

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
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**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2021**

ELECTED OFFICIALS

Anna Hansen	Chairperson of the BDD Board, Commissioner, Santa Fe County
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
Peter Ives	Councilor, City of Santa Fe Alternate
Henry Roybal	Commissioner, Santa Fe County Alternate
Tom Egelhoff	Las Campanas, nonvoting member

ADMINISTRATIVE OFFICIALS

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



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of the Buckman Direct Diversion Project Water Treatment Facility Operations ("BDD") as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise BDD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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, 2021, 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 States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BDD's basic financial statements. The official roster, schedule of revenues, expenses, and changes in net position – budget (non-U.S. GAAP budgetary basis) and actual, schedule of changes in restricted net position by partner, and exit conference are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenses, and changes in net position – budget (non-U.S. GAAP budgetary basis) and actual and schedule of changes in restricted net position by partner are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and changes in net position – budget (non-U.S. GAAP budgetary basis) and actual and schedule of changes in restricted net position by partner are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The official roster and exit conference have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of the 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 the 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 the BDD's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
June 30, 2023

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Management's discussion and analysis (MDA) of the Buckman Direct Diversion Project – Water Treatment Facility Operations is designed to provide an overview of Buckman Direct Diversion's financial activity for the year ended June 30, 2021.

Under a joint powers agreement dated January 15, 2005 for the Buckman Direct Diversion (BDD), the City of Santa Fe (City) joined Santa Fe County (County) to design and construct the Buckman Direct Diversion Project in order to divert surface water from the Rio Grande River to the independent water systems of the City and the County. Other project participants include the Las Campanas Water and Sewer Cooperative and the Club at Las Campanas (Las Campanas Entities). Construction of the facility was completed by the end of December 31, 2010. Operations of the facility commenced on May 2, 2011. Operations are fully funded by the City, County, and Las Campanas Entities who are billed pursuant to the Facility Operations and Procedures Agreement (FOPA) dated October 16, 2006.

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

Financial Highlights

- In 2021, the Buckman Direct Diversion provided 2,291,388,000 gallons of water to the project partners.
- The Buckman Direct Diversion Board authorized \$556,757 of funding from restricted cash of the Major Repair and Replacement Fund to fund the continuation of rebuilding pumps at the Raw Water Lift Station facility.

Overview of the Financial Statements

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

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

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Proprietary Fund

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

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

Budgets

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

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

There were no major changes to the fiscal year 2021 annual operating budget in comparison to the final fiscal year 2020 annual operating budget.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Statement of Net Position

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

The following table provides condensed financial information related to BDD's net position as of June 30, 2021 as compared to June 30, 2020.

**Statement of Net Position
Fiscal Year Ended June 30, 2021 and June 30, 2020**

	2021	2020	Amount Change	% Change
ASSETS				
Current Assets	\$ 46,217,050	\$ 10,199,042	\$ 36,018,008	353%
Capital Assets, Net	8,867,479	8,780,775	86,704	1%
Total Assets	<u>\$ 55,084,529</u>	<u>\$ 18,979,817</u>	<u>\$ 36,104,712</u>	190%
LIABILITIES	\$ 5,386,766	\$ 5,641,752	\$ (254,986)	-5%
NET POSITION				
Net Investment in Capital Assets	8,867,479	8,780,775	86,704	1%
Restricted for:				
Emergency Reserves	2,086,267	2,086,267	-	0%
Major Repair and Replacement Reserves	1,652,897	1,398,857	254,040	18%
Unrestricted	<u>37,091,120</u>	<u>1,072,166</u>	<u>36,018,954</u>	3359%
Total Net Position	<u>49,697,763</u>	<u>13,338,065</u>	<u>36,359,698</u>	273%
TOTAL LIABILITIES AND NET POSITION	<u>\$ 55,084,529</u>	<u>\$ 18,979,817</u>	<u>\$ 36,104,712</u>	190%

The statement of net position reports comparison activity of the current and previous fiscal years of operations. The change of current assets and current liabilities is due to the legal settlement received during 2021. The capital assets held by BDD represent a portion of the original construction cost of the BDD Project, excluding assets reported on the City of Santa Fe and Santa Fe County's financial statements. All new assets purchased by BDD are reported as capital assets.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Statement of Revenues, Expenses, and Changes in Net Position

The following table provides condensed financial information related to BDD's changes in net position for the year ended June 30, 2021 as compared to the year ended June 30, 2020.

**Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended June 30, 2021 and June 30, 2020**

	2021	2020	Amount Change	% Change
OPERATING REVENUES				
Reimbursements:				
City of Santa Fe	\$ 6,660,755	\$ 6,126,826	\$ 533,929	9%
Santa Fe County	2,204,280	2,393,899	(189,619)	-8%
Las Campanas Entities	272,546	626,096	(353,550)	-56%
Legal Settlement	36,000,000	-	36,000,000	100%
PNM Solar Rebates	144,289	78,076	66,213	85%
Conservation Fee	12,481	12,481	-	0%
Grants-Federal	16,150	57,385	(41,235)	-72%
Total Operating Revenues	<u>45,310,501</u>	<u>9,294,763</u>	<u>36,015,738</u>	387%
OPERATING EXPENSES				
Buckman Direct Diversion Project Operations	8,592,151	8,476,588	115,563	1%
Major Repairs	358,770	434,411	(75,641)	-17%
Total Operating Expenses	<u>8,950,921</u>	<u>8,910,999</u>	<u>39,922</u>	0%
OPERATING INCOME	36,359,580	383,764	35,975,816	9374%
NONOPERATING REVENUES				
Gain (Loss) of Capital Assets	-	(2,323)	2,323	-100%
Investment Income	118	47,782	(47,664)	-100%
CHANGE IN NET POSITION	36,359,698	429,223	35,930,475	8371%
Net Position - Beginning of Year	<u>13,338,065</u>	<u>12,908,842</u>	<u>429,223</u>	3%
NET POSITION - END OF YEAR	<u>\$ 49,697,763</u>	<u>\$ 13,338,065</u>	<u>\$ 36,359,698</u>	273%

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 2021, BDD received \$36 Million as a legal settlement from a prior contractor.

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

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JUNE 30, 2021**

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, 2021. Application of any credits to outstanding accounts receivable must be approved by the partners.

	City of Santa Fe	Santa Fe County	Las Campanas Club	Las Campanas CoOp	Total
Partner Receivables	\$ 2,788,855	\$ 1,217,344	\$ 53,468	\$ 104,471	\$ 4,164,138
Partner Credits	(1,760,883)	(783,658)	(21,690)	(98,301)	(2,664,532)
Net Total	<u>\$ 1,027,972</u>	<u>\$ 433,686</u>	<u>\$ 31,778</u>	<u>\$ 6,170</u>	<u>\$ 1,499,606</u>

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

Items Expected to Have a Significant Effect for Fiscal Year 2021

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

Capital Assets and Debt Administration

Total capital assets, net of depreciation, for BDD make up 16% of BDD's total assets. Refer to Note 6 for information about capital assets.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Requests for Information

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

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS	<u>Business-Type Activity</u>
CURRENT ASSETS	
Cash, Investments, and Cash Equivalents	\$ 38,190,288
Restricted Cash:	
Emergencies	2,086,267
Major Repair and Replacement	1,652,897
Partner's Accounts Receivable:	
City of Santa Fe	2,788,855
Santa Fe County	1,217,344
Las Campanas Club	53,468
Las Campanas CoOp	104,471
Interest Receivable	2,172
Prepaid Expenses	10,000
Other Receivable (includes Pass-through grant)	2,570
Chemical Inventory	108,718
Total Current Assets	<u>46,217,050</u>
NONCURRENT ASSETS	
Capital Assets	11,419,850
Accumulated Depreciation	<u>(2,552,371)</u>
Total Noncurrent Assets	<u>8,867,479</u>
 Total Assets	 <u><u>\$ 55,084,529</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Partner's Credit Balances:	
City of Santa Fe	\$ 1,760,883
Santa Fe County	783,658
Las Campanas Club	21,690
Las Campanas CoOp	98,301
Accounts Payable	917,554
Intergovernmental Payable	1,804,680
Total Current Liabilities	<u>5,386,766</u>
NET POSITION	
Net Investment in Capital Assets	8,867,479
Restricted for:	
Emergency Reserves	2,086,267
Major Repair and Replacement Reserves	1,652,897
Unrestricted	37,091,120
Total Net Position	<u>49,697,763</u>
 Total Liabilities and Net Position	 <u><u>\$ 55,084,529</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

