

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
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YEAR ENDED JUNE 30, 2020**

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**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2020**

ELECTED OFFICIALS

JoAnne Vigil Coppler	Chairperson of the BDD Board, Santa Fe City Councilor
Anna Hansen (Vice Chair)	Commissioner, Santa Fe County
Carol Romero Wirth	Councilor, City of Santa Fe
Anna Hamilton	Commissioner, Santa Fe County
Henry Roybal	Commissioner, Santa Fe County Alternate
Mr. J.C. Helms	Member At-Large
Mr. Peter Ives	Member Alternate At-Large
Sig Lindell	Councilor, City of Santa Fe Alternate
Mr. Tom Egelhoff	Las Campanas, nonvoting member
Ken Kirk	Las Campanas, Alternate

FISCAL AGENT ADMINISTRATION

Debra Harris-Garmendia	Controller, City of Santa Fe
Mary McCoy	Finance Director, City of Santa Fe

BUCKMAN ADMINISTRATION

Rick Carpenter	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. Brian S. Colón, Esq., New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman) as of and for the year ended June 30, 2020, 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. Brian S. Colón, Esq., 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 the business-type activity of Buckman as of June 30, 2020, 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.

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 an opinion on the financial statements that collective 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 relates 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. Brian S. Colón, Esq., 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 12, 2021, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
July 12, 2021

**BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020.

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 2020, the Buckman Direct Diversion provided 1,758,640,000 gallons of water to the project partners.
- The Buckman Direct Diversion Board authorized \$434,411 of funding from restricted cash of the Major Repair and Replacement Fund to fund the continuation of rebuilding pumps at the Raw Water Lift Station facility.

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.

**BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 2020 annual operating budget in comparison to the final fiscal year 2019 annual operating budget.

**BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Statement of Net Position

The statement of net position presents information on all of Buckman Direct Diversion's assets, liabilities, and net position

The following table provides condensed financial information related to BDD's net assets as of June 30, 2020 as compared to June 30, 2019.

**Statement of Net Position
Fiscal Year Ended June 30, 2020 and June 30, 2019**

	2020	2019	Amount Change	% Change
ASSETS				
Current Assets	\$ 10,199,042	\$ 6,378,148	\$ 3,820,894	60 %
Capital Assets, Net	8,780,775	8,532,670	248,105	3
Total Assets	<u>\$ 18,979,817</u>	<u>\$ 14,910,818</u>	<u>\$ 4,068,999</u>	27
 LIABILITIES	 \$ 5,641,752	 \$ 2,001,976	 \$ 3,639,776	 182
 NET POSITION				
Net Investment in Capital Assets	8,780,775	8,532,670	248,105	3
Restricted for:				
Emergency Reserves	2,086,267	2,063,495	22,772	1
Major Repair and Replacement Reserves	1,398,857	1,795,496	(396,639)	(22)
Unrestricted	1,072,166	517,181	554,985	107
Total Net Position	<u>13,338,065</u>	<u>12,908,842</u>	<u>429,223</u>	3
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 18,979,817</u>	 <u>\$ 14,910,818</u>	 <u>\$ 4,068,999</u>	 27

The statement of net position reports comparison activity of the current and previous fiscal years of operations. The change of current assets and current liabilities is due to an increase of accounts receivable, as it relates to amounts due from the participating partners. 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.

**BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020 as compared to the year ended June 30, 2019.

**Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended June 30, 2020 and June 30, 2019**

	2020	2019	Amount Change	% Change
OPERATING REVENUES				
Reimbursements:				
City of Santa Fe	\$ 6,126,826	\$ 5,690,084	\$ 436,742	8 %
Santa Fe County	2,393,899	2,301,644	92,255	4
Las Campanas Entities	626,096	227,195	398,901	176
PNM Solar Rebates	78,076	151,462	(73,386)	(48)
Conservation Fee	12,481	63,830	(51,349)	-
Grants-Federal	57,385	95,024	(37,639)	(40)
Total Operating Revenues	<u>9,294,763</u>	<u>8,529,239</u>	<u>765,524</u>	9
OPERATING EXPENSES				
Buckman Direct Diversion Project Operations	8,476,588	8,091,426	385,162	5
Habitat Restoration and Compliance	-	23,860	(23,860)	(100)
Major Repairs	434,411	116,934	317,477	272
Emergencies	-	-	-	-
Total Operating Expenses	<u>8,910,999</u>	<u>8,232,220</u>	<u>678,779</u>	8
OPERATING INCOME	383,764	297,019	86,745	29
NONOPERATING REVENUES				
Gain (Loss) of Capital Assets	(2,323)	-	(2,323)	(100)
Investment Income	47,782	217	47,565	21919
CHANGE IN NET POSITION	429,223	297,236	131,987	44
Net Position - Beginning of Year	<u>12,908,842</u>	<u>12,611,606</u>	<u>297,236</u>	2
NET POSITION - END OF YEAR	<u>\$ 13,338,065</u>	<u>\$ 12,908,842</u>	<u>\$ 429,223</u>	3

