

Buckman Direct Diversion Project – Audit 2022 Board Presentation May 2, 2024



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INGRAM
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Today's Agenda

Timeline

Scope of Work

Auditors' Reports

Questions?

Timeline



Timeline

Timeline	
Entrance Conference	October 6, 2022
Planning	October 2023
Fieldwork	November 2023
Exit Conference	December 4, 2023
Independent Auditors' Report	December 4, 2023
Submitted to NM OSA	December 4, 2023
Released from NM OSA	March 24, 2024

Scope of Work



Scope of Work

**Audit of Financial Statements
for June 30, 2022**

**Compliance with NM State
Audit Rule**

Auditors' Reports



Auditors' Reports

Independent Auditors' Report

- **Opinion on the Financial Statements**
 - **Unmodified – Best opinion**
 - **Financial Statements are presented fairly in accordance with U.S. GAAP**
- **Pages 8-10**

Auditors' Reports

Independent Auditors' Report on Internal Controls over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

- **Negative Assurance**
 - **1 State Audit Rule Findings**
- **Report Pages 46-47**
- **Schedule of Findings and Responses Pages 48-49**

Auditors' Reports – Finding Summary

State Audit Rule Finding 2022-001 (2019-001) – Late Submission of Audit Report (ONC)

- Pages 48-49

Questions?

Thank You

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**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2022

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INTRODUCTORY SECTION



State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
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June 30, 2022

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State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Official Roster
June 30, 2022

ELECTED OFFICIALS

Anna Hansen	Chairperson of the BDD Board Commissioer, Santa Fe
Carol Romero-Wirth	Councilor, City of Santa Fe
Anna Hamilton	Commissioner, Santa Fe County
Joanne Vigil Coppler	Councilor, City of Santa Fe
J.C. Helms	Member At-Large
Peter Ives	Member Alternate At-Large Councilor, City of Santa Fe Alternate
Henry Roybal	Commissioner, Santa Fe County Alternate
Tom Egelhoff	Las Campanas, Nonvoting Member

ADMINISTRATIVE OFFICIALS

Rick Carpenter	Facility Member, Buckman
Antoinette Armijo-Rougemont	Fiscal Manager and Business Administrator, Buckman
Mary McCoy	Finance Director, City of Santa Fe

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Joesph M. Maestas, P.E., New Mexico State Auditor and
Board Members

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

Report on 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 Water Treatment Facility Operations ("BDD") as of and for the year ended June 30, 2022, 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, 2022 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 Auditors' 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.

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.

Auditors' 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 auditors' 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, the budgetary comparison schedule - schedule of revenues, expenses, and changes in net position budget (non-GAAP budgetary basis) and actual, the schedule of changes in restricted net position by partner, and other disclosures but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do 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 4, 2023, 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 4, 2023

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management’s Discussion & Analysis

Management’s discussion and analysis (MDA) of the Buckman Direct Diversion Project – Water Treatment Facility Operations (“BDD”) is designed to provide an overview of BDD’s financial activity for the year ended June 30, 2022.

Under a joint powers agreement dated January 15, 2005 for the BDD, the City of Santa Fe (the “City”) joined Santa Fe County (the “County”) to design and construct the BDD 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 (the “Las Campanas Entities”). Construction of the facility was completed by the end of December 31, 2010. Operation 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.

BDD operates pursuant to the Facility Operations and Procedures Agreement for the BDD Project between the City, County, and Las Campanas Entities with the City 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 operation of 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 2022, the BDD provided 2,291,388,000 gallons of water to the project partners.
- The BDD Board authorized \$179,013 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.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management's Discussion & Analysis

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of BDD's basic financial statements. 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.

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

Proprietary Fund

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 BDD's finances, in a manner similar to a private-sector business.

Budgets

BDD's annual operating budget is adopted on an 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 2022 annual operating budget in comparison to the final fiscal year 2021 annual operating budget.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management’s Discussion & Analysis

Statement of Net Position

The statement of net position presents information on all of BDD’s assets, liabilities, and net position.

The following table provides condensed financial information related to BDD’s net position as of June 30, 2022 as compared to June 30, 2021.

