



**State of New Mexico
Buckman Direct Diversion Project**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2024

THIS PAGE INTENTIONALLY LEFT BLANK



INTRODUCTORY SECTION



**State of New Mexico
Buckman Direct Diversion Project
Table of Contents
June 30, 2024**

	Page
INTRODUCTORY SECTION	
Table of Contents	4
Official Roster	5
FINANCIAL SECTION	
Independent Auditor’s Report	8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Revenues, Expenses and Changes in Net Position	17
Statement of Cash Flows	18
Notes to Financial Statements	20
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Schedule of Revenues, Expense, and Changes in Net Position (Non-GAAP Budgetary Basis) and Actual	38
Schedule of Changes in Restricted Net Position by Partner	39
COMPLIANCE SECTION	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42
Schedule of Findings and Responses	44
Other Disclosures	47

**State of New Mexico
Buckman Direct Diversion Project
Official Roster
June 30, 2024**

ELECTED OFFICIALS

Carol Romero-Wirth	Chairperson of the BDD Board, City Councilor
Anna Hansen	County Commissioner
Anna Hamilton	County Commissioner
Jaime Cassutt	City Councilor
J.C. Helms	Citizen Member At-large
Peter Ives	Citizen Member Alternate At-large
Pilar Faulkner	City Councilor Alternate
Hank Hughes	County Commissioner Alternate
Tom Egelhoff	Las Campanas (non-voting)

ADMINISTRATIVE OFFICIALS

Rick Carpenter	BDD Facilities Manager
Valerie Romero	BDD Accounting Supervisor
Emily Oster	City of Santa Fe Finance Director

THIS PAGE INTENTIONALLY LEFT BLANK



FINANCIAL SECTION





CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
2424 Louisiana Boulevard NE
Suite 300
Albuquerque, NM 87110

505.883.2727
505.884.6719 (fax)
CRIadv.com

INDEPENDENT AUDITOR'S REPORT

Joesph M. Maestas, P.E., CFE, New Mexico State Auditor and
Board Members
Buckman Direct Diversion Project
Santa Fe, New Mexico

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activity of the Buckman Direct Diversion Project ("BDD") as of and for the year ended June 30, 2024, and the related notes to the financial statements which collectively comprise BDD's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of BDD as of June 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United State of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BDD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Correction of Error

As described in Note 2 to the financial statements, the prior year financial statements have been corrected for an error in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BDD's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Buckman's basic financial statements. The accompanying budgetary comparison schedule - schedule of revenues, expenses, and changes in net position budget (non-GAAP budgetary basis) and actual and the schedule of changes in restricted net position by partner ("supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of BDD'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 BDD'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 BDD's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 16, 2024

THIS PAGE INTENTIONALLY LEFT BLANK



BASIC FINANCIAL SECTION



**State of New Mexico
Buckman Direct Diversion Project
Statement of Net Position**

June 30, 2024	Business-Type Activity
Assets	
Current assets	
Cash and cash equivalents	\$ 4,608,345
Restricted cash and investments	
Emergencies	2,167,919
Major repair and replacement	77,483,837
Partners' accounts receivable	
Santa Fe County	2,309,175
Las Campanas Club	328,079
Las Campanas CoOp	110,233
Interest receivable	324,884
Prepaid items	10,000
Other receivable	23,102
Grants receivable	131,086
Chemical inventory	141,316
Total current assets	87,637,976
Noncurrent assets	
Capital assets not being depreciated	769,710
Capital assets being depreciated	12,740,872
Accumulated depreciation	(4,107,433)
Total noncurrent assets	9,403,149
Total assets	\$ 97,041,125