	Business-Type Activity
OPERATING REVENUES	
Reimbursements:	
City of Santa Fe	\$ 6,660,755
Santa Fe County	2,204,280
Las Campanas Club	184,280
Las Campanas Coop	88,266
Utility Reimbursements	144,289
Legal Settlements	36,000,000
Conservation Fee	12,481
Grants-Federal	16,150
Total Operating Revenues	45,310,501
OPERATING EXPENSES	
Buckman Direct Diversion Project Operations	8,592,151
Major Repairs	358,770
Total Operating Expenses	8,950,921
OPERATING INCOME	36,359,580
NONOPERATING REVENUES	
Investment Income	118
Total Nonoperating Revenues	118
CHANGE IN NET POSITION	36,359,698
Net Position - Beginning of Year	13,338,065
NET POSITION - END OF YEAR	\$ 49,697,763

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	<u>Business-Type Activity</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Partners and PNM	\$ 49,828,332
Cash Paid to Suppliers for Goods and Services	<u>(8,469,221)</u>
Net Cash Provided by Operating Activities	41,359,111
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(327,859)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>118</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	41,031,370
Cash and Cash Equivalents - Beginning of Year	<u>898,082</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 41,929,452</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 36,359,580
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	241,155
Changes in Assets and Liabilities:	
Decrease in Partner's Accounts Receivable	2,370,051
Increase in Partner's Credit Balances	2,090,395
Decrease in Other Receivables	57,385
Increase in Chemical Inventory	(1,116)
Decrease in Accounts Payable	(104,367)
Increase in Intergovernmental Payable	346,028
Net Cash Provided by Operating Activities	<u><u>\$ 41,359,111</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 ORGANIZATION

Under a joint powers agreement for the Buckman Direct Diversion Project dated January 11, 2005 (JPA), the City of Santa Fe (City) joined Santa Fe County (County) to design and construct the Buckman Direct Diversion Project in order to divert surface water from the Rio Grande River to the independent water systems of the City and County to reduce reliance on over-taxed ground water resources. Operations of the Buckman Direct Diversion Water Treatment Facility (Buckman) commenced May 15, 2011. The Buckman site is located 15 miles northwest of Santa Fe, approximately three miles downstream from where Route 3 crosses the Rio Grande River at the Otowi Bridge. Buckman is considered under the provisions of the Joint Powers Act to be an entity separate from the individual parties named in the JPA as prescribed by State Statute Section II 1-5(B) NMSA 1978. The City and County each own 50% of the diversion facilities of Buckman and have established a board to oversee the planning, procurement, financing, permitting, design, and construction of the Buckman Direct Diversion Project as well as the operations and management of Buckman. The board is comprised of two members of the governing body of the City of Santa Fe, two members of the governing body of Santa Fe County Commissioners, and one citizen member at large appointed by a majority vote of the four other members. Other project participants include Las Campanas Limited Partnership (which includes the Las Campanas Club and Las Campanas CoOp), who retains no ownership interest in Buckman but pays for its proportional share of that system (diversion structure, sediment pond, and related infrastructure) it actually uses. The City of Santa Fe, Santa Fe County, and Las Campanas Limited Partnership are referred to in these financial statements as the user partners. Buckman Direct Diversion Project is jointly owned by the City of Santa Fe and the County of Santa Fe. Construction of the facility was completed in December 2010 and the project was completed under the terms of the construction contract on May 15, 2011, which is the approximate date upon which operations commenced.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define Buckman for financial reporting purposes, management has considered all potential component units.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

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

Enterprise Fund Financial Statements

Buckman is a single purpose government entity and has only business-type activities. In the statement of net position, activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Buckman's net position is reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. In fiscal year 2019, Buckman received a grant award from the U.S. Department of Energy for water quality monitoring activities. Expenditures totaling \$16,150 were incurred against the grant during fiscal year 2021.

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

Assets, Liabilities, and Net Position

Buckman reports the following enterprise fund:

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

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

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

Cash, Investments, and Cash Equivalents

Cash is pooled into one common account maintained by the City of Santa Fe, Buckman's fiscal agent, in order to maximize investment opportunities. Buckman's monies deposited in the pooled cash account have equity therein, and interest earned on any of the investment of these monies is allocated based upon relative equity at month-end. Cash and cash equivalents are considered to be a share of the City's pooled cash and short-term investments with original maturities of three months or less from the date of acquisition. Please refer to the City of Santa Fe's financial statements for the year ended June 30, 2021 for a complete description of permissible investments and risk disclosures concerning cash investments.