The BDD's revenues include reimbursements from the City, the County, and Las Campanas Entities for fixed, variable and project wide costs, which are billed pursuant to the percentage allocations detailed in the Facility Operations and Procedures Agreement and the water delivered to each partner.

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.

**BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

BDD has received federal funding from the Department of Energy for the BDD Location Sampling program. 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, 2020. 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	\$ 2,750,588	\$ 3,334,136	\$ 414,482	\$ 34,983	\$ 6,534,189
Partner Credits	(263,470)	(283,543)	(22,273)	(4,851)	(574,137)
Net Total	<u>\$ 2,487,118</u>	<u>\$ 3,050,593</u>	<u>\$ 392,209</u>	<u>\$ 30,132</u>	<u>\$ 5,960,052</u>

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

Items Expected to Have a Significant Effect for Fiscal Year 2020

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, net of depreciation, for BDD make up 57% of BDD's total assets. Refer to Note 6 for information about capital assets.

Total compensated absences at June 30, 2020 are \$158,817 and expected to be paid within one year.

**BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020**

ASSETS	Business-Type Activity
CURRENT ASSETS	
Cash, Investments, and Cash Equivalents	\$ -
Restricted Cash:	
Emergencies	2,086,267
Major Repair and Replacement	1,398,857
Partner's Accounts Receivable:	
City of Santa Fe	2,750,588
Santa Fe County	3,334,136
Las Campanas Club	414,482
Las Campanas Coop	34,983
Interest Receivable	2,172
Prepaid Expenses	10,000
Other Receivable (includes Pass-through grant)	59,955
Chemical Inventory	107,602
Total Current Assets	<u>10,199,042</u>
NONCURRENT ASSETS	
Capital Assets	11,091,991
Accumulated Depreciation	(2,311,216)
Total Noncurrent Assets	<u>8,780,775</u>
Total Assets	<u><u>\$ 18,979,817</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Cash Overdraft	\$ 2,587,042
Partner's Credit Balances:	
City of Santa Fe	263,470
Santa Fe County	283,543
Las Campanas Club	22,273
Las Campanas Coop	4,851
Accounts Payable	1,021,921
Intergovernmental Payable	1,458,652
Total Current Liabilities	<u>5,641,752</u>
NET POSITION	
Net Investment in Capital Assets	8,780,775
Restricted for:	
Emergency Reserves	2,086,267
Major Repair and Replacement Reserves	1,398,857
Unrestricted	1,072,166
Total Net Position	<u>13,338,065</u>
Total Liabilities and Net Position	<u><u>\$ 18,979,817</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, 2020

	Business-Type Activity
OPERATING REVENUES	
Reimbursements:	
City of Santa Fe	\$ 6,126,826
Santa Fe County	2,393,899
Las Campanas Club	555,580
Las Campanas Coop	70,516
Utility Reimbursements	78,076
Conservation Fee	12,481
Grants-Federal	57,385
Total Operating Revenues	<u>9,294,763</u>
OPERATING EXPENSES	
Buckman Direct Diversion Project Operations	8,476,588
Major Repairs	434,411
Total Operating Expenses	<u>8,910,999</u>
OPERATING INCOME	383,764
NONOPERATING REVENUES	
Investment Income	47,782
Gain (Loss) on Sale of Capital Assets	<u>(2,323)</u>
Total Nonoperating Revenues	<u>45,459</u>
CHANGE IN NET POSITION	429,223
Net Position - Beginning of Year	<u>12,908,842</u>
NET POSITION - END OF YEAR	<u><u>\$ 13,338,065</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, 2020**

