Buckman Direct Diversion

Buckman Direct Diversion Project
Water Treatment Facility Operations
Financial Statements
With Accompanying Independent Auditors' Reports

Year Ended June 30, 2015

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Buckman Direct Diversion Project
Water Treatment Facility Operations
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June 30, 2015

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STATE OF NEW MEXICO
Buckman Direct Diversion Project
Water Treatment Facility Operations
Directory of Officials
June 30, 2015

Name	Title
Board Members	
Miguel Chavez	Commissioner, Santa Fe County
Carmichael Dominguez	Councilor, City of Santa Fe
Liz Stefanics	Commissioner, Santa Fe County
Joseph Maestas	Councilor, City of Santa Fe
Consuelo Bokum	At-Large Member
Fiscal Agent Administration	
Oscar Rodriguez	Finance Director, City of Santa Fe
Teresita Garcia	Assistant Finance Director, City of Santa Fe
Erica Martinez	Senior Financial Analyst, City of Santa Fe
Buckman Administration	
Charles Vokes	Facility Manager, Buckman
Mackie Romero	Fiscal Manager & Business Administrator, Buckman

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Buckman's basic financial statements, as listed in the table of contents. We also have audited the budgetary comparison of the major capital projects fund and proprietary fund presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Buckman as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the capital projects fund and the proprietary fund of Buckman for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other information

Our audit was conducted for the purpose of forming opinions on Buckman's financial statements, and the budgetary comparisons. Schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements. Schedules I and II 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, Schedules I and II are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2016, on our consideration of Buckman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Buckman's internal control over financial reporting and compliance.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, NM
May 10, 2016

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BASIC FINANCIAL STATEMENTS

Exhibit A-1

STATE OF NEW MEXICO
Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash, investments, and cash equivalents	$ 307,782	$ 2,354,237	$ 2,662,019
Partner's accounts receivable			
City of Santa Fe	8,094	-	8,094
Las Campanas	7,334	-	7,334
Accrued interest receivable	-	1,559	1,559
Chemical inventory	-	127,302	127,302
Total current assets	323,210	2,483,098	2,806,308
Noncurrent assets			
Capital assets	-	230,884,648	230,884,648
Accumulated depreciation	-	(19,051,120)	(19,051,120)
Total noncurrent assets	-	211,833,528	211,833,528
Total assets	$ 323,210	$ 214,316,626	$ 214,639,836
Liabilities			
Current liabilities			
Partner's credit balances			
City of Santa Fe	$ -	$ 868,026	$ 868,026
Santa Fe County	220,411	269,808	490,219
Las Campanas	-	62,637	62,637
Accounts payable	102,799	606,803	709,602
Accrued payroll	-	72,521	72,521
Compensated absences	-	107,386	107,386
Total current liabilities	323,210	1,987,181	2,310,391
Total liabilities	323,210	1,987,181	2,310,391
Net Position			
Net investment in capital assets	-	211,833,528	211,833,528
Unrestricted	-	495,917	495,917
Total net position	-	212,329,445	212,329,445
Total liabilities and net position	$ 323,210	$ 214,316,626	$ 214,639,836

The accompanying notes are an integral part of these finanical statements

Exhibit A-2

STATE OF NEW MEXICO
Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Activities
For the Year Ended June 30, 2015

	Governmental Activities	Business-type Activities	Total
Program expenses:			
Buckman Direct Diversion Project Operations	$ -	$ 11,206,457	$ 11,206,457
Habitat restoration and compliance	83,110	-	83,110
Emergencies	441,459	-	441,459
Total program expenses	524,569	11,206,457	11,731,026
Program Revenues:			
Reimbursements			
City of Santa Fe	328,154	4,199,653	4,527,807
Santa Fe County	167,066	1,428,242	1,595,308
Las Campanas	58,382	130,858	189,240
PNM solar rebates	-	123,279	123,279
Miscellaneous revenue	-	62	62
Total program revenues	553,602	5,882,094	6,435,696
Net program revenue (expense)	29,033	(5,324,363)	(5,295,330)
General Revenues:			
Investment income	-	14,537	14,537
Total general revenues	-	14,537	14,537
Special Item-transfer of completed solar array project (See note 6)	(4,842,162)	4,842,162	-
Change in net position	(4,813,129)	(467,664)	(5,280,793)
Net position, beginning	4,813,129	212,797,109	217,610,238
Net position, ending	$ -	$ 212,329,445	$ 212,329,445

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Buckman Direct Diversion Project
Water Treatment Facility Operations
Balance Sheet
Governmental Funds
June 30, 2015

