(2,421,502)
OPERATING EXPENSES				
Reimbursement of Personnel Services	3,348,849	3,348,849	2,917,396	431,453
Electricity	1,318,000	1,223,000	996,839	226,161
Chemicals	250,000	295,000	340,991	(45,991)
Solids	120,000	170,000	150,280	19,720
Materials and Supplies	723,739	723,739	608,426	115,313
Other Operating Costs	2,127,683	2,127,683	1,159,051	968,632
Emergencies	-	-	25,000	(25,000)
Engineering Services	105,000	105,000	35,485	69,515
System Equipment	1,047,999	1,047,999	-	1,047,999
Repair and Maintenance Equipment	49,820	49,820	49,820	-
Fiscal Agent Fee	315,532	78,883	78,883	-
Total Operating Expenses	9,406,622	9,169,973	6,362,171	2,807,802
NONOPERATING REVENUES (EXPENSES)				
Investment Income	-	-	1,734	1,734
Total Nonoperating Revenues (Expenses)	-	-	1,734	1,734
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ -	\$ -	388,034	\$ 388,034
CHANGE IN NET POSITION (NON-U.S. GAAP BUDGETARY BASIS)			386,300	
ADJUSTMENTS FOR U.S. GAAP BASIS (NONBUDGETED ITEMS)				
Depreciation			220,303	
CHANGE IN NET POSITION, EXHIBIT C-2			165,997	
Net Position - Beginning of Year, as restated			12,268,978	
NET POSITION - END OF YEAR			\$ 12,434,975	

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
SCHEDULE OF CHANGES IN RESTRICTED NET POSITION BY PARTNER
YEAR ENDED JUNE 30, 2017**

Emergency Reserves:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Restricted Net Position				
City of Santa Fe	\$ 1,314,880	\$ 30,079	\$ (15,522)	\$ 1,329,437
Santa Fe County	469,155	11,597	(6,403)	474,349
Las Campanas Entities	228,792	5,608	(3,075)	231,325
Restricted Net Position	<u>\$ 2,012,827</u>	<u>\$ 47,284</u>	<u>\$ (25,000)</u>	<u>\$ 2,035,111</u>

Major Repair and Replacement Reserves:

Restricted Net Position

City of Santa Fe	\$ 1,125,500	\$ 306,135	\$ (249,020)	\$ 1,182,615
Santa Fe County	390,911	107,477.00	(87,466.00)	410,922
Las Campanas Entities	60,624	16,930.00	(13,787.00)	63,767
Restricted Net Position	<u>\$ 1,577,035</u>	<u>\$ 430,542</u>	<u>\$ (350,273)</u>	<u>\$ 1,657,304</u>

Combined

Restricted Net Position

City of Santa Fe	\$ 2,440,380	\$ 336,214	\$ (264,542)	\$ 2,512,052
Santa Fe County	860,066	119,074	(93,869)	885,271
Las Campanas Entities	289,416	22,538	(16,862)	295,092
Restricted Net Position	<u>\$ 3,589,862</u>	<u>\$ 477,826</u>	<u>\$ (375,273)</u>	<u>\$ 3,692,415</u>

**INDEPENDENT AUDITORS' 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 Facility Operations, and
Mr. Wayne Johnson, New Mexico State Auditor
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 business-type activities of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Buckman's basic financial statements, and have issued our report thereon dated July 13, 2018.

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.

Board Members
Santa Fe County, City of Santa Fe, Las Campanas,
Buckman Direct Diversion Project
Water Treatment Facility Operations, and
Mr. Wayne Johnson, New Mexico State Auditor

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as number 2017-002, which we consider to be a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is listed as finding 2017-001 in the schedule of findings and responses.

Buckman's Response to Findings

Buckman's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Buckman's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
July 13, 2018

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

1. Type of auditors’ report issued	Unmodified
2. Internal control over financial reporting	
a. Material weaknesses identified?	Yes
b. Significant deficiencies not considered to be material weaknesses?	None reported
c. Noncompliance material to the financial statements?	No

SECTION II – CURRENT YEAR FINDINGS

2017-001 Late Submission of Audit Report (Compliance and Other Matters)

Condition: Buckman’s audit report for the year ended June 30, 2017 was not submitted as of the due date of December 15, 2017 because Buckman’s fiscal agent did not perform a timely reconciliation of its financial records and Buckman’s cash is included in the pooled cash accounts along with the fiscal agent. Additionally, Buckman’s internal reconciliation and closing journal entry process was ongoing throughout the audit, which created delays in audit testwork.