	Business-Type Activity
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Partners and PNM	\$ 4,554,288
Cash Paid to Suppliers for Goods and Services	<u>(7,937,291)</u>
Net Cash Used by Operating Activities	<u>(3,383,003)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of Capital Assets	15,000
Acquisition and Construction of Capital Assets	(516,201)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>47,782</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,836,422)
Cash and Cash Equivalents - Beginning of Year	<u>4,734,504</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 898,082</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income	\$ 383,764
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	250,773
Changes in Assets and Liabilities:	
Increase in Partner's Accounts Receivable	(5,377,170)
Increase in Partner's Credit Balances	331,475
Decrease in Other Receivables	305,220
Decrease in Chemical Inventory	1,676
Increase in Accounts Payable	289,381
Increase in Intergovernmental Payable	431,878
Net Cash Used by Operating Activities	<u><u>\$ (3,383,003)</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, 2020**

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 I-5(B) NMSA 1978. The City and County each own 50% of the diversion facilities of Buckman and have established a board to oversee the planning, procurement, financing, permitting, design, and construction of the Buckman Direct Diversion Project as well as the operations and management of Buckman. The board is comprised of two members of the governing body of the City of Santa Fe, two members of the governing body of Santa Fe County Commissioners, and one citizen member at large appointed by a majority vote of the four other members. Other project participants include Las Campanas Limited Partnership (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 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.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 is 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 2019, Buckman received a grant award from the U.S. Department of Energy for water quality monitoring activities. Expenditures totaling \$57,385 were incurred against the grant during fiscal year 2020.

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.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020 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 \$107,602 at June 30, 2020. 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

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

Minimum Restricted Net Position Policies

The Emergency reserve and Repair and Replacement reserve are reserve funds that were required by the Facilities Operations and Procedures Agreement and 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 \$626,706 in annual partner contributions for fiscal year 2020. During fiscal year 2020, \$434,411 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:

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

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, 2020 was \$2,086,267.

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, in 2017 the board approved an increase of \$214,894 for a total annual contribution of \$626,706 to be fully funded by the end of each fiscal year. The total amount funded as of June 30, 2020 was \$1,398,857.

- 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, 2020**

NOTE 4 CASH, INVESTMENTS, AND CASH EQUIVALENTS

Buckman does not have a separate bank account. At June 30, 2020, Buckman had cash, investments, and cash equivalents totaling \$898,082, 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 PARTNERS' ACCOUNTS RECEIVABLE/PARTNERS' CREDIT BALANCES

The following table shows the balances outstanding from each partner or partner credit balance as of June 30, 2020.

Partners' Accounts Receivable				
	City of Santa Fe	Santa Fe County	Las Campanas	Las Campanas CoOp
				Total
Buckman Operations	<u>\$ 2,750,588</u>	<u>\$ 3,334,136</u>	<u>\$ 414,482</u>	<u>\$ 34,983</u>
				<u>\$ 6,534,189</u>

Partners' Credit Balances				
	City of Santa Fe	Santa Fe County	Las Campanas	Las Campanas CoOp
				Total
Buckman Operations	<u>\$ 263,470</u>	<u>\$ 283,543</u>	<u>\$ 22,273</u>	<u>\$ 4,851</u>
				<u>\$ 574,137</u>

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

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance June 30, 2019	Additions	Deletions / Adjustments	Ending Balance June 30, 2020
Non-Depreciable Capital Assets:				
Construction in Process	\$ 951,377	\$ 434,411	\$ -	\$ 1,385,788
Total Non-Depreciable Capital Assets	951,377	434,411	-	1,385,788
Capital Assets Being Depreciated:				
Buildings and Structures	8,737,383	-	-	8,737,383
Equipment and Machinery	308,876	41,650	(20,492)	330,034
Vehicles	557,217	-	(42,660)	514,557
Data Processing Equipment	84,089	40,140	-	124,229
Total Capital Assets Being Depreciated	9,687,565	81,790	(63,152)	9,706,203
Less: Accumulated Depreciation:				
Buildings and Structures	1,397,982	174,748	-	1,572,730
Equipment and Machinery	181,701	29,888	(3,169)	208,420
Vehicles	453,084	38,099	(42,660)	448,523
Data Processing Equipment	73,505	8,038	-	81,543
Total Accumulated Depreciation	2,106,272	250,773	(45,829)	2,311,216
Total Capital Assets Being Depreciated, Net	7,581,293	(168,983)	(17,323)	7,394,987
Total Capital Assets	<u>\$ 8,532,670</u>	<u>\$ 265,428</u>	<u>\$ (17,323)</u>	<u>\$ 8,780,775</u>

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. However, they are assets utilized and purchased solely for BDD.