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

June 30, 2024	Business-Type Activity
Liabilities and net position	
Current liabilities	
Partners' credit balances	
City of Santa Fe	\$ 197,767
Accounts payable	1,030,554
Intergovernmental payable	606,067
Total current liabilities	1,834,388
Net position	
Net investment in capital assets	9,403,149
Restricted for	
Emergency reserves	2,167,919
Major repair and replacement reserves	77,483,837
Unrestricted	6,151,832
Total net position	95,206,737
Total liabilities and net position	\$ 97,041,125

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

THIS PAGE INTENTIONALLY LEFT BLANK

State of New Mexico
Buckman Direct Diversion Project
Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2024	Business-Type Activity
Operating revenues	
Reimbursements	
City of Santa Fe	\$ 6,234,935
Santa Fe County	2,220,673
Las Campanas Club	310,895
Las Campanas CoOp	110,234
Utility reimbursements	119,698
Federal grants	101,650
Total operating revenues	9,098,085
Operating expenses	
Buckman Direct Diversion Project operations	7,760,421
Major repairs	805,787
Total operating expenses	8,566,208
Total operating Income (loss)	531,877
Nonoperating revenue	
Other miscellaneous revenue	867
Investment income	4,233,652
Total nonoperating revenue	4,234,519
Change in net position	4,766,396
Net position, beginning of year as previously reported	86,769,507
Error correction (note 2)	3,670,834
Net position, beginning of year as corrected	90,440,341
Net position, end of year	\$ 95,206,737

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

**State of New Mexico
Buckman Direct Diversion Project
Statement of Cash Flows**

For the year ended June 30, 2024	Business-type Activity
Operating Activities	
Cash received from partners' and PNM	\$ 14,937,990
Cash paid to suppliers for goods and services	(7,577,382)
<hr/>	
Net cash (used for) operating activities	7,360,608
Capital and Related Financing Activities	
Acquisition and construction of capital assets	(1,560,316)
<hr/>	
Net cash (used for) capital and related financing activities	(1,560,316)
Investing Activities	
Investment income	4,233,652
<hr/>	
Net cash provided by investing activities	4,233,652
Net decrease in cash, cash equivalents, and investments	10,033,944
Total cash, cash equivalents, restricted cash and investments, beginning of year	74,226,157
<hr/>	
Total cash, cash equivalents, restricted cash and investments, end of year	\$ 84,260,101
<hr/>	
Reported in the statement of net position as	
Cash and cash equivalents	\$ 4,608,345
Restricted cash and investments	
Emergencies	2,167,919
Major repair and replacement	77,483,837
<hr/>	
Total cash, cash equivalents, restricted cash and investments	\$ 84,260,101
<hr/>	

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

For the year ended June 30, 2024	Business-type Activity
Reconciliation of Operating Income to Net Cash (Used for) Operating Activities	
Operating income	\$ 531,877
Adjustments to reconcile operating income to net cash (used for) operating activities	
Depreciation	570,245
Changes in assets and liabilities	
Partners' accounts receivable	5,954,243
Interest receivable	(129,858)
Other receivable	117,169
Grants receivable	(101,649)
Chemical inventory	10,788
Accounts payable	693,447
Intergovernmental payable	(285,654)
Total adjustments	6,828,731
Net cash (used for) operating activities	\$ 7,360,608

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

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 1: ORGANIZATION

Under a joint powers agreement (“JPA”) for the Buckman Direct Diversion Project (the “BDD”) Project dated January 11, 2005, the City of Santa Fe (“the City”) joined Santa Fe County (“the 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 BDD commenced May 15, 2011. The BDD 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. BDD 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 BDD and have established a board to oversee the planning, procurement, financing, permitting, design, and construction of the BDD as well as the operations and management of BDD. 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 BDD 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. BDD 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: ERROR CORRECTION

BDD’s fiscal year 2024 financial statements incorporate an error correction to previously issued financial statements. GASB Statement No. 100, *Accounting Changes and Error Corrections*, requires disclosure of their nature and effect on amounts reported in the financial statements.

- BDD discovered during the current year that partner accounts receivable balances were overstated due to incorrect billings in the amount of \$3,670,834.