	Operation and Maintenance Emergency	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash, investments, and cash equivalents	$ 86,906	$ 220,876	$ 307,782
Partner's accounts receivable			
City of Santa Fe	-	8,094	8,094
Las Campanas	-	7,334	7,334
Total assets	$ 86,906	$ 236,304	$ 323,210
LIABILITIES AND FUND BALANCES			
Liabilities			
Partner's credit balances			
Santa Fe County	$ -	$ 220,411	$ 220,411
Accounts payable	86,906	15,893	102,799
Total liabilities	86,906	236,304	323,210
Fund balances			
Spendable:			
Committed	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	$ 86,906	$ 236,304	$ 323,210

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 Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	Operation and Maintenance Emergency	Capital Projects Fund	Total Governmental Funds
REVENUES			
Reimbursements			
City of Santa Fe	$ 274,102	$ 54,052	$ 328,154
Santa Fe County	113,014	54,052	167,066
Las Campanas	54,343	4,039	58,382
Total revenues	441,459	112,143	553,602
EXPENDITURES			
Current			
Habitat restoration and compliance	-	83,110	83,110
Emergencies	441,459	-	441,459
Capital outlay	-	29,033	29,033
Total expenditures	441,459	112,143	553,602
Net change in fund balance	-	-	-
Fund balance - beginning of year	-	-	-
Fund balance - end of year	$ -	$ -	$ -

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
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balance - Governmental Funds	$ -
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Transfer of completed solar array project to business-type activities	(4,813,129)
Change in Net Position (Exhibit A-2)	$ (4,813,129)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Exhibit C-1

Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Net Position
Buckman Direct Diversion Project Operations Enterprise Fund
June 30, 2015

Assets		
Current assets		
Cash, investments, and cash equivalents	$	2,354,237
Accrued interest receivable		1,559
Chemical inventory		127,302
Total current assets		2,483,098
Noncurrent assets		
Capital assets		230,884,648
Accumulated depreciation		(19,051,120)
Total noncurrent assets		211,833,528
Total assets	$	214,316,626
Liabilities and net position		
Current liabilities		
Partner's credit balances		
City of Santa Fe	$	868,026
Santa Fe County		269,808
Las Campanas		62,637
Accounts payable		606,803
Accrued wages payable		72,521
Compensated absences		107,386
Total current liabilities		1,987,181
Total liabilities		1,987,181
Net position		
Net investment in capital assets		211,833,528
Unrestricted		495,917
Total net position		212,329,445
Total liabilities and net position	$	214,316,626

The accompanying notes are an integral part of these financial statements

Exhibit C-2

STATE OF NEW MEXICO
Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Revenues, Expenses and Changes in Net Position
Buckman Direct Diversion Project Operations Enterprise Fund
For the Year Ended June 30, 2015

Operating revenues		
Reimbursements		
City of Santa Fe	$	4,199,653
Santa Fe County		1,428,242
Las Campanas		130,858
PNM solar rebates		123,279
Miscellaneous revenue		62
Total operating revenues		5,882,094
Operating expenses		
Personnel costs		2,937,578
Depreciation		5,317,474
Electricity		1,139,331
Chemicals		235,509
Solids		64,048
Materials and supplies		587,243
Contractual services		550,692
Fiscal agent fee		64,600
Uniforms		16,473
Software		22,347
Gas		34,733
Insurance		207,404
Training and subscriptions		14,227
Communication		14,798
Total operating expenses		11,206,457
Operating (loss)		(5,324,363)
Non-operating revenues (expenses)		
Investment income		14,537
Total non-operating revenues (expenses)		14,537
Special Item-transfer of completed solar array project (See note 6)		4,842,162
Change in net position		(467,664)
Total net position - beginning of year		212,797,109
Total net position, end of year	$	212,329,445

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
Buckman Direct Diversion Project Operations Enterprise Fund
For the Year Ended June 30, 2015

Cash flows from operating activities		
Cash received from partners and PNM	$	5,146,483
Cash paid to suppliers for goods and services		(2,898,862)
Cash paid to employees for services		(2,899,250)
Net cash used by operating activities		(651,629)
Cash flows from capital and financing activities		
Acquisition and construction of capital assets		(5,484)
Net cash used by capital and financing activities		(5,484)
Cash flows from investing activities		
Investment income		15,884
Net cash provided by investing activities		15,884
Net decrease in cash, investments, and cash equivalents		(641,229)
Cash, investments, and cash equivalents - beginning of year		2,995,466
Cash, investments, and cash equivalents - end of year	$	2,354,237

The accompanying notes are an integral part of these financial statements

Reconciliation of operating loss to net cash used by operating activities

Operating loss	$	(5,324,363)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense		5,317,474
Changes in assets and liabilities:		
Decrease in partner's credit balances		(735,611)
Increase in chemical inventory		(21,019)
Increase in accounts payable		73,562
Increase in accrued wages and compensated absences		38,328
Total changes in assets and liabilities		(644,740)
Net cash used by operating activities	$	(651,629)

Supplemental non-cash disclosure

A transfer of capital assets from governmental activites increased capital assets in the enterprise fund in the amount of $4,842,162 during fiscal year 2015. See note 6 for more information.

