

Table IV-1

LAGUNA MADRE WATER DISTRICT TEST YEAR OPERATING EXPENSES/CAPITAL OUTLAYS			
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo			
	FY 2018 Budget		WASTEWATER Expenses
01 -- Water Plant			
Operating	\$ 1,440,534	\$ 1,440,534	\$ -
Capital Outlays	58,831	58,831	-
Total	1,499,365	1,499,365	-
03 -- Distribution			
Operating	739,372	739,372	-
Capital Outlays	85,000	85,000	-
Total	824,372	824,372	-
04 -- Collections			
Operating	382,961	-	382,961
Capital Outlays	375,125	-	375,125
Total	758,086	-	758,086
05 -- Maintenance			
Operating	280,801	148,825	131,976
Capital Outlays	2,462	1,305	1,157
Total	283,263	150,129	133,134
06 -- Laboratory			
Operating	259,448	129,724	129,724
Capital Outlays	-	-	-
Total	259,448	129,724	129,724
07 -- Administration			
Operating	968,121	513,104	455,017
Capital Outlays	23,000	12,190	10,810
Total	991,121	525,294	465,827
08 -- Wastewater Plant			
Operating	1,674,560	-	1,674,560
Capital Outlays	142,500	-	142,500
Total	1,817,060	-	1,817,060
10 -- Finance			
Operating	878,816	521,689	357,127
Capital Outlays	-	-	-
Total	878,816	521,689	357,127
11 -- Electrical			
Operating	200,280	100,140	100,140
Capital Outlays	-	-	-
Total	200,280	100,140	100,140
12 -- CONSTRUCTION & MAINTENANCE			
Operating	304,515	152,258	152,258
Capital Outlays	7,500	3,750	3,750
Total	312,015	156,008	156,008
Total Operating/Capital Outlays			
Operating	7,129,408	3,745,645	3,383,763
Capital Outlays	694,418	161,076	533,342
Total	7,823,826	3,906,721	3,917,105

Table IV-2 presents a forecast of operating expenses and capital outlays for the ten-year period FY 2018 – FY 2027. The following assumptions were used in the development of this forecast:

- Most personnel and operating expenses are forecast to increase approximately 3.0% per year.
- Certain expenses, such as chemicals, electricity, gasoline, insurance and workers compensation, are forecast to increase at rates exceeding the inflation rate. This is because historically these cost categories have been subjected to higher than average increases.
- Certain expenses are increased proportionately as the District's customers and billing units increase.
- The District is expected to add three wastewater treatment plant personnel and two water treatment plant personnel during the forecast period. The estimated salaries and benefits have been added to the District's cost of service between Fiscal Year 2019 and Fiscal Year 2021.
- Beginning in FY 2019 the District is assumed to contribute \$300,000 annually towards its unfunded pension liability. This will enable the District to fully fund this liability over a ten-year period. Should the District choose to more aggressively fund this liability, the annual contribution and the impact on the rate structure will be higher.
- There is no assumption for seawater desalination costs in this ten-year forecast. For the purposes of this study, it is assumed that if a seawater facility is constructed, it would be beyond the ten-year timeframe of this cost of service study.
- Capital outlay expenditures are forecast to increase at a rate of 3.0% per year.

The table reveals that the water utility's operating expense and capital outlays are forecast to increase from \$3,906,721 to \$5,764,239 by FY 2027. This represents an annual increase of 4.42%. The wastewater utility's operating expense and capital outlays are forecast to increase from \$3,917,105 to \$5,800,324 by FY 2027. This represents an annual increase of 4.46%. The District's combined operating expense and capital outlays are forecast to increase from \$7,823,826 to \$11,564,563 by FY 2027. This represents an annual increase of 4.44%.

Table IV-2

LAGUNA MADRE WATER DISTRICT FORECAST OPERATING COSTS AND CAPITAL OUTLAYS					
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo					
	Operating Expenditures		Capital Outlays		Total
2018	\$ 3,745,645	\$	161,076	\$	3,906,721
2019	4,093,246		165,908		4,259,154
2020	4,286,975		170,885		4,457,860
2021	4,447,143		176,012		4,623,155
2022	4,613,768		181,292		4,795,060
2023	4,787,132		186,731		4,973,863
2024	4,967,530		192,333		5,159,863
2025	5,155,269		198,103		5,353,372
2026	5,350,671		204,046		5,554,717
2027	5,554,072		210,167		5,764,239
WASTEWATER Expenses					
2018	\$ 3,383,763	\$	533,342	\$	3,917,105
2019	3,702,293		549,342		4,251,636
2020	3,891,037		565,823		4,456,859
2021	4,088,319		582,797		4,671,117
2022	4,241,199		600,281		4,841,480
2023	4,400,290		618,290		5,018,580
2024	4,565,868		636,838		5,202,706
2025	4,738,216		655,944		5,394,160
2026	4,917,634		675,622		5,593,256
2027	5,104,433		695,891		5,800,324
TOTAL Operating Expenses					
2018	\$ 7,129,408	\$	694,418	\$	7,823,826
2019	7,795,539		715,251		8,510,790
2020	8,178,012		736,708		8,914,720
2021	8,535,462		758,809		9,294,271
2022	8,854,966		781,574		9,636,540
2023	9,187,422		805,021		9,992,443
2024	9,533,398		829,171		10,362,569
2025	9,893,486		854,047		10,747,532
2026	10,268,305		879,668		11,147,973
2027	10,658,505		906,058		11,564,563

Capital Improvement Plan

The District has developed a long-term capital improvements plan for the next decade. The purpose of the CIP is to rehabilitate and maintain the existing system, expand the system to service new growth, and to develop new water resources.

The capital improvement plan is an integral part of any long-term rate and financing plan. The District finances its capital improvements through a combination of existing funds and revenue-funded long-term debt. Only the revenue bonds impact the District's rate plan.

Table IV-3 summarizes the District's CIP. The CIP involves purchase of additional water rights, water system meter upgrade to AMI, lift station rehabilitations as well as the District's water and wastewater treatment plants and distribution/collection system improvements.

Table IV-4 on the following pages presents the assumptions for how the District will finance the CIP. Much of the CIP is expected to be financed through revenue bonds and existing funds. Notably, the Port Isabel WWTP improvements will require issuances of revenue bond debt in order to complete its CIP.

Chart IV-5 and **Table IV-6** summarize the CIP. The charts reveal that the District's CIP over the next five years is estimated to be \$6,430,500 for the water system and \$11,568,661 for the wastewater system. The estimate for the remaining years 6-10 is \$1,000,000.

Further, the District is forecast to issue revenue bonds totaling \$2,500,000 for the water system and \$8,000,000 for the wastewater system in the next five years. No further issuances are forecast for the remaining years 6-10.

Table IV-3

LAGUNA MADRE WATER DISTRICT Capital Improvement Plan			
	Total	Years 1-5	Years 6-10
Water	\$ 7,430,500	\$ 6,430,500	\$ 1,000,000
Wastewater	<u>11,568,661</u>	<u>11,568,661</u>	<u>-</u>
Total	\$ 18,999,161	\$ 17,999,161	\$ 1,000,000

Table IV-4

LAGUNA MADRE WATER DISTRICT CIP Funding					
	2018	2019	2020	2021	2022
WATER and Wastewater Capital Project Funding Summary					
Beginning Balance	\$ 7,076,260	\$ 7,800,432	\$ 4,139,881	\$ 3,161,692	\$ 1,791,275
<u>Plus Sources of Funds:</u>					
Interest	35,381	39,002	20,699	15,808	8,956
SDC Fees	692,150	128,000	134,160	35,875	35,875
Long-Term Debt -- Tax Bonds	-	-	-	-	-
Long-Term Debt -- Revenue Bonds	5,000,000	2,500,000	3,000,000	-	-
Total Sources	13,495,940	10,595,434	7,428,900	3,249,250	1,871,982
<u>Less Uses of Funds:</u>					
Capital Improvement Plan	5,003,359	6,327,553	4,133,048	1,422,100	1,113,100
Ending Balance	8,492,581	4,267,881	3,295,852	1,827,150	758,882