The following table summarizes the restatements and adjustments to BDD’s beginning net position and fund balance as a result of the error correction:

	Business-Type Activities
June 30, 2023 net position previously reported	\$ 86,769,507
Error correction	3,670,834
June 30, 2023 net position as corrected and adjusted	\$ 90,440,341

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of BDD is presented to assist in the understanding of BDD's financial statements. The financial statements and notes are the representation of BDD's management who is responsible for their integrity and objectivity. The financial statements of BDD 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 BDD for financial reporting purposes, management has considered all potential component units.

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

Enterprise Fund Financial Statements

BDD 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. BDD'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 BDD 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 reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position

Cash, Cash Equivalents, and Investments

Cash is pooled into one common account maintained by the City, BDD's fiscal agent, in order to maximize investment opportunities. BDD'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, short-term investments with original maturities of three months or less from the date of acquisition. The City also holds fixed income securities with original maturities of up to 3 years. These securities with original maturities of over three months are classified as investments. Please refer to the City's financial statements for the year ended June 30, 2024, for a complete description of permissible investments and risk disclosures concerning cash investments.

Receivables and Payables

All trade and other receivables are shown net of allowances for uncollectable amounts, when applicable. Receivables are analyzed for their collectability based on the terms of and conditions of agreements, as well as current economic conditions and consideration of the creditors' ability to pay. In addition to those receivables specifically identified as uncollectable, a general allowance is established for receivables older than one year. As of June 30, 2024, no allowance for doubtful accounts was deemed necessary.

Partners' Accounts Receivables/Partners' 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 BDD from prebilling activities are reported as Partners' 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 partners' credit balances in the statement of net position and used to offset future billings.

**State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements**

Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position (Continued)

Chemical Inventory

Chemical inventory recorded in BDD’s enterprise fund is stated at the lower of cost of market and totals \$141,316 at June 30, 2024. 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>Capital asset classes</u>	<u>Lives</u>
Buildings and systems	50 years
Utility systems	25 years
Equipment and machinery	7 years
Vehicles	8 years
Data processing and software	3 years

Restricted Assets

Certain assets of BDD are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Emergency reserve – in accordance with the emergency reserve fund policy, certain resources are restricted to assure BDD’s timely response to emergencies, which could potentially threaten, reduce, or eliminate BDD’s capacity to meet its customers’ demands.

Major repair and replacement reserve – in accordance with the major repair and replacement reserve fund policy, certain resources are restricted to assure BDD’s ability to cover the repair and replacement cost of capital assets already in existence within BDD.

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position (Continued)

Minimum Restricted Net Position Policies

The emergency reserve and repair and replacement reserve are reserve funds that were required by the Facility 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 was fully funded at June 30, 2014. For the repair and replacement reserve, BDD approved \$578,827 in annual partner contributions for fiscal year 2024. During fiscal year 2024, \$1,842,670 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

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

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.

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.

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position (Continued)

BDD'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 BDD's timely response to emergencies, which could potentially threaten, reduce, or eliminate BDD's capacity to meet its customers' demands, BDD established an accumulation target amount of \$2,000,000 to fund the emergency reserve fund. While insurance may provide reimbursement of costs associated with some emergency situations, the Emergency Reserve Fund will provide an immediate infusion of the fund that are necessary to address the situation without having to first solicit funding from the partners. The total amount funded as of June 30, 2024 was \$2,167,919.
- Major repair and replacement fund policy - In accordance with the BDD's intergovernmental agreements and in order to secure resources assuring BDD's ability to cover the repair and replacement cost of capital assets already in existence within BDD, 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. BDD 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 \$626,707 to be fully funded by the end of each fiscal year. The total amount funded as of June 30, 2024 was \$77,483,837.

Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Policy on Use of Restricted and Unrestricted Resources

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

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

Business-type activities 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 the BDD Project'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.

Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. In fiscal year 2019, BDD received a grant award from the U.S. Department of Energy for water quality monitoring activities. Expenditures totaling \$101,650 were incurred against the grant during fiscal year 2024.

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 that useful lives of depreciable assets and the estimated usage of leave balances by employees. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 16, 2024, and determined there were no events that occurred that required disclosure.

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

BDD's annual operating budget for the enterprise fund is adopted on a basis other than generally accepted accounting principles (non-GAAP basis). Depreciation is not budgeted for the enterprise fund. 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 BDD'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, contract, 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.

Recently Issued and Implemented Accounting Procurements

During the fiscal year ended June 30, 2024, The Entity adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections.

This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

**State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements**

Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Procurements (Continued)

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. Earlier application is encouraged.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement aim to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement aim to improve reporting on capital assets by separately disclosing specific types of capital assets in financial statement notes. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

BDD is evaluating the requirements of the above statements and the impact on reporting.

Note 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2024, BDD had the following cash, cash equivalents, and cash investments totaling \$84,260,101:

Investment Type	Fair Value	Percentage of Total	Weighted Average Maturities	S&P Rating
Money market funds/cash sweeps	\$ 75,963,301	90%	N/A	N/A
Deposits with the City of Santa Fe	8,296,800	10%	N/A	N/A
Total	\$ 84,260,101			

**State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements**

Note 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits with the City of Santa Fe represent BDD’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 financial statement of 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, 2024.

	City of Santa Fe	Santa Fe County	Las Campanas Club	Las Campanas CoOp	Total
Partners' accounts receivable	\$ -	\$ 2,309,175	\$ 328,079	\$ 110,233	\$ 2,747,487
Less partners' credit balance	197,767	-	-	-	197,767
Total partner balance	\$ (197,767)	\$ 2,309,175	\$ 328,079	\$ 110,233	\$ 2,549,720

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

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 6: CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2024. Construction in progress is not subject to depreciation.

	Beginning Balance June 30, 2023	Additions	Deletions/ Adjustments	Ending Balance June 30, 2024
Capital assets not being depreciated				
Construction-in-progress	\$ 285,774	\$ 483,936	\$ -	\$ 769,710
Total non-depreciable capital assets	285,774	483,936	-	769,710
Capital assets being depreciated				
Buildings and systems	10,354,010	-	-	10,354,010
Equipment and machinery	656,568	7,870	-	664,438
Vehicles	514,557	79,472	-	594,029
Data processing and software	139,357	-	-	139,357
Utility systems	-	989,038	-	989,038
Total capital assets being depreciated	11,664,492	1,076,380	-	12,740,872
Less accumulated depreciation				
Buildings and systems	(2,096,974)	(174,748)	-	(2,271,722)
Equipment and machinery	(833,467)	(299,344)	-	(1,132,811)
Vehicles	(479,795)	(8,690)	-	(488,485)
Data processing and software	(126,952)	(5,043)	-	(131,995)
Utility systems	-	(82,420)	-	(82,420)
Total accumulated depreciation	(3,537,188)	(570,245)	-	(4,107,433)
Total capital assets being depreciated, net	8,127,304	506,135	-	8,633,439
Total Capital assets	\$ 8,413,078	\$ 990,071	\$ -	\$ 9,403,149

Depreciation expense for capital assets for the fiscal year ended June 30, 2024 was \$570,245. Depreciation expense is recorded in Buckman Direct Diversion Project operations on the statement of revenues, expenses, and changes in net position.

