



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

LAS CAMPANAS WATER COOPERATIVE

December 31, 2019 and 2018

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Report of Independent Auditors

To the Members of
Las Campanas Water and Sewer Cooperative
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of Las Campanas Water Cooperative (the “Co-op”), which comprise the balance sheets as of December 31, 2019 and December 31, 2018, and the related statements of operations, members’ capital, and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor’s 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Las Campanas Water Cooperative as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, Las Campanas Water Cooperative adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Mess Adams LLP

Albuquerque, New Mexico
May 13, 2020

Las Campanas Water Cooperative

Balance Sheets

ASSETS

	December 31,	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,316,880	\$ 1,684,459
Investment securities	5,087,089	4,773,223
Accounts receivable from members, net of allowance of \$10,529 and \$10,549, respectively	201,407	208,626
Prepaid assets	<u>42,256</u>	<u>33,427</u>
Total current assets	6,647,632	6,699,735
Property and equipment, net of accumulated depreciation	<u>14,639,933</u>	<u>14,701,762</u>
Total assets	<u>\$ 21,287,565</u>	<u>\$ 21,401,497</u>

LIABILITIES AND MEMBERS' CAPITAL

CURRENT LIABILITIES		
Accounts payable	\$ 38,530	\$ 206,506
Accrued liabilities	<u>197,377</u>	<u>57,640</u>
Total liabilities	<u>235,907</u>	<u>264,146</u>
COMMITMENTS AND CONTINGENCIES (Note 6 and Note 8)		
MEMBERS' CAPITAL		
Accumulated deficit	(1,501,684)	(1,323,681)
Contributed capital	<u>22,553,342</u>	<u>22,461,032</u>
Total members' capital	<u>21,051,658</u>	<u>21,137,351</u>
Total liabilities and members' capital	<u>\$ 21,287,565</u>	<u>\$ 21,401,497</u>

Las Campanas Water Cooperative Statements of Operations

	December 31,	
	2019	2018
REVENUES		
Fees	\$ 1,800,423	\$ 1,784,780
Surcharges, net of abatements	117,476	128,576
Total operating revenues	<u>1,917,899</u>	<u>1,913,356</u>
EXPENSES		
Purchased water	545,302	543,838
Outside services	608,497	574,353
Administrative	616,109	537,239
Repairs and maintenance	80,284	109,365
Electricity	116,260	114,554
Buckman Direct Diversion project costs	71,399	95,334
Insurance	28,070	27,357
Meters expense	6,093	5,533
Licenses and other taxes	2,720	3,100
Bad debt expense	1,236	292
	<u>2,075,970</u>	<u>2,010,965</u>
LOSS FROM OPERATIONS BEFORE DEPRECIATION	(158,071)	(97,609)
Depreciation	<u>367,413</u>	<u>370,163</u>
LOSS FROM OPERATIONS	<u>(525,484)</u>	<u>(467,772)</u>
NON-OPERATING ACTIVITY		
Net realized and unrealized gain (loss)	191,161	(79,963)
Interest income	58	95
Dividend income	146,016	121,480
Other income	10,246	-
Total non-operating income, net	<u>347,481</u>	<u>41,612</u>
NET LOSS	<u>\$ (178,003)</u>	<u>\$ (426,160)</u>

Las Campanas Water Cooperative

Statements of Members' Capital

	Accumulated Balance (Deficit)	Contributed Capital	Total
BALANCE, December 31, 2017, capital (deficit)	\$ (897,521)	\$ 22,316,582	\$ 21,419,061
Membership fees	-	144,450	144,450
Net loss	(426,160)	-	(426,160)
	<hr/>	<hr/>	<hr/>
BALANCE, December 31, 2018, capital (deficit)	(1,323,681)	22,461,032	21,137,351
Membership fees	-	92,310	92,310
Net loss	(178,003)	-	(178,003)
	<hr/>	<hr/>	<hr/>
BALANCE, December 31, 2019, capital (deficit)	<u>\$ (1,501,684)</u>	<u>\$ 22,553,342</u>	<u>\$ 21,051,658</u>

Las Campanas Water Cooperative Statements of Cash Flows

	Years Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (178,003)	\$ (426,160)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	367,413	370,163
Net realized and unrealized (gain) loss	(191,161)	79,963
Bad debt written off	(20)	(729)
Bad debt expense	-	(292)
Changes in operating assets and liabilities		
Accounts receivable from members	7,239	32,832
Prepaid assets	(8,829)	(17,381)
Accounts payable	(167,976)	134,996
Accrued liabilities	139,737	28,812
	(31,600)	202,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities	(122,705)	(99,703)
Purchase of property and equipment	(305,584)	(272,425)
	(428,289)	(372,128)
CASH FLOWS FROM FINANCING ACTIVITIES		
Membership fees received	92,310	144,450
	92,310	144,450
NET DECREASE IN CASH AND CASH EQUIVALENTS	(367,579)	(25,474)
CASH AND CASH EQUIVALENTS, beginning of period	1,684,459	1,709,933
CASH AND CASH EQUIVALENTS, end of year	\$ 1,316,880	\$ 1,684,459