Partner's Accounts Receivables/Partner's Credit Balances

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

Chemical Inventory

Chemical inventory recorded in Buckman's enterprise fund is stated at the lower of cost of market and totals \$108,718 at June 30, 2021. The cost of consumption is billed to each individual partner monthly, and is determined using the average cost method.

Capital Assets

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

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

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

Use of Estimates

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

Minimum Restricted Net Position Policies

The Emergency reserve and Repair and Replacement reserve are reserve funds that were required by the Facilities Operations and Procedures Agreement and approved by the board on February 3, 2011. Both the Emergency reserve and the Repair and Replacement reserve are to be funded through specific contributions from the user partners and utilized for specified purposes. The Emergency reserve target balance is \$2,000,000 and was funded over a two-year period and fully funded at June 30, 2014. For the Repair and Replacement reserve, Buckman approved \$626,707 in annual partner contributions for fiscal year 2021. During fiscal year 2021, \$358,770 was utilized for combined emergency and repair purposes.

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

Equity Classifications

Government-Wide Statements

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

- a. Net Investment in Capital Assets - Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position - Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors/partners, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Buckman's restricted net position balances are a result of the Emergency Fund Policy and Major Repair and Replacement Fund Policy, described below:

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

Equity Classifications (Continued)

b. Restricted Net Position (Continued) -

Emergency Reserve Fund Policy

In order to secure resources assuring Buckman's timely response to emergencies, which could potentially threaten, reduce, or eliminate Buckman's capacity to meet its customers' demands, Buckman established an accumulation target amount of \$2,000,000 to fund the emergency reserve fund. While insurance may provide reimbursement of costs associated with some emergency situations, the Emergency Reserve Fund will provide an immediate infusion of the fund that are necessary to address the situation without having to first solicit funding from the partners. The total amount funded at June 30, 2021 was \$2,086,267.

Major Repair and Replacement Fund Policy

In accordance with the Buckman's intergovernmental agreements and in order to secure resources assuring Buckman's ability to cover the repair and replacement cost of capital assets already in existence within Buckman, this policy ensures funding is available to repair or replace capital equipment when the capital equipment has reached the end of its effective useful life. Buckman established an accumulation target of \$411,812 in annual contributions, in 2017 the board approved an increase of \$214,894 for a total annual contribution of \$626,707 to be fully funded by the end of each fiscal year. The total amount funded as of June 30, 2021 was \$1,652,897.

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

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Buckman's annual operating budget for the enterprise fund is adopted on a basis other than generally accepted accounting principles (Non-U.S. GAAP basis). Depreciation is not budgeted for the enterprise fund. The budget includes both the proposed City and County portions and requires approval from both the City Council and the Santa Fe County Commission. The budget must also be approved by Buckman's board. The budget and any adjustments are subject to the regular budget requirements and calendar cycles of the City and the County. Budgetary control is at the fund level for the enterprise fund. Encumbrances (purchase orders, contracts, and other commitments for the expenditure of resources) outstanding at year-end are carried forward to the new fiscal year and do not constitute expenses or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 CASH, INVESTMENTS, AND CASH EQUIVALENTS

At June 30, 2021, Buckman had the following cash, investments, and cash equivalents totaling \$41,929,452:

Investment Type	Fair Value	% of Total	WAM (Days)	WAM (Days)	S&P Rating
Wells Fargo Gov't Money Market Fund	\$ 36,000,118	86%	8	25	AAAm
Deposits with the City of Santa Fe	<u>5,929,334</u>	14%	NA	NA	
Subtotal	<u>\$ 41,929,452</u>				

Deposits with the City of Santa Fe represent Buckman's portion in cash and investment pooled accounts maintained by the City of Santa Fe. The City invests its pooled cash into U.S. Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer's investment pool, and U.S. Government security mutual funds. Please refer to the 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, 2021.