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 6: CAPITAL ASSETS (Continued)

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 Systems	Equipment and Machinery	Total
City of Santa Fe	\$ 115,440,642	\$ 4,842,162	\$ 120,282,804
Santa Fe County	101,372,508	-	101,372,508
Less accumulated depreciation	(56,323,339)	(4,842,162)	(61,165,501)
Total	\$ 160,489,811	\$ -	\$ 160,489,811

Note 7: ECONOMIC DEPENDENCE AND RELATED PARTY TRANSACTIONS

1. BDD is economically dependent on three entities: the City of Santa Fe, Santa Fe County, and Las Campanas Entities (the user partners). These entities account for 100% of its funding for the year ending June 30, 2024.
2. See note 4 for outstanding balances owed from user partners and credit balances outstanding as of June 30, 2024.

The City of Santa Fe acts as fiscal agent for the BDD and receives a fee of 4.5% of the annual operating budget of the project. The City of Santa Fe received fees for services as fiscal agent of \$345,775 and received reimbursement of personnel costs of 3,274,157 for the year ended June 30, 2024.

Note 8: RISK MANAGEMENT

Pursuant to the Joint Powers Agreement Section 23, BDD is required to carry insurance coverage separate and apart from the partners' respective insurance policies. BDD 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. BDD 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. BDD carries commercial property insurance on all of BDD's buildings, structures, equipment, improvements, and vehicles to protect itself from losses arising from fire, earthquake, and flood disasters. BDD also has commercial insurance for potential losses arising from excess liability and failures to supply materials needed to operate BDD facilities.

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 8: RISK MANAGEMENT (Continued)

BDD staff, as employees of the City, participate in the Santa Fe Health Fund and the Workers' Compensation Fund, which are self-insured programs administered by the fiscal agent. BDD 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. BDD 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 2024.

Note 9: PROJECT MANAGER/FISCAL AGENT AGREEMENT

In November 2007, the BDD board entered into an agreement with the City 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 their 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 Entities in connection with the Project, and respond to related audits as may be necessary;

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 9: PROJECT MANAGER/FISCAL AGENT AGREEMENT (Continued)

Project Manager (Continued)

- Prepare and submit to the BDD board, the City, the County, and Las Campanas Entities 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, and major maintenance replacement costs, proposed allocation of costs among the City, the County, and Las Campanas Entities as provided in the Facility 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 Entities in accordance with the cost sharing provisions of the FOPA;
- Develop a document retention and protection policy for adoption by the BDD 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 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;

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 9: PROJECT MANAGER/FISCAL AGENT AGREEMENT (Continued)

Project Manager (Continued)

- 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 Entities 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 Entities, 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 Entities 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;

State of New Mexico
Buckman Direct Diversion Project
Notes to Financial Statements

Note 9: PROJECT MANAGER/FISCAL AGENT AGREEMENT (Continued)

Project Manager (Continued)

- After the end of each fiscal year, provide copies of financial statements to the City, the County, and Las Campanas Entities, 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 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, BDD 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.

THIS PAGE INTENTIONALLY LEFT BLANK



SUPPLEMENTARY INFORMATION



State of New Mexico
Buckman Direct Diversion Project
Budgetary Comparison Schedule – Schedule of Revenues, Expenses, and
Changes in Net Position Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 2024	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	(Non-GAAP)	(Negative)
Operating revenues				
City of Santa Fe	\$ 5,675,164	\$ 5,675,164	\$ 6,234,935	\$ 559,771
Santa Fe County	2,192,318	2,192,318	2,220,673	28,355
Las Campanas Club	127,399	127,399	310,895	183,496
Las Campanas CoOp	79,673	79,673	110,234	30,561
PNM solar rebates	120,000	120,000	-	(120,000)
Utility reimbursements	-	-	119,698	119,698
Federal grants	96,000	96,000	101,650	5,650
Total operating revenues	8,290,554	8,290,554	9,098,085	807,531
Operating expenses				
Personnel services	3,944,882	3,944,882	3,390,779	554,103
Electricity	1,550,000	1,550,000	1,287,369	262,631
Chemicals	423,500	423,500	622,848	(199,348)
Solids	83,219	83,219	131,286	(48,067)
Materials and supplies	617,661	617,661	849,411	(231,750)
Other operating costs	1,310,300	1,310,300	1,408,264	(97,964)
Conservation fees - county only	15,216	15,216	11,107	4,109
Fiscal agent fee	345,776	345,776	294,899	50,877
Total operating expenses	8,290,554	8,290,554	7,995,963	294,591
Nonoperating revenue (expenses)				
Other miscellaneous revenue	-	-	867	867
Investment income	-	-	4,233,652	4,233,652
Budgeted fund balance	-	-	-	-
Total nonoperating revenue (expenses)	-	-	4,234,519	4,234,519
Excess of revenues over expenses	\$ -	\$ -	5,336,641	\$ 4,747,459
Adjustments for U.S. GAAP basis (nonbudgeted items)			570,245	
Change in net position			4,766,396	
Net position, beginning of year as previously reported			86,769,507	
Error correction (note 2)			3,670,834	
Net position, beginning of year as corrected			90,440,341	
Net position, end of year			\$ 95,206,737	