Chart IV-5

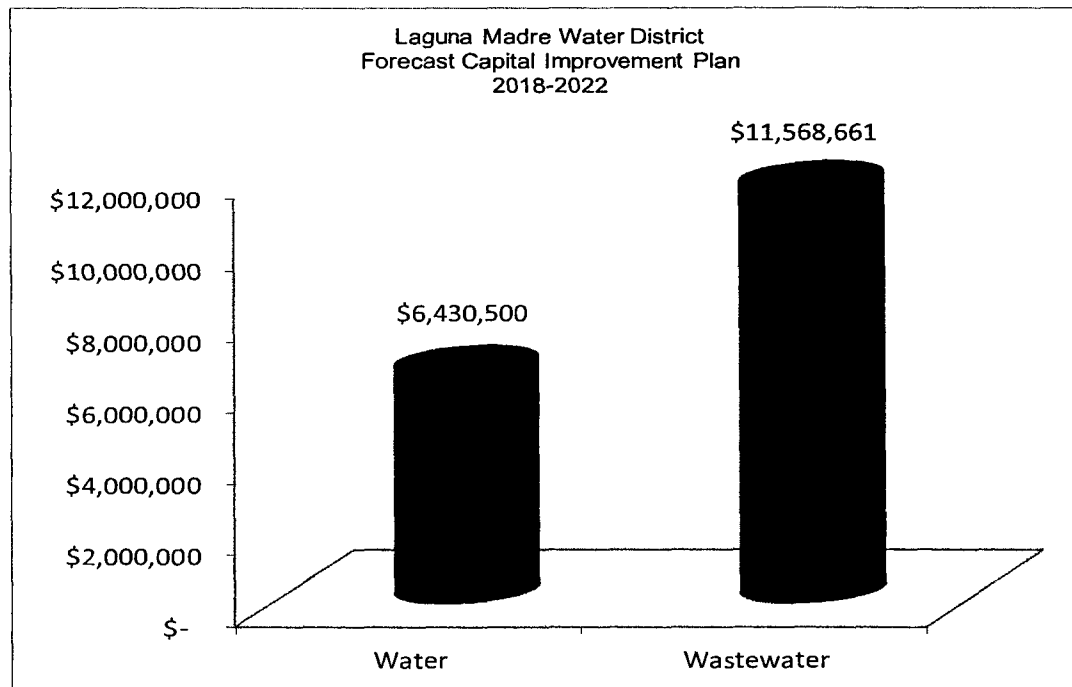


Table IV-6

LAGUNA MADRE WATER DISTRICT FORECAST REVENUE BOND ISSUES			
		Wastewater	Total
2018	\$ -	\$ 5,000,000	\$ 5,000,000
2019	2,500,000	-	2,500,000
2020	-	3,000,000	3,000,000
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
Total	2,500,000	8,000,000	10,500,000

Current and Forecast Debt Service

Table IV-7 presents current and forecast debt service assuming the bond issues outlined in the previous section. The District currently has two revenue bonds outstanding. A Series 2015 issue that refunded a Series 2007 issue and a Series 2016 issue. These bond issues were used for both water and wastewater system improvements. Future revenue debt is assumed to have a 20-year term, 3.7% interest rate and level principal and interest payments.

It should be noted that the District is in the process of issuing Series 2018 debt as of the time of this writing. For the purposes of this study, this debt is classified as "future" debt instead of current debt. It is assigned 100% to wastewater.

These assumptions are preliminary in nature and subject to change. Should the District's Board choose to issue more or less revenue debt than assumed in this study, or should different financing terms be available at the time the debt is issued, then the rate plans contained in this study may require revision.

Table IV-7

LAGUNA MADRE WATER DISTRICT CURRENT AND FORECAST DEBT SERVICE			
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo			
	Current Debt	Future Debt	Total Debt Service
2018	\$ 339,907	\$ -	\$ 339,907
2019	340,690	-	340,690
2020	339,628	200,951	540,580
2021	340,177	200,951	541,128
2022	340,471	200,951	541,422
2023	338,725	200,951	539,676
2024	338,415	200,951	539,367
2025	337,812	200,951	538,763
2026	338,953	200,951	539,904
2027	337,824	200,951	538,775
WASTEWATER Debt Service			
2018	592,242	-	592,242
2019	593,722	666,515	1,260,237
2020	591,715	669,358	1,261,073
2021	592,755	906,428	1,499,182
2022	593,358	885,048	1,478,406
2023	590,183	885,114	1,475,296
2024	589,792	884,704	1,474,496
2025	588,907	883,818	1,472,725
2026	590,585	882,456	1,473,040
2027	588,805	890,470	1,479,275
TOTAL Debt Service			
2018	932,150	-	932,150
2019	934,412	666,515	1,600,927
2020	931,344	870,309	1,801,653
2021	932,932	1,107,379	2,040,310
2022	933,830	1,085,999	2,019,828
2023	928,908	1,086,065	2,014,972
2024	928,208	1,085,655	2,013,862
2025	926,720	1,084,769	2,011,488
2026	929,537	1,083,407	2,012,944
2027	926,630	1,091,421	2,018,050

Non-Rate Revenues

In addition to its revenue from rates, the District also receives revenue from non-rate sources. These sources include but are not limited to:

- Bulk water sales
- Raw water sales
- Tap fees
- System Development Charges
- Interest
- Equipment Sales
- Rental Fees

The forecast of future revenues from these non-rate sources is presented in **Table IV-8**. These revenues are offset from the total cost of service to determine the District's Net Revenue Requirement to be Raised from Rates.

Table IV-8

LAGUNA MADRE WATER DISTRICT FORECAST NON-RATE REVENUES			
SCENARIO:	2018 08 16 Scenario 1 -- Status Quo		
	Total		Wastewater
2018	\$ 435,635	\$ 331,677	\$ 103,959
2019	435,635	331,677	103,959
2020	435,635	331,677	103,959
2021	435,635	331,677	103,959
2022	435,635	331,677	103,959
2023	435,635	331,677	103,959
2024	435,635	331,677	103,959
2025	435,635	331,677	103,959
2026	435,635	331,677	103,959
2027	435,635	331,677	103,959

Net Revenue Requirement

Table IV-9 presents the District forecast Net Revenue Requirement for the ten-year period. The table reveals that the total revenue requirement is expected to increase by an average annual rate of 5.2% over the next decade. The primary reasons for this are the debt service from the CIP and the increases in operating expenses.

Table IV-9

LAGUNA MADRE WATER DISTRICT CURRENT AND FORECAST NET REVENUE REQUIREMENT							
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo							
	Operating Expenses	Capital Outlays	Current Debt Service	Future Debt Service	Total Cost of Service	Less Non-Rate Revenues	Net Revenue Requirement
2018	\$ 3,745,645	\$ 161,076	\$ 339,907	\$ -	\$ 4,246,628	\$ 331,677	\$ 3,914,952
2019	4,093,246	165,908	340,690	-	4,599,844	331,677	4,268,167
2020	4,286,975	170,885	339,628	200,951	4,998,440	331,677	4,666,763
2021	4,447,143	176,012	340,177	200,951	5,164,283	331,677	4,832,606
2022	4,613,768	181,292	340,471	200,951	5,336,483	331,677	5,004,806
2023	4,787,132	186,731	338,725	200,951	5,513,539	331,677	5,181,863
2024	4,967,530	192,333	338,415	200,951	5,699,230	331,677	5,367,553
2025	5,155,269	198,103	337,812	200,951	5,892,136	331,677	5,560,459
2026	5,350,671	204,046	338,953	200,951	6,094,621	331,677	5,762,945
2027	5,554,072	210,167	337,824	200,951	6,303,015	331,677	5,971,338
WASTEWATER Revenue Requirement							
2018	3,383,763	533,342	592,242	-	4,509,347	103,959	4,405,388
2019	3,702,293	549,342	593,722	666,515	5,511,873	103,959	5,407,914
2020	3,891,037	565,823	591,715	669,358	5,717,933	103,959	5,613,974
2021	4,088,319	582,797	592,755	906,428	6,170,299	103,959	6,066,340
2022	4,241,199	600,281	593,358	885,048	6,319,886	103,959	6,215,927
2023	4,400,290	618,290	590,183	885,114	6,493,876	103,959	6,389,918
2024	4,565,868	636,838	589,792	884,704	6,677,202	103,959	6,573,243
2025	4,738,216	655,944	588,907	883,818	6,866,885	103,959	6,762,926
2026	4,917,634	675,622	590,585	882,456	7,066,296	103,959	6,962,338
2027	5,104,433	695,891	588,805	890,470	7,279,599	103,959	7,175,640
TOTAL Revenue Requirement							
2018	7,129,408	694,418	932,150	-	8,755,976	435,635	8,320,340
2019	7,795,539	715,251	934,412	666,515	10,111,716	435,635	9,676,081
2020	8,178,012	736,708	931,344	870,309	10,716,373	435,635	10,280,737
2021	8,535,462	758,809	932,932	1,107,379	11,334,582	435,635	10,898,946
2022	8,854,966	781,574	933,830	1,085,999	11,656,368	435,635	11,220,733
2023	9,187,422	805,021	928,908	1,086,065	12,007,416	435,635	11,571,780
2024	9,533,398	829,171	928,208	1,085,655	12,376,432	435,635	11,940,796
2025	9,893,486	854,047	926,720	1,084,769	12,759,021	435,635	12,323,385
2026	10,268,305	879,668	929,537	1,083,407	13,160,918	435,635	12,725,282
2027	10,658,505	906,058	926,630	1,091,421	13,582,613	435,635	13,146,978
							5.2%