	Partners' Accounts Receivable				
	City of Santa Fe	Santa Fe County	Las Campanas	Las Campanas CoOp	Total
Buckman Operations	<u>\$ 2,788,855</u>	<u>\$ 1,217,344</u>	<u>\$ 53,468</u>	<u>\$ 104,471</u>	<u>\$ 4,164,138</u>

	Partners' Credit Balances				
	City of Santa Fe	Santa Fe County	Las Campanas	Las Campanas CoOp	Total
Buckman Operations	<u>\$ 1,760,883</u>	<u>\$ 783,658</u>	<u>\$ 21,690</u>	<u>\$ 98,301</u>	<u>\$ 2,664,532</u>

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

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance <u>June 30, 2020</u>	Additions	Deletions/ Adjustments	Ending Balance <u>June 30, 2021</u>
Non-Depreciable Capital Assets:				
Construction in Process	\$ 1,385,788	\$ 109,735	\$ -	\$ 1,495,523
Total Non-Depreciable Capital Assets	1,385,788	109,735	-	1,495,523
Capital Assets Being Depreciated:				
Buildings and Structures	8,737,383	-	-	8,737,383
Equipment and Machinery	330,034	218,124	-	548,158
Vehicles	514,557	-	-	514,557
Data Processing Equipment	124,229	-	-	124,229
Total Capital Assets Being Depreciated	9,706,203	218,124	-	9,924,327
Less: Accumulated Depreciation:				
Buildings and Structures	1,572,730	174,748	-	1,747,478
Equipment and Machinery	208,420	37,704	-	246,124
Vehicles	448,523	11,661	-	460,184
Data Processing Equipment	81,543	17,042	-	98,585
Total Accumulated Depreciation	2,311,216	241,155	-	2,552,371
Total Capital Assets Being Depreciated, Net	7,394,987	(23,031)	-	7,371,956
Total Capital Assets	<u>\$ 8,780,775</u>	<u>\$ 86,704</u>	<u>\$ -</u>	<u>\$ 8,867,479</u>

Because of the joint venture agreement between the City of Santa Fe and Santa Fe County, the following amounts are recorded in the City's and County's financial statements and are therefore removed from BDD's financial statements. However, they are assets utilized and purchased solely for BDD.

	Buildings and Structures	Equipment and Machinery	Total
City of Santa Fe	\$ 115,440,642	\$ 4,842,162	\$ 120,282,804
Santa Fe County	101,372,507	-	101,372,507
			221,655,311
Accumulated Depreciation	(43,310,652)	(4,832,685)	(48,143,337)
			<u>\$ 173,511,974</u>

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 ECONOMIC DEPENDENCE AND RELATED PARTY TRANSACTIONS

1. Buckman is economically dependent on three entities: City of Santa Fe, Santa Fe County, and Las Campanas (the user partners). These entities account for 100% of its funding for the period ending June 30, 2021.
2. See Note 5 for outstanding balances owed from user partners and credit balances outstanding as of June 30, 2021.

The City of Santa Fe as fiscal agent for the Buckman Direct Diversion Project receives a fee of 4.5% of the annual operating budget of the project. The City of Santa Fe received no fees for services as fiscal agent and a reimbursement of personnel costs of \$3,041,490 for the year ended June 30, 2021.

NOTE 8 RISK MANAGEMENT

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

Buckman staff, as employees of the City of Santa Fe, participate in the Santa Fe Health Fund and the Workers' Compensation Fund, which are self-insured programs administered by the fiscal agent. Buckman makes pro rata payments to the City based on actuarial estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for catastrophic losses. Health claims are handled by a professional third-party claims administrator. The fiscal agent maintains specific stop loss coverage for individual claims in excess of \$200,000 with a \$1,000,000 statutory limit. Workers' compensation claims are handled by a professional, third-party claims administrator. Buckman maintains specific stop loss coverage for individual claims in excess of \$500,000 with a \$1,000,000 statutory limit. There was no reduction in amount of coverage for 2021.