	2022	2021	Amount Change	% Change
Assets				
Current Assets	\$ 81,288,965	\$ 46,217,050	\$ 35,071,915	76%
Capital Assets, Net	8,552,093	8,867,479	(315,386)	-4%
Total Assets	\$ 89,841,058	\$ 55,084,529	\$ 34,756,529	63%
Liabilities				
	\$ 6,101,275	\$ 5,386,766	\$ 714,509	13%
Net Position				
Net Investment in Capital Assets Restricted For	8,552,093	8,867,479	(315,386)	-4%
Emergency Reserves	2,086,267	2,086,267	-	0%
Major Repair and Replacement Reserves	72,128,502	1,652,897	70,475,605	4264%
Unrestricted	972,921	37,091,120	(36,118,199)	-97%
Total Net Position	83,739,783	49,697,763	34,042,020	68%
Total Liabilities and Net Position	\$ 89,841,058	\$ 55,084,529	\$ 34,756,529	63%

The statement of net position reports comparison activity of the current and previous fiscal years of operation. The change of current assets and current liabilities is due to the legal settlement received. The capital assets held by BDD represent a portion of the original construction cost of the BDD Project, excluding assets reported on the City and County’s financial statements. All new assets purchased by BDD are reported as capital assets.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management's Discussion & Analysis

Statement of Revenue, 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, 2022 as compared to the year ended June 30, 2021.

	2022	2021	Amount Change	% Change
Operating Revenues				
Reimbursements				
City of Santa Fe	\$ 5,780,166	\$ 6,660,755	\$ (880,589)	-13%
Santa Fe County	2,016,432	2,204,280	(187,848)	-9%
Las Campanas Entities	166,318	272,546	(106,228)	-39%
PNM Solar Rebates	194,811	144,289	50,522	35%
Conservation Fee	-	12,481	(12,481)	-100%
Grants-Federal	285	16,150	(15,865)	-98%
Total Operating Revenues	\$ 8,158,012	\$ 9,310,501	\$ (1,152,489)	-12%
Operating Expenses				
Buckman Direct Diversion Project Operations	\$ 7,842,984	\$ 8,592,151	\$ (749,167)	-9%
Major Repairs	358,237	358,770	(533)	0%
Total Operating Expenses	8,201,221	8,950,921	(749,700)	-8%
Operating Income	(43,209)	359,580	(402,789)	-112%
Nonoperating Revenues				
Legal Settlements	34,000,000	36,000,000	(2,000,000)	-6%
Investment Income	85,229	118	85,111	72128%
Change in Net Position	34,042,020	36,359,698	(2,317,678)	-6%
Net Position - Beginning of Year	49,697,763	13,338,065	36,359,698	273%
Net Position - End of Year	\$ 83,739,783	\$ 49,697,763	\$ 34,042,020	68%

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. In 2022, BDD received \$34 million as a legal settlement from a prior contractor.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management’s Discussion & Analysis**

Statement of Revenue, Expenses, and Changes in Net Position (Continued)

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.

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, 2022. 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	\$ 1,959,732	\$ 2,571,715	\$ 88,982	\$ 151,501	\$ 4,771,930
Partner Credits	(3,267,866)	(1,350,337)	(112,219)	(22,813)	(4,753,235)
Net Total	<u>\$ (1,308,134)</u>	<u>\$ 1,221,378</u>	<u>\$ (23,237)</u>	<u>\$ 128,688</u>	<u>\$ 18,695</u>

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

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management's Discussion & Analysis

Items Expected to Have a Significant Effect for Fiscal Year 2023

BDD 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 BDD. 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 9.5% of BDD's total assets. Refer to Note 5 for information about capital assets.