Las Campanas Water Cooperative

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Background

Las Campanas Water Cooperative was formed on January 22, 1993, under the laws of the State of New Mexico, for the purpose of providing water service to its members located in the residential community known as Las Campanas in Santa Fe, New Mexico. The members of the Las Campanas Homeowners Water Cooperative consist of residential lot purchasers in the Las Campanas development. The operations of the Las Campanas Homeowners Water Cooperative began July 1, 1994.

Las Campanas Sewer Cooperative was formed on June 26, 1995 under the laws of the State of New Mexico, for the purpose of providing sewer service to its members located in the residential community known as Las Campanas in Santa Fe, New Mexico. The members of the Las Campanas Sewer Cooperative consist of residential lot purchasers in the Las Campanas development. The operations of the Las Campanas Sewer Cooperative began July 1, 1995.

The assets and operations of the Las Campanas Homeowners Water Cooperative and Las Campanas Sewer Cooperative were combined effective June 1, 2012. The combined entity, Las Campanas Water and Sewer Cooperative (the Co-op), is controlled by a Board of Directors consisting of cooperative members. The Board of Directors is responsible for oversight of the Co-op's management and is responsible for establishing policies. The Directors are not compensated for their services.

Buckman Direct Diversion Project

The Buckman Direct Diversion Project is a shared facility with the City of Santa Fe, Santa Fe County, the Co-op, and The Club at Las Campanas. This relationship is described, from design through operations, in the Facility Operations Agreement between the proponents. This project, which diverts water from the Rio Grande, is the fulfillment of the 1994 Replacement Water Agreement with the Santa Fe County for a 100-year water supply as required by the Master Plan. The Co-op signed the First Amendment to the Facility Operations and Procedures Agreement (the Agreement) for the Buckman Diversion Project with an effective date of July 1, 2016.

Bulk Water Service Agreement

On October 16, 2009, the Co-op and Santa Fe County approved at the Board of County Commissioners a Bulk Water Service Agreement (BWSA) with full build-out anticipated to be 2030. This agreement provides potable water to the Co-op as a bulk wholesale customer of the County on a perpetual basis. Deliveries pursuant to this agreement commenced on May 1, 2011. Prior to May 1, 2011, all water was purchased from the City of Santa Fe.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Co-op considers highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Cash is held in depository accounts at various financial institutions. The combined account balance at any given institution may exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposits in excess of FDIC insurance coverage. As of December 31, 2019 and 2018, the amounts on deposit that exceeded the FDIC insurance limit of \$250,000 were \$95,563 and \$155,428. Management believes, based on the quality of the financial institutions, that the risk is not significant.

Investments

Investment securities are carried by the Co-op at fair value in accordance with accounting principles generally accepted in the United States. The fair value of investment securities is determined based on quoted market prices and estimates of value for non-traded securities. Investment securities are comprised of mutual funds in 2019 and in 2018.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

Property and Equipment

A “Fixed Asset” is defined by the Co-op as a unit of property that: (1) has an economic useful life that extends beyond 12 months and was acquired or produced for a cost of \$5,000 or more. Fixed assets include items of property and equipment such as furniture, equipment, water distribution system, and collection and treatment system.

In line with industry standards, the Co-op utilizes the composite rate depreciation method. The composite method includes all utility plant assets segregated into a single category in which a depreciation rate of 2.5% is applied to the entire group of assets based on the estimated useful lives of those utility plant assets.

Income Taxes

The Co-op qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code and, accordingly, if certain conditions are met, is not subject to federal income tax, except to the extent that it has unrelated business income.

The Co-op applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions in an enterprise’s financial statements. Uncertain income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FASB ASC 740 and in subsequent periods.

Las Campanas Water Cooperative

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

The provisions of FASB ASC 740 have been applied to all Co-op income tax positions commencing from that date. The Co-op's policy is to classify income tax penalties and interest according to their natural classification in its financial statements. During the years ended December 31, 2019 and 2018, the Co-op incurred no interest and penalties. As of December 31, 2019, management does not believe the Co-op has any uncertain tax positions that would require financial statement recognition, measurement, or disclosure under FASB ASC 740.

Fees and Deposits

Effective January 1, 2019, the Co-op retroactively changed its accounting methods for revenue recognition as a result of implementing the requirements in the Financial Accounting Standard Board's (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Co-op adopted the requirements of the new revenue recognition guidance utilizing the full-modified retrospective transition method. The adoption of the new guidance did not result in a change to members' capital as of January 1, 2018.