	Buildings and Structures	Equipment and Machinery	Total
City of Santa Fe	\$ 115,440,642	\$ 4,842,162	\$ 120,282,804
Santa Fe County	101,372,507	-	101,372,507
			221,655,311
Accumulated Depreciation	(38,973,090)	(4,140,948)	(43,114,038)
			<u>\$ 178,541,273</u>

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 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, 2020.
2. See Note 5 for outstanding balances owed from user partners and credit balances outstanding as of June 30, 2020.

The City of Santa Fe as fiscal agent for the Buckman Direct Diversion Project receives a fee of 4.5% of the annual operating budget of the project. The City of Santa Fe received \$320,644 fees for services as fiscal agent and a reimbursement of personnel costs of \$2,953,487 for the year ended June 30, 2020.

NOTE 8 RISK MANAGEMENT

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

Buckman staff, as employees of the City of Santa Fe, participate in the Santa Fe Health Fund and the Workers' Compensation Fund, which are self-insured programs administered by the fiscal agent. Buckman makes pro rata payments to the City based on actuarial estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for catastrophic losses. Health claims are handled by a professional third-party claims administrator. The fiscal agent maintains specific stop loss coverage for individual claims in excess of \$200,000 with a \$1,000,000 statutory limit. Workers' compensation claims are handled by a professional, third-party claims administrator. Buckman maintains specific stop loss coverage for individual claims in excess of \$500,000 with a \$1,000,000 statutory limit. There was no reduction in amount of coverage for 2020.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 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;
- 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;

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 PROJECT MANAGER/FISCAL AGENT AGREEMENT (CONTINUED)

Project Manager (Continued)

- Recruit, hire and train staff for the Project according 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 \$60,000;
- Develop all procurement documents in accordance with the City's purchasing manual and present same to the BDD board;
- Consult with staff of the City, the County, and Las Campanas regarding the planning and design and OMR&R of the Project;
- In consultation with the 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;

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 PROJECT MANAGER/FISCAL AGENT AGREEMENT (CONTINUED)

Project Manager (Continued)

- 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;
- 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.

NOTE 10 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.

**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, 2020**

	Budgeted Amounts		Non-U.S. GAAP	Variances
	Original	Final	Budgetary	Favorable
			Basis	(Unfavorable)
				Final to Actual
OPERATING REVENUES				
City of Santa Fe	\$ 6,792,035	\$ 6,792,035	\$ 6,126,826	\$ (665,209)
Santa Fe County	2,173,905	2,173,905	2,393,899	219,994
Las Campanas Entities	449,469	449,469	626,096	176,627
PNM Solar Rebates	120,000	120,000	78,076	(41,924)
Conservation Fee	-	-	12,481	12,481
Federal Revenue	96,000	96,000	57,385	(38,615)
Total Operating Revenues	9,631,409	9,631,409	9,294,763	(336,646)
OPERATING EXPENSES				
Reimbursement of Personnel Services	3,578,370	3,578,370	2,953,487	624,883
Electricity	1,200,000	970,000	869,406	100,594
Chemicals	336,000	336,000	371,375	(35,375)
Solids	120,000	120,000	46,647	73,353
Materials and Supplies	1,012,639	802,054	461,595	340,459
Other Operating Costs	3,128,756	3,569,341	3,637,072	(67,731)
Fiscal Agent Fee	320,644	320,644	320,644	-
Total Operating Expenses	9,696,409	9,696,409	8,660,226	1,036,183
NONOPERATING REVENUES (EXPENSES)				
Investment Income	-	-	47,782	47,782
Budgeted Fund Balance	65,000	65,000	-	(65,000)
Gain (Loss) on Sale of Assets	-	-	(2,323)	(2,323)
Total Nonoperating Revenues (Expenses)	65,000	65,000	45,459	(19,541)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	679,996	<u>\$ 679,996</u>
ADJUSTMENTS FOR U.S. GAAP BASIS (NONBUDGETED ITEMS)				
Depreciation			250,773	
CHANGE IN NET POSITION			429,223	
Net Position - Beginning of Year			12,908,842	
NET POSITION - END OF YEAR			<u>\$ 13,338,065</u>	