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:

Buckman Direct Diversion
341 Cajé Del Rio Rd.
Santa Fe, NM 87506
www.bddproject.org



BASIC FINANCIAL SECTION



**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Net Position**

<i>June 30, 2022</i>	Business-Type Activity
Assets	
Current assets	
Cash and cash equivalents	\$ 2,049,749
Restricted cash and investments	
Emergencies	2,086,267
Major repair and replacement	72,128,502
Partner's accounts receivable	
City of Santa Fe	1,959,732
Santa Fe County	2,571,715
Las Campanas Club	88,982
Las Campanas CoOp	151,501
Interest receivable	2,172
Prepaid items	10,000
Other receivable	137,121
Grants receivable	285
Chemical inventory	102,939
Total current assets	81,288,965
Non-current assets	
Capital assets not being depreciated	57,909
Capital assets being depreciated	11,540,954
Accumulated depreciation	(3,046,770)
Total non-current assets	8,552,093
Total assets	\$ 89,841,058

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

June 30, 2022	Business-Type Activity
Liabilities and net position	
Current liabilities	
Partner's credit balances	
City of Santa Fe	\$ 3,267,866
Santa Fe County	1,350,337
Las Campanas Club	112,219
Las Campanas CoOp	22,813
Accounts payable	265,666
Intergovernmental payable	1,082,374
Total current liabilities	6,101,275
Net position	
Net investment in capital assets	8,552,093
Restricted for	
Emergency reserves	2,086,267
Major repair and replacement reserves	72,128,502
Unrestricted	972,921
Total net position	83,739,783
Total liabilities and net position	\$ 89,841,058

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

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

<i>For the year ended June 30, 2022</i>	Business-Type Activity
Operating revenues	
Reimbursements	
City of Santa Fe	\$ 5,780,166
Santa Fe County	2,016,432
Las Campanas Club	72,612
Las Campanas CoOp	93,706
Utility reimbursements	194,811
Federal grants	285
<hr/>	
Total operating revenues	8,158,012
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Operating expenses	
Buckman Direct Diversion Project Operations	7,842,984
Major repairs	358,237
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Total operating expenses	8,201,221
<hr/>	
Total operating (loss)	(43,209)
<hr/>	
Nonoperating revenue	
Legal settlements	34,000,000
Investment income	85,229
<hr/>	
Total nonoperating revenue	34,085,229
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Change in net position	34,042,020
Net position, beginning of year	49,697,763
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Net position, end of year	\$ 83,739,783
<hr/>	

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

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Cash Flows**

<i>For the year ended June 30, 2022</i>	Business-type Activity
Operating Activities	
Cash received from partner's and PNM	\$ 7,415,384
Cash paid to suppliers for goods and services	(6,986,534)
Net cash provided by operating activities	428,850
Capital and Related Financing Activities	
Settlement funds reserved for capital repair and replacement	34,000,000
Acquisition and construction of capital assets	(179,013)
Net cash provided by capital and related financing activities	33,820,987
Investing Activities	
Investment income	85,229
Net cash provided by investing activities	85,229
Net increase in cash and cash equivalents	34,335,066
Cash and cash equivalents, beginning of year	41,929,452
Cash and cash equivalents, end of year	\$ 76,264,518
Reported in the statement of net position as	
Cash and cash equivalents	\$ 2,049,749
Restricted cash and investments	
Emergencies	2,086,267
Major repair and replacement	72,128,502
Total cash and cash equivalents and restricted cash and investments	76,264,518

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

<i>For the year ended June 30, 2022</i>	Business-type Activity
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities	
Operating (loss)	\$ (43,209)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	494,399
Changes in assets and liabilities	
Partner's accounts receivable	(607,792)
Partner's credit balances	
Other receivable	(134,551)
Grants receivable	(285)
Chemical inventory	5,779
Partner's credit balances	2,088,703
Accounts payable	(651,888)
Intergovernmental payable	(722,306)
Total adjustments	472,059
Net cash provided by operating activities	\$ 428,850

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

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 1: ORGANIZATION

Under a joint powers agreement (“JPA”) for 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 Water Treatment Facility Operations (the “BDD”) 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 Water Treatment Facility 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 Project 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: 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.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

BDD reports the following enterprise fund:

The BDD Project Operation Enterprise Fund is used to account for the operations of the Buckman Regional Water Treatment Plant and other BDD related facilities and reimbursements from user partners.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position

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

Cash, Investments, and Cash Equivalents

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 and short-term investments with original maturities of three months or less from the date of acquisition. Please refer to the City's financial statements for the year ended June 30, 2022 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, 2022, no allowance for doubtful accounts was deemed necessary.