Fees consist of sewer and water usage charges for residential and commercial customers, and system maintenance charges in accordance with a published rate schedule approved by the Co-op's Board of Directors.

To admit new residential members, the Co-op collects a deposit (currently \$2,490 for water and \$2,250 for sewer) and warrants that service will be provided to the member when needed. The deposits are non-refundable and are recognized as contributed capital upon receipt. Sale or transfer of a member's lot effectively terminates the membership of the seller and the initial deposit collected as contributed capital transfers to the new owner. Annual revenues in excess of annual expenses are invested at the discretion of the Board of Directors.

Surcharge revenue consists of charges to residential customers that exceed their monthly water allotment. The surcharges are included in the monthly invoice and are calculated in accordance with a published rate schedule approved by the Co-op's Board of Directors.

For these services, the customer is receiving a continuous benefit. Revenue related to these services is recognized at the time that the customer is invoiced. Per the practical expedient set forth in ASC 606-10-5-4 since the Co-op has the right to invoice and this corresponds directly to the value transferred to the customer, the Co-op recognizes revenue at a point-in-time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This update is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Co-op is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 are effective for all entities for fiscal years beginning after December 15, 2019. Changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Co-op is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are available to be issued. The Co-op recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including estimates inherent in the process of preparing financial statements. The Co-op's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. In March 2020, the State of New Mexico declared a state of emergency and has issued several measures to aid in social distancing as an attempt to prevent the spread of the coronavirus, including work from home initiatives and a temporary hold on gatherings of ten or more. The Co-op will continue to monitor the situation closely, but given the uncertainty about the situation, the Co-op can't estimate the impact to our financial statements.

The Co-op has evaluated subsequent events through May 13, 2020, which is the date the financial statements were available for issuance.

Note 2 – Reserve Fund

The Board of Directors established a major repair and replacement reserve (the Fund) for future replacement costs of physical plant or equipment in 2014. In 2020 the Co-op adopted an updated policy establishing a major and replacement reserve of \$4.5 million and an operating reserve of 60 days of operating expenses. The Board has agreed to define and approve all sources and uses of funds during the fiscal year and will review and update reserve values annually prior to the start of the budgeting process.

Las Campanas Water Cooperative

Notes to Financial Statements

Note 3 – Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Basis of Fair Value Measurement

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Co-op has the ability to access.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Mutual Funds

Valued at market value of shares held by the Co-op at year end using prices quoted by the relevant pricing agent.

The valuation methods used by the Co-op may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Co-op believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The mutual funds had a fair value of \$5,087,089 and \$4,773,223 as of December 31, 2019 and 2018, respectively. All mutual funds were valued using level 1 measurements.

Realized and unrealized gains and (losses) included in changes in net assets for the years ended December 31, 2019 and 2018 were \$167,850 and (\$79,963), respectively, and are reported on the statements of operations.

Las Campanas Water Cooperative
Notes to Financial Statements

Note 4 – Accounts Receivable

Accounts receivable consists of outstanding bills to members for water and sewer usage.

Receivables consisted of the following at December 31:

	2019	2018
Accounts receivable, members (net of allowances of \$10,529 and \$10,549 in 2019 and 2018, respectively)	\$ 201,407	\$ 208,626

Changes in the Cooperative's allowance for doubtful accounts are as follows at December 31:

	2019	2018
Beginning balance	\$ 10,549	\$ 11,570
Bad debt expense	-	(292)
Accounts (written off) recovered	(20)	(729)
Ending balance	\$ 10,529	\$ 10,549

Note 5 – Property and Equipment

The following is a summary of Property and Equipment as of December 31, 2019 and 2018, respectively:

	For the Year Ended December 31, 2019			
	Beginning Balance	Additions	Retirements	Ending Balance
Furniture and equipment	\$ 803,962	\$ 111,370	\$ -	\$ 915,332
Collection and treatment system	12,151,686	-	-	12,151,686
Water distribution system	5,451,880	194,214	-	5,646,094
	18,407,528	305,584	-	18,713,112
Accumulated depreciation	(3,705,766)	(367,413)	-	(4,073,179)
Total fixed assets, net	\$ 14,701,762	\$ (61,829)	\$ -	\$ 14,639,933

	For the Year Ended December 31, 2018			
	Beginning Balance	Additions	Retirements	Ending Balance
Furniture and equipment	\$ 757,703	\$ 46,259	\$ -	\$ 803,962
Collection and treatment system	12,151,686	-	-	12,151,686
Water distribution system	5,225,714	226,166	-	5,451,880
	18,135,103	272,425	-	18,407,528
Accumulated depreciation	(3,335,603)	(370,163)	-	(3,705,766)
Total fixed assets, net	\$ 14,799,500	\$ (97,738)	\$ -	\$ 14,701,762