Criteria: Audit reports not received on or before the due date are considered to be in noncompliance with the requirements of Section 2.2.2.9.A of the State Audit Rule.

Cause: Buckman and its fiscal agent were still reconciling Buckman’s trial balance through April 2018. CLA received necessary entries for audit and financial statement drafting in April 2018 that delayed our ability to perform audit testwork and draft Buckman’s financial statements.

Effect: Buckman’s financial audit was not submitted by the statutory deadline.

Recommendation: We recommend Buckman continue to maintain its records and work with its fiscal agent to ensure year-end reconciliations more timely.

Management’s Response: Management of Buckman agree that this audit was not in compliance with the requirements of Section 2.2.2.9.A of the State Audit Rule. Buckman financial staff will continue to evaluate the procedures and the process pertaining to the accounting of Buckman’s transactions, to ensure a more timely year-end reconciliation. The Financial Manager will be responsible for completing this matter by submission of the FY18 audit.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

SECTION II – CURRENT YEAR FINDINGS (CONTINUED)

2017-002 Financial Reporting (Material Weakness)

Condition: Beginning net position was restated due to the following:

1. Reduction to capital assets because the value of certain assets are reported on the City of Santa Fe's and Santa Fe County's financial statements as their respective investments in the capital assets used in the operation of Buckman.
2. Funds previously reported as agency funds, but do not meet the definition of agency funds as Buckman is not holding the money in a custodial capacity. Rather, the balances represent cash from partners that are restricted for specific purposes related to Buckman's emergency fund and repair and replacement fund policy.

Criteria: Capital asset balances may only be reflected in the financial statements of one reporting entity. Agency funds represent assets that are held in a custodial capacity and will not be used for operations of the reporting entity.

Cause: The reporting entity is based on a joint venture with three separate partners. As such, some financial reporting aspects were complex because of the inter-related aspects of these matters.

Effect: Beginning net position was reduced by \$194,956,890.

Recommendation: We recommend that Buckman evaluate financial reporting requirements to ensure Generally Accepted Accounting Principles are followed appropriately.

Management's Response: Management of the Buckman Direct Diversion concurs with this finding. Buckman will procure additional consulting services with an independent audit firm to re-evaluate the complexity of the joint venture for recommendations on financial reporting. The Financial Manager will be responsible for completing this matter by submission of the FY18 audit.

SECTION III – STATUS OF PRIOR YEAR FINDINGS

There were no prior year audit findings.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
OTHER DISCLOSURES
JUNE 30, 2017**

AUDITOR PREPARED FINANCIAL STATEMENTS

CliftonLarsonAllen LLP prepared the U.S. GAAP-basis financial statements and footnotes of Buckman from the original books and records provided to them by the management of Buckman. The responsibility for the financial statements remains with Buckman.

EXIT CONFERENCE

The contents of this report were discussed on July 16, 2018. The following were in attendance.

Buckman Direct Diversion Project

Councilor Peter Ives, BDDDB Chair
Commissioner Anna Hamilton, BDDDB Vice-Chair
Charles Vokes, BDD Facilities Manager
Mackie Romero, BDD Financial Manager

City of Santa Fe

Brad Fluetsch, Financial Planning & Reporting Officer
Erica Martinez, Senior Financial Analyst
Andrew Erdmann, Water Resource Coordinator

CliftonLarsonAllen LLP

Georgie Ortiz, CPA, CGFM, Principal
Laura Beltran-Schmitz, CPA, CFE, CGFM, Director



Date: September 6, 2018
To: Buckman Direct Diversion Board
From: Mackie Romero, BDD Financial Manager
Subject: 4th Quarter Financial Statements

Information Item:

This report is to update the BDD Board and its partners on our 4th Quarter financial position as of June 30, 2018.

Budget Overview – A financial plan that quantifies our current and future operations.