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 BDD 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.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: 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 \$102,939 at June 30, 2022. 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
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
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: 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 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, BDD approved \$654,500 in annual partner contributions for fiscal year 2022. During fiscal year 2022, \$179,013 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

Business-Type Activity Statements

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
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: 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, 2022 was \$2,086,267.
- 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, 2022 was 72,128,502.

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

Revenues and Expenses

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 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 \$285 were incurred against the grant during fiscal year 2022.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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 4, 2023, and determined there were no events that occurred that required disclosure.

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, 2022, BDD adopted GASB Statement No. 87, *Leases*, GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

The implementation of GASB Statement No. 87, 89, 92, 93, and 98 did not affect the financial statements in a material manner.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Procurements (Continued)

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for varying dates depending on the requirement.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Procurements (Continued)

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The requirements of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

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

Note 3: CASH, INVESTMENTS, AND CASH EQUIVALENTS

At June 30, 2022, BDD had the following cash, investments, and cash equivalents totaling \$76,264,518:

Investment Type	Fair Value	Percentage of Total	WAM (Days)	WAM (Days)	S&P Rating
Wells Fargo Gov't Money Market Fund	\$ 34,000,000	45%	8	25	AAAm
Deposits with the City of Santa Fe	42,264,518	55%	N/A	N/A	N/A
Subtotal	\$ 76,264,518				

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.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements**

Note 4: PARTNERS' ACCOUNTS RECEIVABLE/PARTNER'S CREDIT BALANCES

The following table shows the balances outstanding from each partner or partner credit balance as of June 30, 2022.

	City of Santa Fe	Santa Fe County	Las Campanas Club	Las Campanas CoOp	Total
Partners' accounts receivable	\$ 1,959,732	\$ 2,571,715	\$ 88,982	\$ 151,501	\$ 4,771,930
Less partners' credit balance	3,267,866	1,350,337	112,219	22,813	4,753,235
Total partner balance (deficit)	\$ (1,308,134)	\$ 1,221,378	\$ (23,237)	\$ 128,688	\$ 18,695

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
Water Treatment Facility Operations
Notes to Financial Statements

Note 5: CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2022. Construction in progress is not subject to depreciation.

	Beginning Balance June 30, 2021	Additions	Deletions/ Adjustments	Ending Balance June 30, 2022
Capital Assets Not Being Depreciated				
Construction-in-progress	\$ 1,495,523	\$ 114,187	\$ (1,551,801)	\$ 57,909
Total Non-Depreciable Capital Assets	1,495,523	114,187	(1,551,801)	57,909
Capital Assets Being Depreciated				
Buildings and systems	8,737,383	1,616,627	-	10,354,010
Equipment and machinery	548,158	-	-	548,158
Vehicles	514,557	-	-	514,557
Data processing and software	124,229	-	-	124,229
Total Capital Assets Being Depreciated	9,924,327	1,616,627	-	11,540,954
Less accumulated depreciation for				
Buildings and systems	(1,747,478)	(174,748)	-	(1,922,226)
Equipment and machinery	(246,124)	(295,350)	-	(541,474)
Vehicles	(460,184)	(10,921)	-	(471,105)
Data processing and software	(98,585)	(13,380)	-	(111,965)
Total accumulated depreciation	(2,552,371)	(494,399)	-	(3,046,770)
Total capital assets being depreciated, net	7,371,956	1,122,228	-	8,494,184
Total Capital Assets	\$ 8,867,479	\$ 1,236,415	\$ (1,551,801)	\$ 8,552,093

Depreciation expense for capital assets for the fiscal year ended June 30, 2022 was \$494,399. Depreciation expense is recorded in Buckman Direct Diversion Project Operations on the statement of activities.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements**

Note 5: 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	101,372,507	-	101,372,507
Less accumulated depreciation	(47,648,215)	(4,842,162)	(52,490,377)
Total	\$ 169,164,934	\$ -	\$ 169,164,934

Note 6: ECONOMIC DEPENDENCE AND RELATED PARTY TRANSACTIONS

1. BDD is economically dependent on three entities: City of Santa Fe, Santa Fe County, and Las Campanas Entities (the user partners). These entities account for 100% of its funding for the period ending June 30, 2022.
2. See Note 4 for outstanding balances owed from user partners and credit balances outstanding as of June 30, 2022.