Water System Cost Functionalization and Classification

Once the total water and wastewater system costs have been identified, the next step in the rate development process is to isolate the costs associated with each system function. Some of these expenditures are a function of normal water demand; others are based on peak demands placed on the system. Some costs are associated with serving customers regardless of the volume of water use.

The basic steps used to allocate water system revenue requirements are as follows:

1. Water costs (revenue requirements) are categorized by utility function. This process is known as **functionalization**.
2. Functionalized costs are classified based on the types of demand served by the utility (referred to here as service characteristics). This process is known as **classification**.
3. Costs by service characteristic are allocated to customer classes in proportion to the respective class's service demands. This process is known as **allocation**.

The approaches described in this section follow standard industry practices. The project team allocated operating budget line item expenses individually to system functions based on general guidelines, specific research and input from District staff. Water system costs are allocated to the following functions:

Supply/Transmission – the transportation of raw water to the treatment facility

Treatment – the process by which raw water is converted to potable water

Distribution – the lines that carry water to individual customers' properties

Administration – miscellaneous overhead and other non-operating costs

Customer Billing – the processes involved in billing and providing other services to customers

The allocation of functionalized water system costs to service characteristics follows the base-extra capacity cost allocation method recommended by AWWA. Using this method, costs are defined and segregated into the following categories:

Base costs – capital costs and O&M expenses associated with service to customers under average demand conditions. Base costs tend to vary directly with the total quantity of water used.

Maximum Day/Maximum Hours costs – costs attributable to facilities that are designed to meet peaking requirements, either on a max day or a max hour basis.

Customer Billing costs – costs associated with any aspect of customer service, including billing, accounting, and meter services.

According to AWWA Manual M-1, in the base-extra capacity method, care must be taken in separating costs between those devoted to base capacity and those devoted to extra capacity. All customer service-related costs are allocated 100% to billing. Administration costs are generally not directly-assignable to individual classifications. Therefore, it is standard rate-making practice to allocate these costs on an indirect basis (in which these costs are allocated to service characteristics in the same proportion as the directly allocated costs.)

Table IV-10 summarizes water cost functionalization and **Table IV-11** presents cost classification for the test year.

Table IV-10

LAGUNA MADRE WATER DISTRICT TEST YEAR WATER COST FUNCTIONALIZATION		
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo		
Function	Revenue Requirement	Percent
Supply/Transmission	\$ 535,561	13.7%
Treatment	1,515,811	38.7%
Distribution	845,425	21.6%
Administration	723,908	18.5%
Customer	<u>294,247</u>	<u>7.5%</u>
Total	\$ 3,914,952	100.0%

Table IV-11

LAGUNA MADRE WATER DISTRICT TEST YEAR COST CLASSIFICATION		
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo		
Function	Revenue Requirement	Percent
Base	\$ 1,907,803	48.73%
Maximum Day	1,052,657	26.89%
Maximum Hour	626,211	16.00%
Customer	<u>328,280</u>	<u>8.39%</u>
Total	\$ 3,914,952	100.0%

Water System Cost Allocation

Allocation of costs by service characteristic to customer classes is based on the proportionate use levels of each characteristic by each class. **Table IV-12** presents the test year allocation of water costs by customer class, while **Table IV-13** presents a ten-year forecast of this same allocation.

Table IV-12

LAGUNA MADRE WATER DISTRICT TEST YEAR COST CLASSIFICATION		
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo		
Function	Revenue Requirement	Percent
5/8" Meter	\$ 1,064,246	27.2%
1" Meter	1,441,206	36.8%
2" Meter	319,175	8.2%
4" Meter	700,693	17.9%
6" Meter	389,583	10.0%
Total	\$ 3,914,952	100.0%

Table IV-13

LAGUNA MADRE WATER DISTRICT FORECAST WATER COST ALLOCATION						
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo						
Year	5/8" Meter	1" Meter	2" Meter	4" Meter	6" Meter	Total
2018	\$ 1,064,246	\$ 1,441,206	\$ 319,175	\$ 700,693	\$ 389,583	\$ 3,914,952
2019	1,155,433	1,559,756	347,808	772,008	433,110	4,268,167
2020	1,258,294	1,693,367	380,152	852,631	482,262	4,666,763
2021	1,298,018	1,741,541	393,559	891,445	507,984	4,832,606
2022	1,339,320	1,791,627	407,511	931,719	534,568	5,004,806
2023	1,381,787	1,843,059	421,888	973,191	561,875	5,181,863
2024	1,426,417	1,897,154	436,994	1,016,588	590,336	5,367,553
2025	1,472,815	1,953,373	452,716	1,061,667	619,823	5,560,459
2026	1,521,595	2,012,511	469,245	1,108,902	650,624	5,762,945
2027	1,571,775	2,073,251	486,283	1,157,610	682,350	5,971,338

Wastewater System Cost Functionalization and Classification

Conforming to standard ratemaking methodology, the District's wastewater system costs are allocated to the following functions:

Treatment – the costs associated with treating wastewater discharges

Collection – the sewer lines that transport wastewater from individual customers' properties to the wastewater treatment plant

Administration – miscellaneous overhead and other non-operating costs

Customer Billing – the processes involved in billing and providing other services to customers

As was the case for the water system cost allocation process, wastewater utility operating budget line item expenditures are allocated individually to functions. The rate model in Appendix A presents a detailed listing of the cost allocations by line item.

Allocation of wastewater system costs by service characteristic to customer classes is performed in the same manner as described for the water system. The total wastewater system functionalized costs are presented in **Table IV-14**. Allocated costs by customer class for the test year are summarized in **Table IV-15**. The ten-year forecast of wastewater system costs by customer class is presented in **Table IV-16**.