State of New Mexico
Buckman Direct Diversion Project
Schedule of Changes in Restricted Net Position by Partner

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Emergency Reserves				
Restricted net position				
City of Santa Fe	\$ 1,363,564	\$ 52,209	\$ -	\$ 1,415,773
Santa Fe County	486,526	18,628	-	505,154
Las Campanas Entities	237,262	9,730	-	246,992
Total restricted net position	\$ 2,087,352	\$ 80,567	\$ -	\$ 2,167,919
Major Repair and Replacement Reserves				
Restricted net position				
City of Santa Fe	\$ 1,912,925	\$ 1,890,687	\$ (1,309,954)	\$ 2,493,658
Santa Fe County	463,974	264,546	(460,115)	268,405
Las Campanas Entities	86,339	24,517	(72,601)	38,255
Settlements	71,235,739	3,775,074	(327,294)	74,683,519
Total restricted net position	\$ 73,698,977	\$ 5,954,824	\$ (2,169,964)	\$ 77,483,837
Combined				
Restricted net position - combined				
City of Santa Fe	\$ 3,276,489	\$ 1,942,896	\$ (1,309,954)	\$ 3,909,431
Santa Fe County	950,500	283,174	(460,115)	773,559
Las Campanas Entities	323,601	34,247	(72,601)	285,247
Settlements	71,235,739	3,775,074	(327,294)	74,683,519
Total restricted net position	\$ 75,786,329	\$ 6,035,391	\$ (2,169,964)	\$ 79,651,756

THIS PAGE INTENTIONALLY LEFT BLANK



COMPLIANCE SECTION





CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
2424 Louisiana Boulevard NE
Suite 300
Albuquerque, NM 87110

505.883.2727
505.884.6719 (fax)
CRIadv.com

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Joseph M. Maestas, P.E., CFE, New Mexico State Auditor and
Board Members
Buckman Direct Diversion Project
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity of the Buckman Direct Diversion Project (“BDD”) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the BDD’s basic financial statements, and have issued our report thereon dated December 16, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

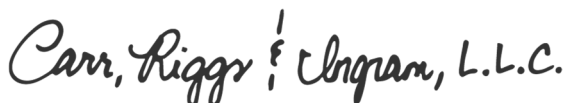
As part of obtaining reasonable assurance about whether BDD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BDD's Response to the Finding

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

Purpose of This Report

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



Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 16, 2024

**State of New Mexico
Buckman Direct Diversion Project
Schedule of Findings and Responses
June 30, 2024**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

SECTION II: FINANCIAL STATEMENT FINDINGS

2024-001 (2023-001) – Partner Billings and Accounts Receivable (Significant Deficiency) (Repeated/Modified)

Condition: For the first half of the fiscal year, BDD's process for reconciling partner billings and verifying accounts receivable balances was not designed to ensure the completeness and accuracy of partner balances. This resulted in an error correction of \$3,670,834 in fiscal year 2024.