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Exhibit D-1

STATE OF NEW MEXICO
Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

	Emergency Fund	Major Repair and Replacement Fund	Total
Assets			
Cash and cash equivalents	$ 1,564,124	$ 1,134,014	$ 2,698,138
Partner's accounts receivable			
City of Santa Fe	-	72,960	72,960
Santa Fe County	-	26,540	26,540
Las Campanas	-	4,041	4,041
Accrued interest	985	573	1,558
Total assets	$ 1,565,109	$ 1,238,128	$ 2,803,237
Liabilities			
Deposits held in trust and other amounts due to partners			
City of Santa Fe	$ 1,036,582	$ 877,439	$ 1,914,021
Santa Fe County	354,759	306,802	661,561
Las Campanas	173,768	53,887	227,655
Total liabilities	$ 1,565,109	$ 1,238,128	$ 2,803,237

The accompanying notes are an integral part of these financial statements

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 3 miles downstream from where Route 3 crosses the Rio Grande River at the Otowi Bridge. Buckman is considered under the provisions of the Joint Powers Act to be an entity separate from the individual parties named in the JPA as prescribed by State Statute Section II I-5(B) NMSA 1978. The City and County each own 50% of the diversion facilities of Buckman and have established a board to oversee the planning, procurement, financing, permitting, design, and construction of the Buckman Direct Diversion Project as well as the operations and management of Buckman. The Board is comprised of two members of the governing body of the City of Santa Fe, two members of the governing body of Santa Fe County Commissioners, and one citizen member at large appointed by a majority vote of the four other members. Other project participants include Las Campanas Limited Partnership, 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 polices of Buckman is presented to assist in the understanding of the Buckman's financial statements. The financial statements and notes are the representation of Buckman's management who is responsible for their integrity and objectivity. The financial statements of Buckman have been prepared in conformity with accounting principles generally accepted in the United States of America (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. During the year ended June 30, 2015, Buckman adopted GASB Statements No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 ("GASB 68"), and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 ("GASB 71"). These two Statements are required to be implemented at the same time. Compliant with the requirement of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the City (Fiscal Agent for Buckman) has implemented the standard for fiscal year ending June 30, 2015. Buckman, as part of the City is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for Buckman funds apply to the City as a whole, and as such this information will be presented the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the City will be contained in the CAFR and will be available, when issued, from the City of Santa Fe. Questions concerning any of the information provided in the report or request for additional financial information should be addressed to the City Finance Director, P.O. Box 909, City of Santa Fe, NM 87504.

NOTE 2. Summary of Significant Accounting Policies (continued)

The more significant of Buckman's accounting policies are described below.

A. 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. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 as amended by No. 39 and No 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, Buckman does not have any component units required to be reported under GASB Statements No. 14, No. 39 and No. 61.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services provided.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. Buckman's Net Position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

NOTE 2. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements-(continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Program revenues included in the Statement of Activities are derived from reimbursements for the user partners. Program revenues reduce the cost of the function to be financed from Buckman's general revenues.

Buckman reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable within a function. Buckman does not currently employ indirect cost allocation systems. Depreciation expenses are specifically identified by function and included in the direct expense of each function.

Reimbursements from the user partners are recognized as revenue each month based on the monthly expenditures that have been incurred. A prebilling precedes the month of billing on an estimated basis for cash flow purposes. A final billing is made based on actual costs and expenses incurred for fixed, variable, and project-wide costs. Amounts that may be paid in excess of billings are recorded as partner's credit balances in the Statement of Net Position.

Governmental funds are used to account for Buckman's general government activities, including the collection and disbursement of specific contributions or reimbursement from user partners for committed resources, or the acquisition or construction of capital assets.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

NOTE 2. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation-(continued)

Buckman uses fiduciary funds to account for partner contributions to Buckman's Emergency fund and Major Repair and Replacement fund which are described below. Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations. Pursuant to the joint powers agreement the money is held in trust for the partners until it is needed for emergency or repairs.