Table IV-14

LAGUNA MADRE WATER DISTRICT TEST YEAR WASTEWATER COST FUNCTIONALIZATION			
SCENARIO:	2018 08 16 Scenario 1 -- Status Quo		
Function	Revenue Requirement	Percent	
Treatment	\$ 2,552,118	57.9%	
Collection	1,049,290	23.8%	
Administration	602,986	13.7%	
Customer	<u>200,995</u>	<u>4.6%</u>	
Total	4,405,388	100.0%	

Table IV-15

LAGUNA MADRE WATER DISTRICT TEST YEAR COST ALLOCATION			
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo			
Function	Revenue Requirement	Percent	
5/8" Meter	\$ 1,320,458	30.0%	
1" Meter	1,645,375	37.3%	
2" Meter	367,191	8.3%	
4" Meter	789,156	17.9%	
6" Meter	283,168	6.4%	
Total	4,405,388	100.0%	

Table IV-16

LAGUNA MADRE WATER DISTRICT FORECAST WASTEWATER COST ALLOCATION							
SCENARIO: 2018 08 16 Scenario 1 -- Status Quo							
Year	5/8" Meter	1" Meter	2" Meter	4" Meter	6" Meter	Total	
2018	\$ 1,320,458	\$ 1,645,375	\$ 367,191	\$ 789,156	\$ 283,168	\$ 4,405,388	
2019	1,589,514	2,002,548	452,661	998,128	365,021	5,407,914	
2020	1,634,320	2,055,100	470,531	1,059,670	394,310	5,613,974	
2021	1,743,776	2,197,956	509,546	1,171,975	443,044	6,066,340	
2022	1,772,247	2,226,705	522,610	1,224,609	469,712	6,215,927	
2023	1,806,965	2,263,829	537,772	1,282,699	498,606	6,389,918	
2024	1,843,901	2,303,655	553,741	1,343,273	528,626	6,573,243	
2025	1,882,254	2,345,045	570,263	1,405,753	559,562	6,762,926	
2026	1,922,857	2,389,142	587,627	1,470,923	591,739	6,962,338	
2027	1,966,708	2,437,315	606,195	1,539,788	625,583	7,175,640	

SECTION V

Rate Plan Alternatives



Rate design involves determining charges for each class of customers that will generate a desired level of revenue. The water and wastewater rates developed in this section are designed to recover the revenue requirements presented for the test year and generate revenues that approximately equal the operating and capital costs required by the District.

After extensive discussions with the District's staff and Board of Directors, the project team has developed two rate plan alternatives for the District to evaluate in setting rate policy for the next decade. The alternatives are as follows:

Alternative 1 – Status Quo – Under this alternative, the District maintains its existing rate structure and gallon allowance. A series of annual adjustments are implemented that are forecast to enable the District to fund all existing and future operating and capital requirements.

Alternative 2 – Multi-Family – In this alternative a Multi-Family rate class is added for apartment and condominium complexes. This new rate class will have its minimum charge be charged based on number of units in each complex. Each unit will be charged a minimum charge and given the allowance of 4,000 gallons. Volumes that exceed the total of the units' minimum gallon allowance will be charged at tiers which are equivalent to the 5/8" tier rates.

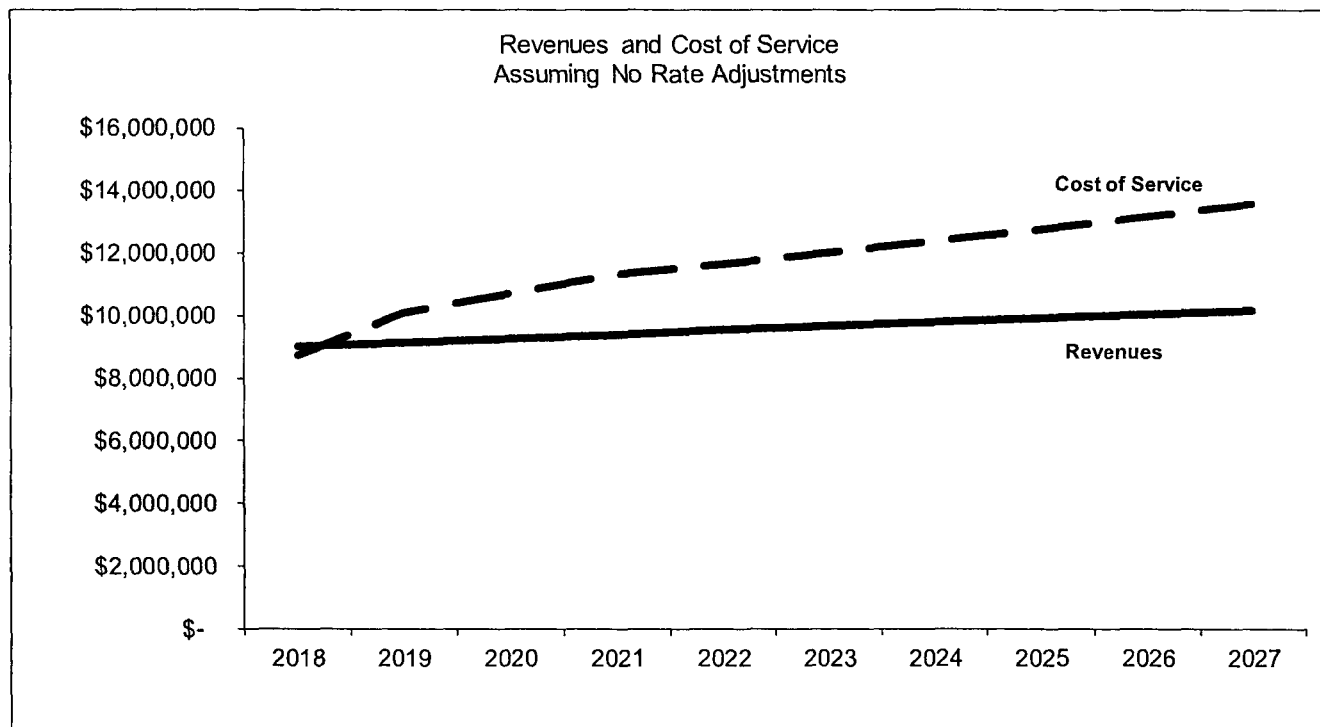
NOTE: Alternatives presented in this report are for information purposes only and do not represent a recommendation or "endorsement" by the project team of either alternative. The purpose of these alternatives is to provide District staff and the Board with sufficient information to set the most reasonable and prudent financial course for the District.

Revenues under Existing Rates

As outlined in Section II, The District adopted its current rate structure in March 2016. However, as **Table V-1** illustrates, the District's current rate structure is not sufficient to fund all operating and capital obligations over the ten-year period. While it is sufficient for FY 2018, increases to expenses and the capital needs of the CIP will require further adjustments in future years.

The chart shows that without some form of long-term rate adjustment plan, the cost of service will consistently be greater than revenues. The District's revenues are forecast to increase nominally due to future account growth, but this increase will not be sufficient to fund cost increases.

Chart V-1



Cost of Service Analysis

Table V-2 compares test year revenues and cost of service for the water and the wastewater utility. The table reveals that in the current year, water revenues are recovering in excess of their cost of service, and wastewater revenues are recovering less than their cost of service. This carries significant implications for the recommended rate plans under both alternatives presented in this study. It means that the recommended rate adjustments are to be higher for wastewater than water, with the goal for both water and wastewater rates to recover their respective cost of service within 5 years.

Table V-2

LAGUNA MADRE WATER DISTRICT TEST YEAR NET REVENUE ANALYSIS			
		WASTEWATER	TOTAL
Rate Revenues	\$ 5,409,004	\$ 3,617,261	\$ 9,026,266
Operating Expenses	3,745,645	3,383,763	7,129,408
Capital Outlays	161,076	533,342	694,418
Debt Service	<u>339,907</u>	<u>592,242</u>	<u>932,150</u>
Total Cost of Service	4,246,628	4,509,347	8,755,976
Net Revenues	1,162,376	(892,086)	270,290

Alternative 1 – Status Quo

The proposed rate plan under Alternative 1 assumes that the District chooses to maintain the same rate structure that currently exists. There would be no changes to the gallon allowance or the rate blocks. Under this scenario a series of annual rate adjustments would be implemented for all customer classes.

The proposed rate plan for the water utility is presented in **Table V-3** and for the wastewater utility is in **Table V-4**. An analysis of the impact of the rate plan on average usage for each meter size is presented in **Table V-5**. **Table V-6** summarizes total revenues under Alternative 1 for each of the next five years. Details behind the calculations are contained in Appendix A.

The following is notable about this rate plan:

- The first water rate adjustment would be in effect on October 1 2018.
- As shown in Table V-3, a 7.0% increase in water rates is recommended for the first year.
- 2.0% increases are recommended for October 2019, October 2020 with no adjustment in October 2021.
- Wastewater rate adjustments are recommended to take effect on October 1 of each of the next five years.
- The reason for the larger wastewater rate adjustments is to ensure that within five years the wastewater rates fully fund the cost of service, as outlined earlier in this section.