Management Progress: BDD hired a consultant in the Spring of 2024 to help with reconciling of partner billings. Additionally, a new Finance Manager was hired to oversee BDD's accounting, including billings. With these resources, BDD worked to reconcile the partner billings back to through the 2020 fiscal year, which led to the proposed error correction.

Criteria: The COSO Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. An integral part of designing proper control activities is implementing and maintaining a process to reconcile and validate accounts receivable.

Effect: Beginning net position required a correction of \$3,670,834 to properly state partner accounts receivable as of June 30, 2024.

State of New Mexico
Buckman Direct Diversion Project
Schedule of Findings and Responses
June 30, 2024

SECTION II: FINANCIAL STATEMENT FINDINGS (CONTINUED)

***2024-001 (2023-001) – Partner Billings and Accounts Receivable (Significant Deficiency)
(Repeated/Modified) (Continued)***

Cause: Over the past four to five fiscal years, there has been turnover in BDD’s key personnel responsible for the finance and accounting function. As such, billings reconciliation and review of receivable balances were not consistently completed. Additionally, audit adjustments from prior fiscal years were not being posted and reversed accurately due to late audits and the closing of fiscal years within the Munis system.

Auditor’s Recommendation: BDD should implement a periodic process to review and validate partner receivables, revenues, and pre-bill’s. The process should result in adequate supporting documentation that allows for both BDD and the partner’s to have an accurate understanding of outstanding balances.

Views of Responsible Officials and Planned Corrective: Buckman Direct Diversion agrees with the audit finding. BDD has recruited Valerie Romero Accounting Supervisor in FY25 who, since August 2024, has assumed responsibility for BDD’s finance and accounting functions. This position will be responsible for BDD’s finance and accounting functions, including reconciling partner billing, and verifying that accounts receivable balances are accurate. The Accounting Supervisor will be responsible for implementing a monthly process to record, review, validate, and document Partner receivables, revenues, and pre-bills. BDD will implement a process to promote frequent communication with the Partners regarding receivables and pre-bills and retain documentation to support the Partner’s balances. To mitigate the impact of staff vacancies and enhance the BDD’s financial capabilities, BDD engaged specialized consultants from an independent public accounting firm to assist until the Accounting Supervisor is trained. The consultants have provided audit preparation services and operational support and will assist the new Accounting Supervisor in learning BDD’s processes. The consultants provide backup in the event that permanent positions are vacant, and they provide additional bandwidth to help manage the workload. The process will be documented in a procedure manual to allow for cross-training and reduce the risk of loss of institutional knowledge in the event of turnover.

Responsible Officials: Facilities Manager and Accounting Supervisor in cooperation with the City of Santa Fe

Timeline and Estimated Completion Date: June 30, 2025

State of New Mexico
Buckman Direct Diversion Project
Schedule of Findings and Responses
June 30, 2024

SECTION III: SECTION 12-6-5 NMSA 1978 FINDINGS

None noted.

SECTION IV: PRIOR YEAR AUDIT FINDINGS

2023-001 – Partner billings and accounts receivable – Modified and Repeated

2023-002 – Late submission of audit report – Resolved

State of New Mexico
Buckman Direct Diversion Project
Other Disclosures
June 30, 2024

EXIT CONFERENCE

An exit conference was held on December 13, 2024 virtually. The following individuals were in attendance.

Representing Buckman Direct Diversion Project:

Carol Romero-Wirth	Councilor, City of Santa Fe
Bradley Prada	Facilities Manager
Valerie Romero	Accounting Supervisor
Kurt Traverse	Contractor

Representing Carr, Riggs & Ingram, LLC:

Eric Spurlin, CPA, CITP	Partner
-------------------------	---------

AUDITOR PREPARED FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of BDD from the original books and records provided to them by the management of BDD. The responsibility for the financial statements remains with BDD.