Buckman reports the following agency funds:

The Emergency fund and Repair and Replacement fund are agency funds and were approved by the Board on February 3, 2011. Both the Emergency fund and the Repair and Replacement Fund are to be funded through specific contributions from the user partners and utilized for specified purposes. The Emergency fund target balance is $2,000,000 and was funded over a two-year period and fully funded at June 30, 2014. During fiscal year 2015, $441,459 was utilized and transferred to the Operation and Maintenance Emergency special revenue fund for emergency purposes. For the Repair and Replacement fund, Buckman established an accumulation target of $1,235,428 with $411,812 in annual contributions for fiscal year 2015.

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

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 as June 30, 2015 was $1,564,124. $441,459 was utilized and transferred to Operation and Maintenance Emergency special revenue fund during fiscal year 2015.

Major Repair and Replacement Fund Policy: In accordance with the Buckman's intergovernmental agreements and in order to secure resources assuring Buckman's ability to cover the repair and replacement cost of capital assets already in existence within Buckman, this policy ensures funding is available to repair or replace capital equipment when the capital equipment has reached the end of its effective useful life. Buckman established an accumulation target of $411,812 in annual contributions to be fully funded by the end of each fiscal year. The total amount funded as of June 30, 2015 was $1,134,014.

The *Operation and Maintenance Emergency* special revenue fund was established in fiscal year 2015 to account for emergency and repair related expenditures and related reimbursements from the partner's agency funds.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities, as well as for the maintenance of facilities for Buckman Direct Diversion Project. The Board on March 1, 2012 approved the carryforward of their construction budget because it was necessary to fund on-going work efforts, and because Buckman is required to carry out certain tasks pursuant to environmental regulatory mandates including habitat restoration required by Buckman's federal environment permit. These on-going work effects and task pursuant to regulatory mandates were included in the original construction budget to ensure compliance with the National Environmental Policy Act, Environmental Impact Statements, and the Endangered Species Act. In addition, Buckman utilizes the Capital Projects fund to account for the reimbursements and construction of a large solar panel within the Buckman utility system at the Booster Station 2a facility.

NOTE 2. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position

Buckman reports the following major 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

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 is 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, 2015 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 $127,302 at June 30, 2015. 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:

Assets	Years
Buildings and Structures	50
Equipment and machinery	7
Vehicles	8
Data processing equipment	3

NOTE 2. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position-(continued)

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

Compensated Absences: It is the Fiscal Agent's (City of Santa Fe) policy to permit employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and overtime. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of Buckman and its employees is accrued as employees earn the right to the benefits. Compensated absences that relate to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences are recorded as an expense and a liability of Buckman. In prior year's all of the related expenses associated with compensated absences have been liquated by the Buckman Direct Diversion Project enterprise fund.

Pensions: Buckman, as part of the City, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for Buckman apply to the City as a whole, and as such this information will be presented in the Comprehensive Annual Financial Report (CAFR) of the City of Santa Fe. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the CAFR and will be available, when issued, from City of Santa Fe. For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to /deductions from PERA's fiduciary net positon have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting, For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment is reported at fairly value.

Fund Balance Classification Policies and Procedures:

Nonspendable Fund Balance: This fund classification represents amounts that are not in spendable form. At June 30, 2015, Buckman has no fund balances not in spendable form.

Restricted Fund Balance: This fund classification represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Enabling legislation includes a legal enforceable requirement that resources be used only for specific purposes stipulated in the legislation. Legal enforceability means the government can be impelled by an external party to use resources for the purpose specified by the legislation. At June 30, 2015, Buckman has no fund balances that are classified as restricted.

NOTE 2. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position-(continued)

Committed Fund Balance: This fund classification represents amounts that can only be used for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for Buckman. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At June 30, 2015 Buckman has no fund balance amounts that are classified as committed.

Assigned Fund Balance: This fund classification represents amounts that are constrained by the Board's intent to use them for a specific purpose, but are neither restricted nor committed. The Board has not established a policy regarding the assignment of funds. For assigned fund balance, the Board or an official or body to which the Board delegates the authority is authorized to assign amounts to a specific purpose. At June 30, 2015 Buckman has no fund balances that are classified as assigned.

Unassigned Fund Balances: This fund classification represents all other spendable amounts that are not classified in the above categories. At June 30, 2015 Buckman has no fund balances that are classified as unassigned.