Table V-3

LAGUNA MADRE WATER DISTRICT									
Alternative: 2018 08 16 Scenario 1 -- Status Quo									
		Current	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22		
Category 1									
Monthly Charge		\$ 12.26	\$ 13.12	\$ 13.38	\$ 13.65	\$ 13.65	\$ 13.92		
Usage Charge -- Per 1,000 Gal									
4,001 10,000		2.47	2.64	2.70	2.75	2.75	2.80		
10,001 20,000		3.89	4.16	4.25	4.33	4.33	4.42		
20,001 Above		5.55	5.94	6.06	6.18	6.18	6.30		
Category 2									
Monthly Charge		\$ 23.07	\$ 24.68	\$ 25.18	\$ 25.68	\$ 25.68	\$ 26.20		
Usage Charge -- Per 1,000 Gal									
4,001 20,000		2.52	2.70	2.75	2.81	2.81	2.86		
20,001 40,000		3.78	4.04	4.13	4.21	4.21	4.29		
40,001 Above		5.32	5.69	5.81	5.92	5.92	6.04		
Category 3									
Monthly Charge		\$ 111.06	\$ 118.83	\$ 121.21	\$ 123.64	\$ 123.64	\$ 126.11		
Usage Charge -- Per 1,000 Gal									
15,001 100,000		2.63	2.81	2.87	2.93	2.93	2.99		
100,001 200,000		3.95	4.23	4.31	4.40	4.40	4.49		
200,001 Above		5.90	6.31	6.44	6.57	6.57	6.70		
Category 4									
Monthly Charge		\$ 418.64	\$ 447.94	\$ 456.90	\$ 466.04	\$ 466.04	\$ 475.36		
Usage Charge -- Per 1,000 Gal									
50,001 500,000		2.76	2.95	3.01	3.07	3.07	3.13		
500,001 1,000,000		4.14	4.43	4.52	4.61	4.61	4.70		
1,000,001 Above		5.69	6.09	6.21	6.33	6.33	6.46		
Category 5									
Monthly Charge		\$ 784.00	\$ 838.88	\$ 855.66	\$ 872.77	\$ 872.77	\$ 890.23		
Usage Charge -- Per 1,000 Gal									
50,001 500,000		2.60	2.78	2.84	2.89	2.89	2.95		
500,001 1,000,000		3.90	4.17	4.26	4.34	4.34	4.43		
1,000,001 Above		5.25	5.62	5.73	5.84	5.84	5.96		
Category 6									
Monthly Charge		\$ 840.00	\$ 898.80	\$ 916.78	\$ 935.11	\$ 935.11	\$ 953.81		
Usage Charge -- Per 1,000 Gal									
50,001 500,000		2.84	3.04	3.10	3.16	3.16	3.22		
500,001 1,000,000		4.20	4.49	4.58	4.68	4.68	4.77		
1,000,001 Above		5.69	6.09	6.21	6.33	6.33	6.46		

Table V-4

LAGUNA MADRE WATER DISTRICT									
Alternative: 2018 08 16 Scenario 1 -- Status Quo									
WASTEWATER RATES -- ALTERNATIVE 1									
	Current	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22			
5/8" Meter									
Monthly Charge	\$ 13.46	\$ 16.15	\$ 19.06	\$ 20.58	\$ 21.61	\$ 22.48			
Usage Charge -- Per 1,000 Gal									
4,001 10,000	2.73	3.28	3.87	4.17	4.38	4.56			
10,001 20,000	4.23	5.08	5.99	6.47	6.79	7.06			
20,001 Above	6.00	7.20	8.50	9.18	9.63	10.02			
1" Meter									
Monthly Charge	\$ 21.83	\$ 26.20	\$ 30.91	\$ 33.38	\$ 35.05	\$ 36.46			
Usage Charge -- Per 1,000 Gal									
4,001 20,000	2.73	3.28	3.87	4.17	4.38	4.56			
20,001 40,000	4.10	4.92	5.81	6.27	6.58	6.85			
40,001 Above	6.12	7.34	8.67	9.36	9.83	10.22			
2" Meter									
Monthly Charge	\$ 148.46	\$ 178.15	\$ 210.22	\$ 227.04	\$ 238.39	\$ 247.92			
Usage Charge -- Per 1,000 Gal									
15,001 100,000	2.97	3.56	4.21	4.54	4.77	4.96			
100,001 200,000	4.46	5.35	6.32	6.82	7.16	7.45			
200,001 Above	6.18	7.42	8.75	9.45	9.92	10.32			
4" Meter									
Monthly Charge	\$ 340.56	\$ 408.67	\$ 482.23	\$ 520.81	\$ 546.85	\$ 568.73			
Usage Charge -- Per 1,000 Gal									
50,001 500,000	3.09	3.71	4.38	4.73	4.96	5.16			
500,001 1,000,000	4.63	5.56	6.56	7.08	7.43	7.73			
1,000,001 Above	6.30	7.56	8.92	9.63	10.12	10.52			
6" Meter									
Monthly Charge	\$ 560.00	\$ 672.00	\$ 792.96	\$ 856.40	\$ 899.22	\$ 935.19			
Usage Charge -- Per 1,000 Gal									
50,001 500,000	2.70	3.24	3.82	4.13	4.34	4.51			
500,001 1,000,000	4.05	4.86	5.73	6.19	6.50	6.76			
1,000,001 Above	5.40	6.48	7.65	8.26	8.67	9.02			
8" Meter									
Monthly Charge	\$ 896.00	\$ 1,075.20	\$ 1,268.74	\$ 1,370.23	\$ 1,438.75	\$ 1,496.30			
Usage Charge -- Per 1,000 Gal									
50,001 500,000	2.93	3.52	4.15	4.48	4.70	4.89			
500,001 1,000,000	4.42	5.30	6.26	6.76	7.10	7.38			
1,000,001 Above	5.89	7.07	8.34	9.01	9.46	9.84			

Table V-5

LAGUNA MADRE WATER DISTRICT		Alternative: 2018 08 16 Scenario 1 -- Status Quo					
MONTHLY	Gallons	Effective	Effective	Effective	Effective	Effective	Effective
		Current	Oct-18	Oct-19	Oct-20	Oct-21	Oct-22
[REDACTED]							
Low	5,000	\$ 30.24 -	\$ 34.37 4.13	\$ 38.03 3.66	\$ 40.11 2.08	\$ 41.30 1.19	\$ 42.62 1.32
Average	10,000	52.83 -	59.87 7.04	66.01 6.14	69.52 3.51	71.49 1.97	73.74 2.26
High	30,000	223.95 -	252.95 29.00	277.68 24.73	291.94 14.26	299.78 7.84	309.06 9.29
[REDACTED]							
Average	20,000	117.98 9.13	133.34 15.36	146.48 13.15	154.05 7.57	158.23 4.17	163.14 4.92
High	40,000	255.08 9.13	288.03 32.95	316.08 28.05	332.26 16.18	341.14 8.88	351.69 10.55
[REDACTED]							
Average	50,000	429.53 -	489.03 59.50	542.29 53.25	572.37 30.08	589.68 17.31	608.75 19.07
High	100,000	672.41 -	763.39 90.98	843.51 80.12	889.08 45.57	914.91 25.83	944.06 29.15
[REDACTED]							
Average	200,000	1,520.83 -	1,716.75 195.92	1,883.21 166.47	1,979.35 96.13	2,031.97 52.62	2,094.71 62.74
High	400,000	2,536.33 -	2,863.59 327.26	3,141.98 278.40	3,302.67 160.69	3,390.73 88.06	3,495.53 104.80
[REDACTED]							
Average	300,000	2,500.25 -	2,813.88 313.63	3,074.88 261.00	3,226.96 152.09	3,308.49 81.53	3,408.91 100.41
High	600,000	4,119.00 -	4,638.08 519.08	5,071.64 433.56	5,323.88 252.24	5,459.60 135.72	5,625.80 166.20