The City of Santa Fe as fiscal agent for the BDD Project receives a fee of 4.5% of the annual operating budget of the project. The City of Santa Fe received no fees for services as fiscal agent and a reimbursement of personnel costs of \$3,188,590 for the year ended June 30, 2022.

Note 7: RISK MANAGEMENT

Pursuant to the Joint Powers Agreement Section 23, BDD is required to carry insurance coverage separate and apart from the partner's 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
Water Treatment Facility Operations
Notes to Financial Statements

Note 7: 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 2022.

Note 8: 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
Water Treatment Facility Operations
Notes to Financial Statements

Note 8: 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 major maintenance and replacement costs, proposed allocation of costs among the City, the County, and Las Campanas Entities 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 Entities in accordance with the cost sharing provisions of the FOPA;
- Develop a document retention and protection policy for adoption by the BOD board;
- Act as fiscal agent for the Project;
- Provide all necessary staff, materials, and supplies necessary to operate and maintain the Project consistent with BDD board funding;
- Recruit, hire and train staff for the Project 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;

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 8: PROJECT MANAGER/FISCAL AGENT AGREEMENT (Continued)

Project Manager (Continued)

- 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;
- 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.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 9: 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.

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SUPPLEMENTARY INFORMATION



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

<i>For the year ended June 30, 2022</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
City of Santa Fe	\$ 6,176,200	\$ 6,176,200	\$ 5,780,166	\$ (396,034)
Santa Fe County	2,321,220	2,321,220	2,016,432	(304,788)
Las Campanas Club	56,447	56,447	72,612	16,165
Las Campanas CoOp	72,844	72,844	93,706	20,862
PNM Solar Rebates	120,000	120,000	-	(120,000)
Utility reimbursements	-	-	194,811	194,811
Federal grants	96,000	96,000	285	(95,715)
Total operating revenues	8,842,711	8,842,711	8,158,012	(684,699)
Operating expenses				
Reimbursement of personnel services	3,369,642	3,369,642	3,435,603	65,961
Electricity	1,208,475	1,308,475	1,354,842	46,367
Chemicals	371,906	371,906	380,691	8,785
Solids	63,219	79,219	81,465	2,246
Materials and supplies	508,512	497,122	538,970	41,848
Other operating costs	3,020,046	3,225,436	1,915,251	(1,310,185)
Conservation fees - county only	11,500	11,500	-	(11,500)
Fiscal agent fee	289,411	289,411	-	(289,411)
Total operating expenses	8,842,711	9,152,711	7,706,822	(1,445,889)
Nonoperating revenue (expenses)				
Legal settlements	-	-	34,000,000	34,000,000
Investment income	-	-	85,229	85,229
Budgeted Fund Balance	-	310,000	-	(310,000)
Total nonoperating revenue (expenses)	-	310,000	34,085,229	(224,771)
Excess of revenues over expenses	\$ -	\$ -	34,536,419	\$ 536,419
Adjustments for U.S. GAAP basis (nonbudgeted items)			494,399	
Change in net position			34,042,020	
Net position, beginning of year			49,697,763	
Net position, end of year			\$ 83,739,783	

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

Emergency Reserves

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Restricted net position				
City of Santa Fe	\$ 1,362,855	\$ -	\$ -	\$ 1,362,855
Santa Fe County	486,273	-	-	486,273
Las Campanas Entities	237,139	-	-	237,139
Total restricted net position	\$ 2,086,267	\$ -	\$ -	\$ 2,086,267

Major Repair and Replacement Reserves:

Restricted net position				
City of Santa Fe	\$ 1,189,267	\$ 445,545	\$(127,266)	\$ 1,507,546
Santa Fe County	413,103	156,494	(44,701)	524,896
Las Campanas Entities	50,527	52,461	(7,046)	95,942
Settlements	-	70,000,118	-	70,000,118
Total restricted net position	\$ 1,652,897	\$70,654,618	\$(179,013)	\$72,128,502