For the classification of fund balances, Buckman considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Buckman considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Minimum Fund Balance Policies: Buckman has minimum fund balance polices that apply to its agency funds which are described in Note 2 (C) above

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, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

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-GAAP basis). Depreciation is not budgeted for the enterprise fund. Buckman's budget for the capital projects fund is adopted on a modified accrual basis which is the same basis of accounting used for the financial statements. There is no adopted budget for the Operation and Maintenance Emergency special revenue fund during fiscal year 2015. 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 the BDD 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 both the enterprise fund and the capital projects fund. Encumbrance accounting is employed in all funds. 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 expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

NOTE 4. Cash, Investments, and Cash Equivalents

Buckman does not have a separate bank account. At June 30, 2015, Buckman had cash, investments, and cash equivalents totaling $5,360,157 which represents Buckman's portion in cash and investment pooled accounts maintained by the City of Santa Fe. This amount includes $1,564,124 committed for emergencies and $1,134,014 committed for future repairs or replacements of capital assets pursuant to Buckman policies. The City invests its pooled cash into US Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer's investment pool and US Government security mutual funds. Please refer to the Comprehensive Annual Financial Report for the City of Santa Fe, New Mexico for the disclosure information regarding the custodial credit risk and other risks that may apply. The report may be obtained from the City by contacting the Assistant Finance Director at 200 Lincoln Avenue, P.O. Box 909 Santa Fe, New Mexico 87504-0909.

NOTE 5. Partner's Accounts Receivable / Partner's Credit Balances

The following table shows the balances outstanding from each partner or partner credit balance as of June 30, 2015.

	Partner's Accounts Receivable			
	City of Santa Fe	Santa Fe County	Las Campanas	Total
Governmental activities:				
Habitat restoration, compliance and construction	$ 8,094	$ -	$ 7,334	$ 15,428
Total	$ 8,094	$ -	$ 7,334	$ 15,428

	Partner's Credit Balances			
	City of Santa Fe	Santa Fe County	Las Campanas	Total
Governmental activities:				
Habitat restoration, compliance and construction	$ -	$ 220,411	$ -	$ 220,411
Business-type activities:				
Buckman operations	868,026	269,808	62,637	1,200,471
Total	$ 868,026	$ 490,219	$ 62,637	$ 1,420,882

NOTE 5. Partner's Accounts Receivable / Partner's Credit Balances-(continued)

	Partner's Accounts Receivable			
	City of Santa Fe	Santa Fe County	Las Campanas	Total
Agency fund:				
Major Repair and Replacement fund	$ 72,960	$ 26,540	$ 4,041	$ 103,541
Total	$ 72,960	$ 26,540	$ 4,041	$ 103,541

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

NOTE 6. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Business-type activities

	Beginning Balance June 30, 2014	Additions	Transfers	Ending Balance June 30, 2015
Capital assets, being depreciated:				
Buildings and structures	$ 225,550,531	$ -	$ -	$ 225,550,531
Equipment and machinery	162,741	5,484	4,842,162	5,010,387
Vehicles	277,342	-	-	277,342
Data processing equipment	46,388	-	-	46,388
Total capital assets being depreciated	226,037,002	5,484	4,842,162	230,884,648
Less accumulated depreciation:				
Buildings and structures	13,533,032	4,511,011	-	18,044,043
Equipment and machinery	62,158	755,347	-	817,505
Vehicles	99,273	43,911	-	143,184
Data processing equipment	39,183	7,205	-	46,388
Total accumulated depreciation	13,733,646	5,317,474	-	19,051,120
Total capital assets being depreciated, net	212,303,356	(5,311,990)	4,842,162	211,833,528
Total capital assets	$ 212,303,356	$ (5,311,990)	$ 4,842,162	$ 211,833,528

Depreciation expense totaled $5,317,474 and was recorded in the Buckman Direct Diversion Operations fund for fiscal year ending June 30, 2015.

NOTE 6. Capital Assets-(continued)

Governmental activities

	Beginning Balance June 30, 2014	Additions	Transfers	Ending Balance June 30, 2015
Capital assets, not being depreciated:				
Construction in progress	$ 4,813,129	$ 29,033	$ (4,842,162)	$ -

Construction in progress relates to Buckman's solar array project that commenced in May of 2013. The project includes design, acquisition, construction, permitting and installation of a solar photovoltaic system to service the Buckman Diversion Project at its Booster Station 2a facility. The actual cost of the project totaled $4,842,162 and the project was completed in fiscal year 2015. The completed project was transferred from governmental activities to Buckman's Water Treatment Facility Operations enterprise fund in fiscal year 2015. The transfer is reported as a special item in the statement of activities for fiscal year 2015.