Las Campanas Water Cooperative

Notes to Financial Statements

Note 6 – Operations, Maintenance, and Management Services Agreement

The Co-op entered into an operation, maintenance, and management service agreement effective December 1, 2010, with Operations Management International, Inc. to manage, operate and maintain the wastewater collection, pumping and treatment facilities, water treatment facilities, distribution and metering system for the Co-op. The agreement was amended and restated October 28, 2015 for five years. The Co-op renewed this contract effective January 1, 2020 for ten years. The base price is based on the terms outlined in the contract. Additionally, out of scope services are contracted for specific services.

As of December 31, 2019 and 2018, the Co-op incurred costs of \$611,853 and \$557,143, respectively, under the agreement for their services.

Note 7 – Related Party Transactions

The Club at Las Campanas, Inc.

The Club at Las Campanas, Inc. is a customer of the Co-op. The Co-op invoiced \$189,984 and \$211,035, respectively, for sewer and water services, including effluent water, leased water rights, and fees as of December 31, 2019 and 2018.

Las Campanas Master Association

The Las Campanas Master Association is a customer of the Co-op. The Co-op invoiced \$126,691 and \$95,308, respectively, for sewer and water services, and fees as of December 31, 2019 and 2018.

The Las Campanas Master Association and Co-op entered into an arrangement dated October 11, 2016 whereby certain changes were made to the May 2013 Agreement for Financial, Operational and Customer Support Services. These changes affected the basis of allocation of staff time from a “percentage of time” to a “functional allocation basis” and extended the allocations to six core functions: Customer Care Services, Financial Services, Human Resources/Operations Services, Gatehouse Services, Rent and Administrative Expense Services. As of December 31, 2019 and 2018, the Co-op paid \$0 and \$92,264, respectively, to the Las Campanas Master Association for the contractual costs, not including rent. The agreement was ended as of September 1, 2018.

Note 8 – Commitments and Contingencies

Sewer System Interconnection Agreement

The Las Campanas Sewer Cooperative entered into an agreement on February 26, 2008 with Suerte Del Sur Homeowner’s Association (Suerte), a New Mexico nonprofit association, to connect to the Co-op’s sewer system. Under the agreement, the Co-op will be required to collect, pump, treat and dispose of the sewage for the development and will receive usage fees for this. The Co-op will receive up to \$1.5 million in revenues one year following Suerte’s filing of their plat with Santa Fe County, which has not yet occurred. Since the entire subdivision will not be platted at one time, the revenue will be received in phases. As of December 31, 2019 and 2018, the Co-op incurred and received no amounts under the agreement since no activity has yet occurred. This agreement expires in 2023.

Las Campanas Water Cooperative Notes to Financial Statements

Note 8 – Commitments and Contingencies (continued)

Office Space

In May 2019, the Co-op signed a four-year lease extension for their office space located at 13 B Plaza Nueva in Santa Fe, New Mexico 87507 which commenced on September 1, 2019, and ends on August 31, 2023 at a monthly base rent of \$3,270 that increases by \$150 every year.

Minimum future lease payments under lease agreement having remaining terms in excess of one year as of December 31, 2019 for each of the years are as follows:

Year Ending December 31,

2020	\$ 39,840
2021	41,640
2022	43,440
2023	<u>29,760</u>
	<u>\$ 154,680</u>

Total lease expense for the years ended December 31, 2019 and 2018 was \$30,680 and \$9,680, respectively.

Other

The Co-op's commitments and contingencies include the usual obligations incurred by providers of water and sewer services to members located in a residential community in the normal course of business. In the opinion of management, any matters arising from providing water and sewer services will not have a material effect on the Co-op's financial position or results of operations.

Buckman Direct Diversion

The Co-op and other partners involved in the Buckman Direct Diversion Project (BDD) signed the First Amendment to the Facility Operations and Procedures Agreement with an effective date of July 1, 2016. Management continues to track and accrue all monthly BDD estimated costs until the actual invoice is received. The BDD is involved in construction litigation that will not be resolved until 2021 at the earliest.

Note 9 – Line of Credit

In August 2012, the Co-op obtained a \$1,000,000 revolving line of credit from a bank. Interest is payable monthly on outstanding balances at an interest rate of 1.0% over the "Wall Street Journal" Prime Rate (which was 6.5% at the time of the agreement) but not less than 4.750%. On August 2, 2019, the line of credit with New Mexico Bank and Trust was renewed with a maturity date of August 2, 2020. At December 31, 2019 and 2018, the line's effective rate of interest was 4.75%. There were no amounts outstanding as of December 31, 2019 and 2018.