Combined:

Restricted net position - combined				
City of Santa Fe	\$ 2,552,122	\$ 445,545	\$(127,266)	\$ 2,870,401
Santa Fe County	899,376	156,494	(44,701)	1,011,169
Las Campanas Entities	287,666	52,461	(7,046)	333,081
Settlements	-	70,000,118	-	70,000,118
Total restricted net position	\$ 3,739,164	\$70,654,618	\$(179,013)	\$74,214,769

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COMPLIANCE SECTION





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**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***

Joseph M. Maestas, P.E., New Mexico State Auditor and
Board Members

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity of the Buckman Direct Diversion Project Water Treatment Facility Operations ("BDD") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BDD's basic financial statements, and have issued or report thereon dated December 4, 2023.

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. 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 or significant deficiencies may exist that were not identified.

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*.

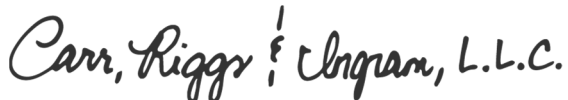
We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses pursuant to Section 12-6-5 NMSA 1978 as item 2022-001.

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 4, 2023

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Schedule of Findings and Responses
June 30, 2022**

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 identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | No |

SECTION II: FINANCIAL STATEMENT FINDINGS

None noted.

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

2022-001 (2019-001) – Late Submission of Audit Report (Other Noncompliance)

Condition: The audited financial statements of BDD were submitted to the New Mexico Office of the State Auditor after the statutory deadline of December 15, 2022.

Management Progress: BDD submitted its fiscal year 2021 audit approximately 18 months subsequent to the statutory deadline. The fiscal year 2022 audit was submitted just under 12 months after the original deadline which demonstrates progress towards being on time for future audits.

BDD's fiscal agent has recently been able to hire key positions to the finance and accounting departments. Additionally, a new consultant was hired in at the start of calendar year 2022 to provide additional human capital with the goal of helping its fiscal agent catch up. Ultimately, the timeliness of BDD's audit is closely related to that of the fiscal agent.

Criteria: Per Section 2.2.2.9 A(1)(g) NMAC, the audited financial statements of BDD for the year ended June 30, 2022 were due to the New Mexico Office of the State Auditor by December 15, 2022.

Effect: BDD is not in compliance with the report due date prescribed in the New Mexico Administrative Code.

Cause: The fiscal agent for BDD was still in the process of completing the fiscal yearend close, reconciling the trial balance, and completing the ACFR. Due to the Agency and its fiscal agent sharing an accounting software and some operations, BDD's audit could not be completed as a result.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Schedule of Findings and Responses
June 30, 2022**

SECTION III: SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2022-001 (2019-001) – Late Submission of Audit Report (Other Noncompliance)(Continued)

Auditors' Recommendation: BDD should continue to maintain its records and work with its fiscal agent and the consulting accounting firm to catch up on accounting and unissued audits.

Views of Responsible Officials and Planned Corrective: The BDD Board and the City have been in communication to have separate accounts to assure audit submittals are not dependent on the City. The City indicated that they would look into this after the audits are finalized.

Responsible Officials: Executive Director in cooperation with the City

Timeline and Estimated Completion Date: July 1, 2024

SECTION IV: PRIOR YEAR AUDIT FINDINGS

2021-001 – Late Submission of Audit Report (Other Noncompliance) – Modified and Repeated

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Other Disclosures
June 30, 2022**

EXIT CONFERENCE

An exit conference was held on December 4, 2023 virtually. The following individuals were in attendance.

Representing Buckman Direct Diversion Project:

Anna Hamilton	Commissioner, Santa Fe County
Carol Romero-Wirth	Councilor, City of Santa Fe
Nancy Long	General Counsel
Rick Carpenter	Facilities Manager

Representing Carr, Riggs & Ingram, LLC:

Eric Spurlin, CPA, CITP	Partner
Alan D. "A.J." Bowers, Jr., 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.