- Beginning Budget – FY17/18 Adopted Budget, includes any budget adjustments.
- Expended – Expenses for services and/or goods received as of 06/30/2018
- Available Balance – Represents unexpended budget balance as of 06/30/2018.
- Percentage – Represents percentage of expended budget balance.

Fixed & Variable Costs – All expenses including project wide, billed to our partners for services and/or goods received as of June 30, 2018.

Other Funds - Major Repair & Replacement and Emergency Reserve Fund monthly contributions, cash balances and budget overview for budgeted funds authorized by the BDDDB for expenditure.

This presentation of financial information for fiscal year ended June 30, 2018, certifies the Buckman Direct Diversion's accounting transactions are reconciled in preparation for the annual audit.

BDD will continue to provide quarterly updates with financial information, to provide the highest level of transparency to the partners and the BDD Board.

If you require any additional information to be included in this report, please contact me.





4th Quarter Financial Statement – Operations (07/01/2017-06/30/2018)

Budget Overview

CATEGORY	BEGINNING	EXPENDED	EXPENDED	EXPENDED	EXPENDED	TOTAL	BALANCE	%
	BUDGET	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		AVAILABLE	
Employee Salaries & Benefits	2,346,994	487,533	637,780	520,232	574,284	2,219,829	127,165	95%
Electricity	1,189,600	237,147	275,718	236,454	345,256	1,094,575	95,025	92%
Chemicals	1,108,000	313,465	198,556	193,295	445,410	1,150,726	(42,726)	104%
Solids	375,000	123,584	82,886	78,172	99,386	384,028	(9,028)	102%
Materials & Supplies	120,000	62,309	17,009	9,204	3,040	91,562	28,438	76%
Other Operating Costs	714,802	23,899	213,884	195,905	286,049	719,737	(4,935)	101%
Litigation Costs	993,224	268,548	97,757	354,457	178,152	898,914	94,310	91%
Fiscal Agent Fees	1,025,384	23,649	81,307	66,105	212,896	383,957	641,427	37%
TOTAL	78,883	-	-	-	78,883	78,883	-	100%
TOTAL	7,951,887	1,540,134	1,604,897	1,653,824	2,223,356	7,022,211	929,677	88%
DOE Federal Grant	96,000	11,245	70,498	14,221	(5,908)	90,056	5,944	94%
Total Expenses thru 06/30/2018						7,112,267		

Fixed & Variable Cost – Operations

July - June	Total	Fixed	Variable	Project Wide
Partner Revenue				
City of Santa Fe	4,915,023	1,641,087	1,062,773	2,211,163
Santa Fe County	1,614,496	588,273	275,036	751,188
LC Entities	314,528	119,626	62,967	131,935
Total	6,844,048	2,348,986	1,400,775	3,094,286
Other Revenue				
PNM Solar Rebate	178,164			
DOE Federal Grant	90,056			
Total	268,220			
Grand Total	7,112,267			





4th Quarter Financial Statement – Other Funds (Cumulative)
(07/01/2017-06/30/2018)

Pre-Bills – Major Repair & Replacement Fund (Yearly Contribution)

	Total	City of SF	SF County	Las Campanas Coop	Las Campanas Club
Major Repair Fund	626,706	445,545	156,494	13,898	10,769
	626,706	445,545	156,494	13,898	10,769

Financial Position - Cash

	*Emergency Reserve	Major Repair
Balance at 06/30/2017	2,035,111	1,657,305
Yearly Contributions - Billed	-	626,706
Interest Earned	28,384	23,173
Total	2,063,495	2,307,184
Less Expenses at 06/30/2018		(922,234)
**Cash Balance		1,384,950

* Emergency Reserve Fund has reached the funding target of \$2,000,000, per the established policy.

** Projected available cash balance, less expenses at 06/30/2018.

Budget Overview – Major Repair and Replacement Fund

CATEGORY	BEGINNING BUDGET	EXPENDED	EXPENDED	EXPENDED	EXPENDED	TOTAL 06/30/2018	BALANCE AVAILABLE
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		
Materials & Supplies	1,169,798	594,947	38,125	41,553	247,609	922,234	247,564
TOTAL	1,169,798	594,947	38,125	41,553	247,609	922,234	247,564