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 PROJECT MANAGER/FISCAL AGENT AGREEMENT

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

Project Manager

- Carry out the directives and policies of the BDD board, make recommendations to the BDD board related to the Project; provide support staff for BDD board meetings; contract with independent legal counsel selected by the BDD board; contract with specialized legal counsel as needed to support design, construction, operation, and maintenance of the Project; and, as directed by the BDD board, implement the Project during design and construction and, following completion of construction, manage, operate, and maintain the Project;
- Seek and apply for funding (except for funding to be provided by the City and the County pursuant to the Project agreements) in the form of grants, loans or loan guarantees, or other funding sources as may be deemed appropriate by the BDD board, for the Project as directed by the BDD board and manage any such grants, loans or loan guarantees;
- Administer all amounts loaned, granted, or contributed by the City, the County, or Las Campanas in connection with the Project, and respond to related audits as may be necessary;
- Prepare and submit to the BDD board, the City, the County, and Las Campanas no later than December 15 of each fiscal year, an annual operating budget, which shall include annual and five-year projected operations, maintenance, replacement and reserve (OMR&R) costs, including a five-year schedule with the Project manager's proposed facilities and equipment major maintenance and replacement costs, proposed allocation of costs among the City, the County, and Las Campanas as provided in the Facilities Operations and Procedures Agreement (FOPA), a facilities and equipment major repair and replacement fund, and an emergency reserve fund;
- Develop and implement prior to initial operation a cost accounting system to apportion the total fixed and variable cost of OMR&R to the City, the County, and Las Campanas in accordance with the cost sharing provisions of the FOPA;
- Develop a document retention and protection policy for adoption by the BOD board;
- Act as fiscal agent for the Project;
- Provide all necessary staff, materials, and supplies necessary to operate and maintain the Project consistent with BDD board funding;

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 PROJECT MANAGER/FISCAL AGENT AGREEMENT (CONTINUED)

Project Manager (Continued)

- Recruit, hire and train staff for the Project according to the BDD board's approved staffing plan as it may be amended from time to time and arrange for state drinking water certification for such staff in advance of operation of the Project, so that certified staff is available to operate the Project when the Project becomes operational, and as set forth in each proposed budget the costs of the staff apportioned according to the respective benefit to the City and the Project.
- Once an annual operating budget is approved by the BDD board, implement the budget, adhere strictly to the budget, and make recommendations for necessary budget adjustments throughout the fiscal year, and contract for an annual independent audit, consistent with GMP and GASB and with the New Mexico Audit Act, NMSA 1978, Sections 12-6-1-, et seq., and 2.2.2. NMAC, et seq., as amended, and report the results of the audit to the BDD board;
- Prepare and submit to the BDD board for approval all documentation to be used for procurement in the Project including, but not limited to, documents related to design, engineering, construction, operation, and maintenance of the Project, including, without limitation, requests for proposals, requests for qualifications, and contracts in amounts greater than \$60,000;
- Develop all procurement documents in accordance with the City's purchasing manual and present same to the BDD board;
- Consult with staff of the City, the County, and Las Campanas regarding the planning and design and OMR&R of the Project;
- In consultation with the BDD board, apply for, manage, and maintain, including the preparation and submittal of all required compliance reports, all necessary permits for the operation of the Project, including, without limitation, those permits, easements, and rights-of-way held in the name of the BDD board, and those permits required to be obtained by the BDD board pursuant to Section 6 of the FOPA;
- Maintain communication with the BDD board, the City, the County, and Las Campanas, primarily via monthly BDD board meetings, and keep these entities informed of important matters as may be necessary in the interim between monthly BOD board meetings;
- As directed by the BDD board, act as liaison for the BDD board and represent the BDD board in Project matters involving tribal governments, state and federal government agencies, and nongovernmental organizations;
- Perform other duties as assigned by the BDD board consistent with funding and the Project agreements;

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 PROJECT MANAGER/FISCAL AGENT AGREEMENT (CONTINUED)

Project Manager (Continued)

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

NOTE 10 FEDERAL AND STATE GRANTS

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

NOTE 11 SUBSEQUENT EVENT

In March 2022, BDD agreed to settlement terms in open litigation in which BDD received \$34 Million.

STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET (NON-U.S. GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Non-U.S. GAAP Budgetary Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
OPERATING REVENUES				
City of Santa Fe	\$ 6,076,501	\$ 6,117,344	\$ 6,660,755	\$ 543,411
Santa Fe County	2,027,030	2,040,406	2,204,280	163,874
Las Campanas Entities	374,184	374,184	272,546	(101,638)
PNM Solar Rebates	120,000	120,000	144,289	24,289
Legal Settlement	-	-	36,000,000	36,000,000
Conservation Fee	-	-	12,481	12,481
Federal Revenue	96,000	96,000	16,150	(79,850)
Total Operating Revenues	8,693,715	8,747,934	45,310,501	36,562,567
OPERATING EXPENSES				
Reimbursement of Personnel Services	3,418,059	3,178,059	3,041,490	136,569
Electricity	1,000,000	1,340,000	1,378,864	(38,864)
Chemicals	336,000	336,000	411,972	(75,972)
Solids	63,219	84,219	64,992	19,227
Materials and Supplies	563,150	440,400	394,220	46,180
Other Operating Costs	3,050,928	3,106,897	3,418,228	(311,331)
Fiscal Agent Fee	332,359	332,359	-	332,359
Total Operating Expenses	8,763,715	8,817,934	8,709,766	108,168
NONOPERATING REVENUES (EXPENSES)				
Investment Income	-	-	118	118
Budgeted Fund Balance	70,000	70,000	-	(70,000)
Total Nonoperating Revenues (Expenses)	70,000	70,000	118	(69,882)
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	36,600,853	<u>\$ 36,600,853</u>
ADJUSTMENTS FOR U.S. GAAP BASIS (NONBUDGETED ITEMS)				
Depreciation			241,155	
CHANGE IN NET POSITION			36,359,698	
Net Position - Beginning of Year			13,338,065	
NET POSITION - END OF YEAR			<u>\$ 49,697,763</u>	

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
SCHEDULE OF CHANGES IN RESTRICTED NET POSITION BY PARTNER
YEAR ENDED JUNE 30, 2021**

Emergency Reserves:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
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
Restricted Net Position	<u>\$ 2,086,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,086,267</u>

Major Repair and Replacement Reserves:

Restricted Net Position				
City of Santa Fe	\$ 998,783	\$ 445,545	\$ (255,061)	\$ 1,189,267
Santa Fe County	346,197	156,494	(89,588)	413,103
Las Campanas Entities	53,877	24,668	(28,018)	50,527
Restricted Net Position	<u>\$ 1,398,857</u>	<u>\$ 626,707</u>	<u>\$ (372,667)</u>	<u>\$ 1,652,897</u>

Combined

Restricted Net Position				
City of Santa Fe	\$ 2,361,638	\$ 445,545	\$ (255,061)	\$ 2,552,122
Santa Fe County	832,470	156,494	(89,588)	899,376
Las Campanas Entities	291,016	24,668	(28,018)	287,666
Restricted Net Position	<u>\$ 3,485,124</u>	<u>\$ 626,707</u>	<u>\$ (372,667)</u>	<u>\$ 3,739,164</u>

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

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

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, 2021, and the related notes to the financial statements, which collectively comprise the BDD's basic financial statements, and have issued our report thereon dated June 30, 2023.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2021-001.

BDD's Response to Finding

The BDD's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. BDD's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
June 30, 2023

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

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

2021-001 (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, 2021.

Management Progress: Since the issuance of the fiscal year 2020 audit of BDD, BDD’s fiscal agent experienced significant disruption in its staffing and operations. This lead to the auditor originally engaged to perform the fiscal year 2021 for BDD and the fiscal agent’s audit to withdraw and caused significant delays in the completion of the audit.

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 BDD and its fiscal agent catch up.

Criteria: Per Section 2.2.2.9 A(1)(g) NMAC, the audited financial statements of BDD for the year ended June 30, 2021 were due to the New Mexico Office of the State Auditor by December 15, 2021.

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

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

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

2021-001 (2019-001) – Late Submission of Audit Report (Other noncompliance) (Continued)

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

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 and to have them implemented for the beginning of a fiscal year or beginning of a calendar year.

Responsible Official: Executive Director in cooperation with the City

Timeline and Estimated Completion Date: July 1, 2024

SECTION IV – PRIOR YEAR AUDIT FINDINGS

2020-001 –Late Submission of Audit Report – (Other Noncompliance) - Modified and Repeated

**STATE OF NEW MEXICO
BUCKMAN DIRECT DIVERSION PROJECT
WATER TREATMENT FACILITY OPERATIONS
EXIT CONFERENCE
JUNE 30, 2021**

EXIT CONFERENCE

The contents of this report were discussed on June 30, 2023. The following were in attendance:

Buckman Direct Diversion Project

Antoinette Armijo, Fiscal Manager and Business Administrator, Buckman
Anna Hamilton Commissioner, Santa Fe County

Carr, Riggs, & Ingram

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