Table V-6

LAGUNA MADRE WATER DISTRICT						
Alternative: 2018 08 16 Scenario 1 -- Status Quo						
	2018	2019	2020	2021	2022	2023
Water Revenues						
Rate Revenues	\$ 5,077,328	\$ 5,465,497	\$ 5,659,338	\$ 5,836,216	\$ 5,908,905	\$ 6,080,895
Non-Rate Revenues	331,677	331,677	331,677	331,677	331,677	331,677
Total Revenues	5,409,004	5,797,174	5,991,014	6,167,893	6,240,581	6,412,572
Wastewater Revenues						
Rate Revenues	3,513,303	4,236,421	5,098,290	5,644,103	6,046,246	6,404,063
Non-Rate Revenues	103,959	103,959	103,959	103,959	103,959	103,959
Total Revenues	3,617,261	4,340,380	5,202,248	5,748,062	6,150,205	6,508,022
TOTAL Revenues						
Rate Revenues	8,590,630	9,701,918	10,757,627	11,480,319	11,955,151	12,484,958
Non-Rate Revenues	435,635	435,635	435,635	435,635	435,635	435,635
Total Revenues	9,026,266	10,137,553	11,193,263	11,915,955	12,390,786	12,920,594



Alternative 2 – Multi-Family Rate Class

The second alternative rate plan assumes that the District chooses to add a Multi-Family rate class for apartment and condominium complexes. This new rate class will be charged based on number of units in each complex. Each of the units would be assessed a minimum charge equal to the 5/8" meter rate. Each unit will be also given the allowance of 4,000 gallons. Volume that exceeds the total of the units' minimum gallon allowance will be charged the 5/8" tier rates. The alternatives intent is to treat multi-family customers as equivalent of residential customers.

The district has approximately 211 multi-family accounts. **Chart V-7** presents the average number of units per account. Based on this data, the project team estimates that approximately 50% of the accounts have 10 or less units.

Chart V-8 presents the average monthly consumption per unit. An estimated 80% of these accounts use 4,000 gallons a month per unit. The fact that many of the accounts have multiple meters will complicate the District's ability to determine and implement a rate per unit.

Chart V-7

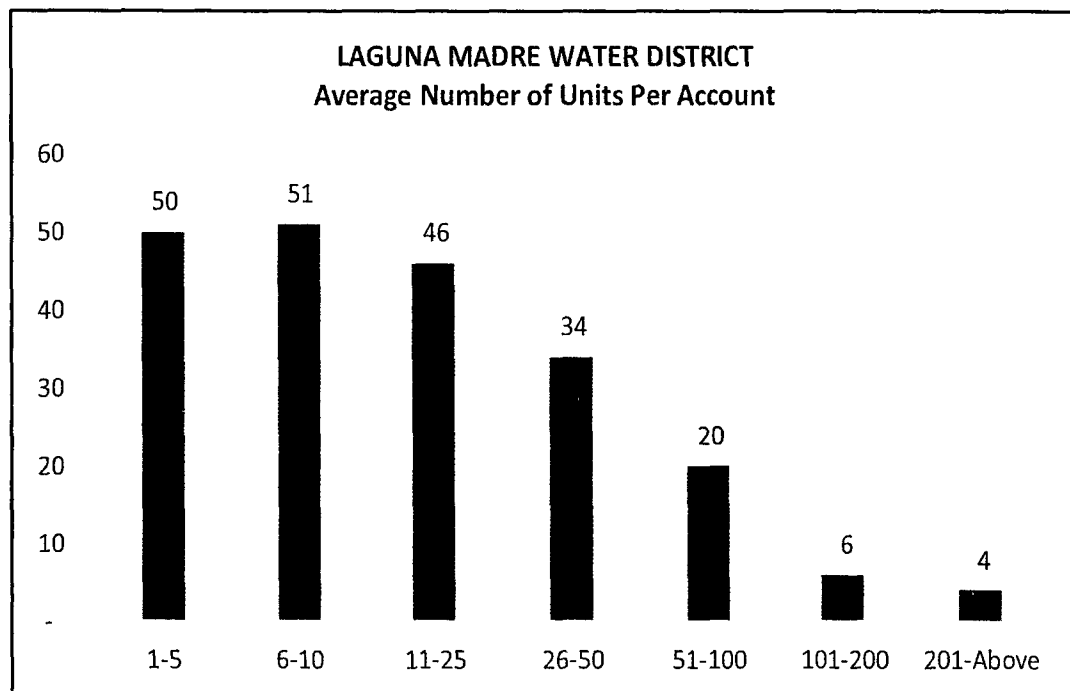
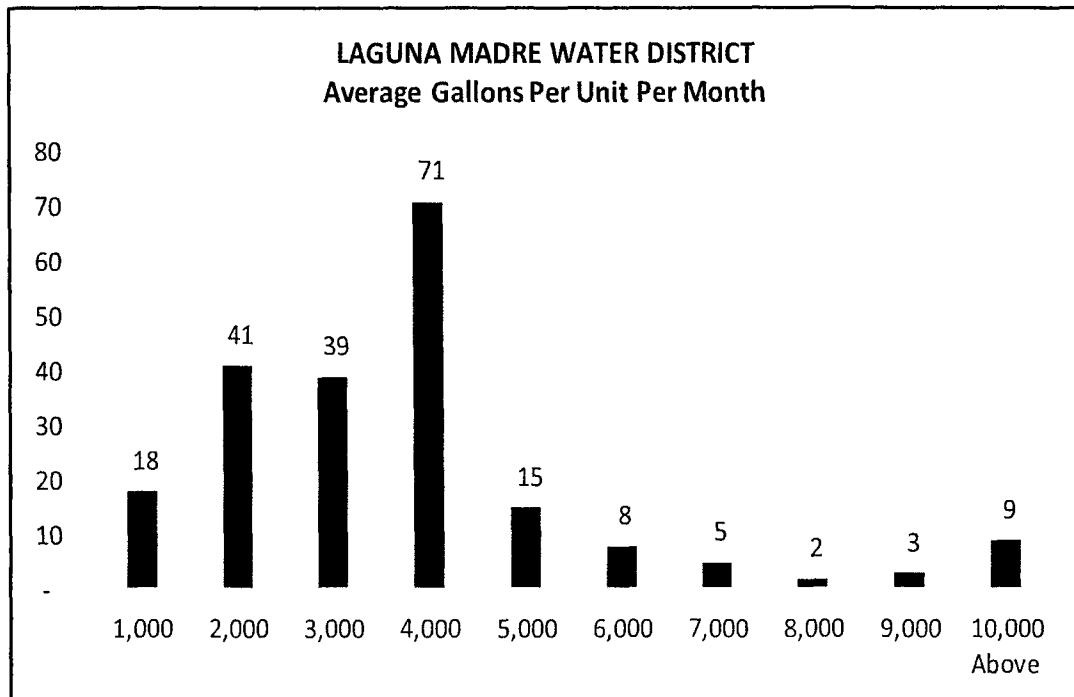


Chart V-8



As with any change in rate structure, conversion to a multi-family rate will impact every account differently. However, if this structural change is implemented, certain accounts will experience a significant increase in their monthly charges while other accounts will experience a significant decrease. The key factor that affects the change in a multi-family account is the **average usage per unit**. While there are exceptions, the general guidelines are as follows:

- 1,000 - 2,000 monthly gallons use per unit will generally experience a substantial increase in monthly charge
- 3,000 – 4,000 monthly gallons use per unit will generally experience a little or no increase in monthly charge
- 5,000 – above monthly gallons use per unit will generally experience a substantial decrease in monthly charge

The reason for this disparity of impact on multi-family customer accounts is the monthly gallon allowance in the District's minimum charge. The gallon allowance converted to a charge per gallon (e.g., dividing the 4,000 gallon allowance by the 1" Meter minimum charge) is more than the rate per gallon in each of the tiered volume rate blocks.

It is important to point out that the data available to the project team in developing this alternative rate classification is **highly preliminary, uncertain and cannot be guaranteed by the project team**. The project team recommends that any conversion to a per unit rate be instituted only after District personnel conduct a thorough audit of all qualifying accounts to verify the number of units that would be subjected to the charge. Ideally, the District should obtain a signed

document from each account agreeing to the number of units to be included in charge. This minimizes the risk of future billing disputes.