NOTE 7. Compensated Absences

Business-type activities

Compensated absences activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Compensated absences	89,270	314,474	296,358	107,386	107,386
Total	$ 89,270	$ 314,474	$ 296,358	$ 107,386	$ 107,386

NOTE 8. Economic Dependence and Related Party Transactions

1. Buckman is economically dependent on three entities - City of Santa Fe, Santa Fe County, and Las Campanas (the user partners). These entities account for 100% of its funding for the period ending June 30, 2015.

2. See note 5 for outstanding balances owed from user partners and credit balances outstanding as of June 30, 2015.

3. The City of Santa Fe as fiscal agent for the Buckman Direct Diversion Project receives a fee of 1% of the annual operating budget of the project. The City of Santa Fe received $64,600 of fees for services as fiscal agent for the year ended June 30, 2015.

NOTE 9. Risk Management

Pursuant to the Joint Powers Agreement section 23, Buckman is required to carry insurance coverage separate and apart from the partner's respective insurance polices. 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 2015.

NOTE 10. Pension Plan-Public Employee Retirement Association (PERA)

General Information about the Pension Plan

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366PublicEmployeesRetirementsAssociation2014.pdf

Contributions. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at the following website address:

http://osanm.org/media/audits/366PublicEmployeesRetirementAssociation2014.pdf.

NOTE 10. Pension Plan-Public Employee Retirement Association (PERA) –(continued)

The PERA coverage option that applies to the Board is Municipal General. Statutorily required contributions to the pension plan were $352,568 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions:

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The State of New Mexico's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts.

In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2015. Buckman as part of the City (Fiscal Agent), is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA).

Disclosure requirements including schedules of required supplementary information and related notes for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

NOTE 11. Post Employment Benefits –State Retiree Health Care Plan

Plan Description. Buckman contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; each participating employee was required to contribute 1.25% of their salary.

For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) [10-12B-1 NMSA 1978], during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.0% of their salary.

In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Buckman's contributions to the RHCA for the years ended June 30, 2015, June 30, 2014, and June 30, 2013, were $34,344, $30,562, and $31,465 which equal the required contributions for each year.

NOTE 12. Project Manager / Fiscal Agent Agreement

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

- Administer all funds 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 BOD 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 5-year projected Operations, Maintenance, Replacement & Reserve (OMR&R) costs, including a 5-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;

- Once an Annual Operating Budget is approved by the BOD 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;

NOTE 12. Project Manager / Fiscal Agent Agreement-(continued)

Project Manager-Continued

- Prepare and submit to the BOD 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 $20,000;

- Develop all procurement documents in accordance with the City's Purchasing Manual and present same to the BOD 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 BOD 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 BOD Board, and those permits required to be obtained by the BOD Board pursuant to Section 6 of the FOPA;

- Maintain communication with the BOD Board, the City, the County, and Las Campanas, primarily via monthly BOD 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 BOD Board, act as liaison for the BOD Board and represent the BOD Board in Project matters involving tribal governments, state and federal government agencies, and non-governmental organizations;

- Perform other duties as assigned by the BOD Board consistent with funding and the Project Agreements

- Maintain segregated books and records consistent with GAAP to account for all separate funding sources, including, without limitation, funds provided by the City, the County, or Las Campanas in support of construction or subsequent OMR&R of the Project and funds secured by the Board pursuant to grants or loans from funding agencies;

- Within 90 days after the end of each fiscal year, provide copies of financial statements to the City, the County, and Las Campanas, showing the assets, liabilities, revenues, expenses, equity balances and budget comparisons for the Project fund on an annual basis for the prior fiscal year in accordance with GMP and GASB, complete the Management's Discussion and Analysis (MDA) for the annual financial report, and provide upon request, a monthly general ledger report; and

- Procure, contract, and pay for as budgeted an annual independent audit, consistent with 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 BOD Board.

The agreement expires on December 1, 2015.

NOTE 13. Subsequent Events

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is May 10, 2016, which is the date on which the financial statements were available to be issued.

NOTE 14. Subsequent Pronouncements

In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Board will implement this standard during the fiscal year ended June 30, 2016. The Board is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Board is still evaluating how this pronouncement will affect the Board.

In June 2015, GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not effect the Board's financial statements.

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Board expects this pronouncement to have a material effect on the financial statements.