**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, 2020**

Emergency Reserves:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Restricted Net Position				
City of Santa Fe	\$ 1,347,979	\$ 14,876	\$ -	\$ 1,362,855
Santa Fe County	480,965	5,308	-	486,273
Las Campanas Entities	234,551	2,588	-	237,139
Restricted Net Position	<u>\$ 2,063,495</u>	<u>\$ 22,772</u>	<u>\$ -</u>	<u>\$ 2,086,267</u>

Major Repair and Replacement Reserves:**Restricted Net Position**

City of Santa Fe	\$ 1,280,678	\$ 26,942	\$ (308,837)	\$ 998,783
Santa Fe County	445,305	9,368	(108,476)	346,197
Las Campanas Entities	69,513	1,462	(17,098)	53,877
Restricted Net Position	<u>\$ 1,795,496</u>	<u>\$ 37,772</u>	<u>\$ (434,411)</u>	<u>\$ 1,398,857</u>

Combined**Restricted Net Position**

City of Santa Fe	\$ 2,628,657	\$ 41,818	\$ (308,837)	\$ 2,361,638
Santa Fe County	926,270	14,676	(108,476)	832,470
Las Campanas Entities	304,064	4,050	(17,098)	291,016
Restricted Net Position	<u>\$ 3,858,991</u>	<u>\$ 60,544</u>	<u>\$ (434,411)</u>	<u>\$ 3,485,124</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. Brian S. Colón, Esq., 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 activity of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Buckman's basic financial statements, and have issued our report thereon dated July 12, 2021.

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 as a basis for designing 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. Brian S. Colón, Esq., 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buckman's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is listed as finding 2020-001 in the schedule of findings and responses.

Buckman's Response to Finding

Buckman's response to the finding identified in our audit is 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
July 12, 2021

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020**

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?	No
b. Significant deficiencies not considered to be material weaknesses?	None reported
c. Noncompliance material to the financial statements?	No

SECTION II – CURRENT YEAR FINDINGS

2020-001 (Original Finding 2019-001) Late Submission of Audit Report (Other Non-Compliance)

Condition: Buckman’s audit report for the year ended June 30, 2020 was not submitted as of the due date of December 15, 2020 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.

Managements progress on repeat findings: BDD will work with the fiscal agent and the BDD Board to establish processes that will assist with the separation of BDD from the City of Santa Fe.

Criteria: Audit reports not received on or before the due date are considered to be in non-compliance with the requirements of Subsection A of Section 2.2.2.9 NMAC.

Cause: Due to the delays in Buckman’s fiscal agent timely reconciliation of its financials records, this directly affected Buckman’s financial audit readiness.

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

Recommendation: We recommend that Buckman continue to work with its fiscal agent to ensure that both entities are completing monthly reconciliations to ensure timely year-end fiscal year close out and reconciliations for audit readiness.

Management’s Response: The BDD agrees that this audit was not in compliance with the requirements of Section 2.2.2.9.A of the State Audit Rule. The BDD financial staff will continue to work with its fiscal agent the City of Santa Fe, to ensure that monthly reconciliations are completed timely in preparedness for the year-end fiscal close.

SECTION III – STATUS OF PRIOR YEAR FINDINGS

2019-001 Late Submission of Audit Report (Other Non-Compliance) - Repeated

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
EXIT CONFERENCE
JUNE 30, 2020**

EXIT CONFERENCE

The contents of this report were discussed on July 6, 2021. The following were in attendance:

Buckman Direct Diversion Project

Anna Hansen, BDDDB Chair

Antoinette Armijo-Rougemont, BDD Accounting Supervisor

City of Santa Fe

Alexis Lotero, Acting Finance Director

CliftonLarsonAllen LLP

Raul Anaya, CPA, CFE, CGFM, Engagement Principal

Andres Gamez, CPA, Engagement Director

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.