The Alternative 2 rate plan for the water utility is presented in **Table V-9** and for the wastewater utility is in **Table V-10**. An analysis of the impact of the rate plan on average usage for each meter size is presented in **Table V-11A**. An analysis of the general impact of the Multi-Family rate on apartment/condominiums accounts assuming various meter sizes and monthly consumption volumes is presented in **Table V-11B**. **Table V-12** summarizes forecast total revenues under Alternative 2 for each of the next five years. The following is notable about this rate plan:

- The project team estimates that conversion to multi-family rate within the existing current rate structure is forecast to result in approximately \$500,000 or 10% less water revenue.
- As a result of this, Table V-9 reveals that a 16% increase in water rates is required to be effective October 2018. There would be 2.0% annual adjustments to be effective October 2019 and October 2020, with no increase in October 2021.
- Wastewater rate adjustments are recommended to take effect on October 1 of each of the next five years.
- The reason for the larger wastewater rate adjustments is to ensure that within five years the wastewater rates fully fund the cost of service, as outlined earlier in this section.
- Proposed rate structure assumes that District will recover the \$500,000 in lost revenue through an additional adjustment to other water customers.

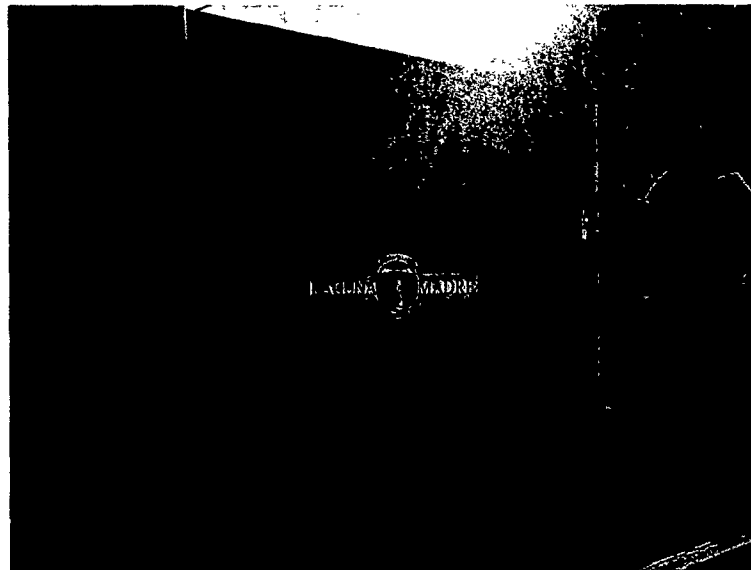


Table V-9

LAGUNA MADRE WATER DISTRICT									
Alternative: 2018 08 16 - Scenario 2 -- Condo Unit Rate									
		Current	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22		
Monthly Charge		\$ 12.26	\$ 14.22	\$ 14.51	\$ 14.80	\$ 14.80	\$ 15.09		
Usage Charge -- Per 1,000 Gal									
4,001	10,000	2.47	2.87	2.92	2.98	2.98	3.04		
10,001	20,000	3.89	4.51	4.60	4.69	4.69	4.79		
20,001	Above	5.55	6.44	6.57	6.70	6.70	6.83		
Monthly Charge		\$ 23.07	\$ 26.76	\$ 27.30	\$ 27.84	\$ 27.84	\$ 28.40		
Usage Charge -- Per 1,000 Gal									
4,001	20,000	2.52	2.92	2.98	3.04	3.04	3.10		
20,001	40,000	3.78	4.38	4.47	4.56	4.56	4.65		
40,001	Above	5.32	6.17	6.29	6.42	6.42	6.55		
Monthly Charge		\$ 111.06	\$ 128.83	\$ 131.41	\$ 134.03	\$ 134.03	\$ 136.72		
Usage Charge -- Per 1,000 Gal									
15,001	100,000	2.63	3.05	3.11	3.17	3.17	3.24		
100,001	200,000	3.95	4.58	4.67	4.77	4.77	4.86		
200,001	Above	5.90	6.84	6.98	7.12	7.12	7.26		
Monthly Charge		\$ 418.64	\$ 485.62	\$ 495.33	\$ 505.24	\$ 505.24	\$ 515.35		
Usage Charge -- Per 1,000 Gal									
50,001	500,000	2.76	3.20	3.27	3.33	3.33	3.40		
500,001	1,000,000	4.14	4.80	4.90	5.00	5.00	5.10		
1,000,001	Above	5.69	6.60	6.73	6.87	6.87	7.00		
Monthly Charge		\$ 784.00	\$ 909.44	\$ 927.63	\$ 946.18	\$ 946.18	\$ 965.11		
Usage Charge -- Per 1,000 Gal									
50,001	500,000	2.60	3.02	3.08	3.14	3.14	3.20		
500,001	1,000,000	3.90	4.52	4.61	4.71	4.71	4.80		
1,000,001	Above	5.25	6.09	6.21	6.34	6.34	6.46		
Monthly Charge		\$ 12.26	\$ 14.22	\$ 14.51	\$ 14.80	\$ 14.80	\$ 15.09		
Usage Charge -- Per 1,000 Gal									
-	10,000	2.47	2.87	2.92	2.98	2.98	3.04		
10,001	20,000	3.89	4.51	4.60	4.69	4.69	4.79		
20,001	Above	5.55	6.44	6.57	6.70	6.70	6.83		

Table V-10

LAGUNA MADRE WATER DISTRICT							
Alternative: 2018 08 16 - Scenario 2 -- Condo Unit Rate							
WASTEWATER RATES							
	Effective Current	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22	
5/8" Meter							
Monthly Charge	\$ 13.46	\$ 16.42	\$ 19.38	\$ 20.93	\$ 21.97	\$ 23.07	
Usage Charge -- Per 1,000 Gal							
4,001 10,000	2.73	3.33	3.93	4.24	4.46	4.68	
10,001 20,000	4.23	5.16	6.09	6.58	6.91	7.25	
20,001 Above	6.00	7.32	8.64	9.33	9.80	10.28	
1" Meter							
Monthly Charge	\$ 21.83	\$ 26.63	\$ 31.43	\$ 33.94	\$ 35.64	\$ 37.42	
Usage Charge -- Per 1,000 Gal							
4,001 20,000	2.73	3.33	3.93	4.24	4.46	4.68	
20,001 40,000	4.10	5.00	5.90	6.37	6.69	7.03	
40,001 Above	6.12	7.47	8.81	9.52	9.99	10.49	
2" Meter							
Monthly Charge	\$ 148.46	\$ 181.12	\$ 213.72	\$ 230.82	\$ 242.36	\$ 254.48	
Usage Charge -- Per 1,000 Gal							
15,001 100,000	2.97	3.62	4.28	4.62	4.85	5.09	
100,001 200,000	4.46	5.44	6.42	6.93	7.28	7.65	
200,001 Above	6.18	7.54	8.90	9.61	10.09	10.59	
4" Meter							
Monthly Charge	\$ 340.56	\$ 415.48	\$ 490.27	\$ 529.49	\$ 555.97	\$ 583.76	
Usage Charge -- Per 1,000 Gal							
50,001 500,000	3.09	3.77	4.45	4.80	5.04	5.30	
500,001 1,000,000	4.63	5.65	6.67	7.20	7.56	7.94	
1,000,001 Above	6.30	7.69	9.07	9.80	10.28	10.80	
6" Meter							
Monthly Charge	\$ 560.00	\$ 683.20	\$ 806.18	\$ 870.67	\$ 914.20	\$ 959.91	
Usage Charge -- Per 1,000 Gal							
50,001 500,000	2.70	3.29	3.89	4.20	4.41	4.63	
500,001 1,000,000	4.05	4.94	5.83	6.30	6.61	6.94	
1,000,001 Above	5.40	6.59	7.77	8.40	8.82	9.26	
Multi Family							
Monthly Charge	\$ 13.46	\$ 16.42	\$ 19.38	\$ 20.93	\$ 21.97	\$ 23.07	
Usage Charge -- Per 1,000 Gal							
4,001 10,000	2.73	3.33	3.93	4.24	4.46	4.68	
10,001 20,000	4.23	5.16	6.09	6.58	6.91	7.25	
20,001 Above	6.00	7.32	8.64	9.33	9.80	10.28	