In June 2015, GASB Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Board will implement this standard during the fiscal year ended June 30, 2016. The Board expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Board will implement this standard during the fiscal year ended June 30, 2017. The Board is still evaluating how this pronouncement will effect the financial statements.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO Statement A-1

Buckman Direct Diversion Project
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget (Modified Accrual Basis) and Actual
Capital Projects Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Modified Accrual)	Variances Favorable (Unfavorable)
	Original	Final	Basis	Final to Actual
Revenues:				
Reimbursements				
City of Santa Fe	$ 268,653	$ 268,653	$ 54,052	$ (214,601)
Santa Fe County	268,653	268,653	54,052	(214,601)
Las Campanas	27,446	27,446	4,039	(23,407)
Total revenues	564,752	564,752	112,143	(452,609)
Expenditures:				
Current:				
Habitat restoration and compliance	564,752	564,752	83,110	481,642
Capital outlay	-	-	29,033	(29,033)
Total expenditures	564,752	564,752	112,143	452,609
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Internal transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	$ -	$ -	-	$ -
			-	
Net change in fund balance GAAP basis			$ -	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement A-2

Buckman Direct Diversion Project
Schedule of Revenues, Expenses and Changes in Net Position
Budget (Non-GAAP Budgetary Basis) and Actual
Buckman Direct Diversion Project Operations Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Non-GAAP Budgetary	Variances Favorable (Unfavorable)
	Original	Final	Basis	Final to Actual
Operating revenues				
City of Santa Fe	$ 4,626,136	$ 4,776,579	$ 4,199,653	$ (576,926)
Santa Fe County	1,491,378	1,540,651	1,428,242	(112,409)
Las Campanas	227,086	232,501	130,858	(101,643)
PNM Solar Rebates	180,000	180,000	123,279	(56,721)
Miscellaneous revenue	-	-	62	62
Total operating revenues	6,524,600	6,729,731	5,882,094	(847,637)
Operating expenses				
Personnel services	3,410,700	3,177,594	2,937,578	240,016
Electricity	1,378,000	1,378,000	1,139,331	238,669
Chemicals	265,000	265,000	235,509	29,491
Solids	60,800	80,800	64,048	16,752
Materials & Supplies	415,300	623,329	587,243	36,086
Other operating costs	930,200	1,140,408	860,674	279,734
Fiscal agent fee	64,600	64,600	64,600	-
Total operating expenses	6,524,600	6,729,731	5,888,983	840,748
Non-operating revenues (expenses)				
Investment income	-	9,865	14,537	4,672
Interest expense	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-
Total non-operating revenues (expenses)	-	9,865	14,537	4,672
Excess (deficiency) of revenues and sources over expenses and uses	-	9,865	7,648	(2,217)
Designated cash	$ -	$ (9,865)	-	$ 9,865
Change in net position (Non-GAAP budgetary basis)			$ 7,648	
Adjustments for GAAP basis (non-budgeted items)				
Depreciation			(5,317,474)	
Special Item-Transfer of completed solar array project (See note 6)			4,842,162	
Change in net position, Exhibit C-2			(467,664)	
Net position - beginning of year			212,797,109	
Net position- end of year			$ 212,329,445	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule I

Buckman Direct Diversion Project
Water Treatment Facility Operations
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Emergency Fund
For the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS				
Cash, receivables, and accrued interest				
City of Santa Fe	$ 1,307,365	$ 3,319	$ 274,102	$ 1,036,582
Santa Fe County	466,652	1,121	113,014	354,759
Las Campanas	227,563	664	54,459	173,768
Total assets	$ 2,001,580	$ 5,104	$ 441,575	$ 1,565,109
LIABILITIES				
Deposits held in trust and other amounts due to partners and accounts payable				
City of Santa Fe	$ 1,307,365	$ 3,319	$ 274,102	$ 1,036,582
Santa Fe County	466,652	1,121	113,014	354,759
Las Campanas	227,563	664	54,459	173,768
Total liabilities	$ 2,001,580	$ 5,104	$ 441,575	$ 1,565,109

See independent auditors' report

STATE OF NEW MEXICO

Schedule II

Buckman Direct Diversion Project
Water Treatment Facility Operations
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Major Repair and Replacement Fund
For the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS				
Cash, accounts receivable, accrued interest				
City of Santa Fe	$ 584,136	$ 293,303	$ -	$ 877,439
Santa Fe County	200,129	106,673	-	306,802
Las Campanas	40,065	13,822	-	53,887
Total assets	$ 824,330	$ 413,798	$ -	$ 1,238,128
LIABILITIES				
Deposits held in trust and other amounts due to partners				
City of Santa Fe	$ 584,136	$ 293,303	$ -	$ 877,439
Santa Fe County	200,129	106,673	-	306,802
Las Campanas	40,065	13,822	-	53,887
Total liabilities	$ 824,330	$ 413,798	$ -	$ 1,238,128

See independent auditors' report

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COMPLIANCE SECTION

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*

INDEPENDENT AUDITORS' REPORT

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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Buckman Direct Diversion Project Water Treatment Facility Operations (Buckman), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Buckman's basic financial statements, and related budgetary comparisons of Buckman presented as supplementary information, and have issued our report thereon dated May 10, 2016.

Internal Control Over Financial Reporting

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

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

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buckman's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items FS 2011-001 and FS 2012-001.

Buckman's Response to the Finding

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

Purpose of this Report

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

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, NM
May 10, 2016

STATE OF NEW MEXICO
Buckman Direct Diversion Project
Water Treatment Facility Operations
Schedule of Findings and Responses
June 30, 2015

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?	None Noted
b. Significant deficiencies identified not considered to be material weaknesses?	None Noted
c. Noncompliance material to the financial statements?	None Noted

SECTION II-STATUS OF PRIOR YEAR FINDINGS

FS 2011-001 Late Completion of Audit Report-	Repeated and Modified
FS 2012-001Project-Wide Cost Allocation to Partners	Repeated and Modified

SECTION III-CURRENT YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS

FS 2011-001 Late Completion of Audit Report-Repeated and Modified- Other Matter

Condition: The June 30, 2015 audit report was not completed in the time frame contemplated by the Project Management and Fiscal Services Agreement between the Buckman Direct Diversion Project Board and the City of Santa Fe and Santa Fe County.

Criteria: The Project Management and Fiscal Services Agreement, And Fiscal Services Agreement, Article 7 Sec. (4) and (77) specify that books and record be complete within 90 days (September 30, 2015) after the end of the fiscal year for all external users and to allow the timely performance of the annual audit.

Effect: Buckman is not in compliance with the Project Management and Fiscal Services agreement.

Cause: The prior fiscal year audits were not released until October 23, 2015 and beginning balances and the proper reporting framework needed to be established before the fiscal year 2015 audit could be finalized. In addition, management evaluated the fund presentation and determined changes were necessary based upon the operating environment and entries were necessary along with new funds were established in the spring of 2016.

Auditors' Recommendation: We recommend Buckman evaluate whether there is adequate personnel resources to produce a timely audit and identify areas where additional training and procedures could be established.

Management Response: The City agrees that this audit was not in compliance with the Project Management and Fiscal Services Agreement. The City and BDD staff will continue to evaluate the procedures and the process pertaining to the accounting for Buckman's billing and receivable transactions. The City will work with BDD personnel to coordinate a review of the Project Management and Fiscal Services Agreement to see if an amendment is necessary to better organize the reporting dates and cycles.

FS 2012-001 Project-Wide Cost Allocation to Partners-Repeated and Modified- Other Matter

Condition: During our review of 12 monthly billings that occurred in fiscal year 2015 we noted there was not a documented agreement between partners on how project-wide costs (i.e. indirect costs) were to be billed to each partner. A calculation was performed by the fiscal manager that allocated project-wide costs totaling $2,433,873 to the City of Santa Fe, Santa Fe County, and Las Campanas using the percentages detailed in the table below.

Partner	Project-Wide Cost Allocation Percentage
City of Santa Fe	73.34%
Santa Fe County	24.02%
Las Campanas	2.64%

Criteria: Paragraphs 20 through 23 of the facility operation procedures agreement dated September 7, 2006 provide specific guidance on how fixed and variable costs should be billed to each partner; however, there was no specific provision that addressed how project-wide costs should have been billed to each partner.

Effect: Since there was no specific provision that addressed how project-wide costs should have been billed to each partner the fiscal manager had to determine the appropriate costs to be billed to each partner instead of the partners determining and approving the project-wide costs allocation percentages. The potential outcome is that partners could question the appropriateness and accuracy of the project-wide costs allocation and demand reimbursement.

Cause: The billing of project-wide costs and allocation was not contemplated during preparation of the original facility operation procedure agreement dated September 7, 2006.

Auditors' Recommendation: We recommend management and the Board consider and agree upon how project-wide costs should be billed and incorporate that agreement into the facility operations procedures agreement.

Management Response: BDD management and the City of Santa Fe, as fiscal agent concur with the audit finding. BDD management, BDD Partners and the BDD Board shall review, evaluate, and recommend how the cost sharing principle Project-Wide Costs, shall be allocated amongst all BDD Partners. Upon concurrence and BDD Board approval the allocation methodology shall also be incorporated into the Facility Operations and Procedures Agreement. In addition all cost-sharing principles shall be reviewed by BDD management and its partners annually and in connection with the budget process to ensure allocation is reasonable and appropriate.