Table V-11A

LAGUNA MADRE WATER DISTRICT		Alternative: 2018 08 16 - Scenario 2 -- Condo Unit Rate					
MONTHLY	Gallons	Current	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22
Low							
	5,000	\$ 30.24	\$ 36.01 5.77	\$ 39.75 3.75	\$ 41.89 2.13	\$ 43.09 1.21	\$ 44.71 1.62
Average							
	10,000	52.83	62.82 10.00	69.10 6.28	72.71 3.61	74.71 2.00	77.47 2.76
High							
	30,000	223.95	265.93 41.98	291.25 25.32	305.93 14.68	313.89 7.97	325.19 11.30
Average							
	20,000	117.98	140.13 22.15	153.59 13.46	161.38 7.79	165.62 4.24	171.61 5.99
High							
	40,000	255.08	302.86 47.78	331.58 28.72	348.24 16.66	357.26 9.02	370.09 12.83
Average							
	50,000	429.53	511.84 82.31	566.28 54.43	597.16 30.88	614.76 17.60	638.15 23.38
High							
	100,000	672.41	800.26 127.85	882.20 81.94	929.03 46.82	955.29 26.26	990.93 35.65
Average							
	200,000	1,520.83	1,805.45 284.62	1,975.89 170.44	2,074.85 98.96	2,128.35 53.50	2,204.62 76.27
High							
	400,000	2,536.33	3,011.24 474.91	3,296.27 285.03	3,461.68 165.40	3,551.21 89.53	3,678.63 127.43
Average							
	300,000	2,500.25	2,964.27 464.02	3,231.68 267.42	3,388.41 156.73	3,471.30 82.89	3,592.95 121.65
High							
	600,000	4,119.00	4,884.54 765.54	5,328.71 444.17	5,588.60 259.89	5,726.59 137.99	5,928.05 201.46

Table V-11B

LAGUNA MADRE WATER DISTRICT									
Percentage Increase/(Decrease) in Monthly Charges After Conversion to Per Unit Multi Family Rate									
		Average Gallons Per Month Per Unit							
		1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000
1" Meter Impact									
Total Units	5	171%	85%	39%	12%	-2%	-10%	-10%	-11%
Total Units	10	270%	123%	45%	5%	-14%	-16%	-17%	-16%
2" Meter Impact									
Total Units	25	79%	34%	7%	-13%	-18%	-16%	-9%	-5%
Total Units	50	168%	85%	19%	-12%	-21%	-23%	-20%	-17%
4" Meter Impact									
Total Units	250	221%	93%	26%	-9%	-17%	-19%	-16%	-14%

Table V-12

LAGUNA MADRE WATER DISTRICT							
Alternative: 2018 08 16 - Scenario 2 -- Condo Unit Rate							
	2018	2019	2020	2021	2022	2023	
Rate Revenues	\$ 4,552,177	\$ 5,281,700	\$ 5,503,081	\$ 5,674,947	\$ 5,744,922	\$ 5,910,975	
Non-Rate Revenues	331,677	331,677	331,677	331,677	331,677	331,677	
Total Revenues	4,883,854	5,613,377	5,834,758	6,006,624	6,076,598	6,242,652	
Rate Revenues	3,504,523	4,274,185	5,129,811	5,657,792	6,038,996	6,430,338	
Non-Rate Revenues	103,959	103,959	103,959	103,959	103,959	103,959	
Total Revenues	3,608,481	4,378,144	5,233,770	5,761,751	6,142,954	6,534,297	
TOTAL Revenues							
Rate Revenues	8,056,700	9,555,885	10,632,893	11,332,740	11,783,918	12,341,313	
Non-Rate Revenues	435,635	435,635	435,635	435,635	435,635	435,635	
Total Revenues	8,492,335	9,991,521	11,068,528	11,768,375	12,219,553	12,776,948	

Raw Water Rate

The District has a limited number of customers who purchase raw water from the water treatment plant reservoirs for irrigation purposes. The cost of providing this water incorporates O&M for the transmission portion of the distribution system as well as replacement costs for the 36" line that transports raw water to the District. It also includes a 6% return on the book value of the 36" line to recover the District's cost to finance the line.

Table V-11 presents the project team's recommendations for a 5-year implementation schedule of raw water rates.

Table V-13

LAGUNA MADRE WATER DISTRICT Raw Water Rate Recommendations		
Recommended Raw Water Rate 1,000 Gal		
Current	\$	0.80
Oct-18		1.04
Oct-19		1.04
Oct-20		1.04
Oct-21		1.04

Wastewater Strength Charges

Many wastewater utilities implement surcharges to industrial and other specific customers who deliver high strength sewage to their wastewater treatment plants. High strength is typically defined as BOD and TSS levels that exceed the design parameters of the plant.

Table V-12 presents the recommendations for BOD and TSS per lb. charges for the District to implement. Details behind the calculations can be found in the rate model contained in Appendix A.

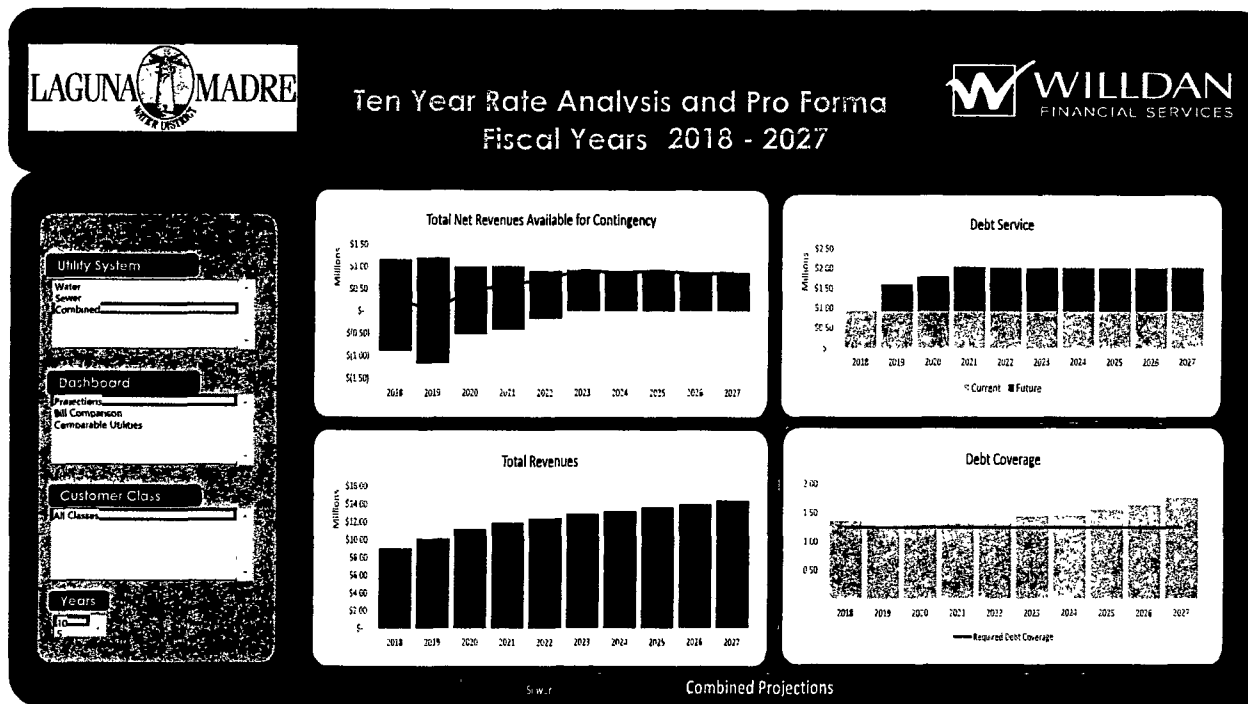
Table V-14

LAGUNA MADRE WATER DISTRICT Strength Rate Recommendations				
		Total Cost per lb.		
		BOD	TSS	
Current	\$	0.65	\$	0.68
Oct-18		0.68		0.71
Oct-19		0.71		0.73
Oct-20		0.73		0.75
Oct-21		0.74		0.77

Notes on Rate Recommendations

The forecast and recommendations presented in this study represent a combination of the best information available from the District and the project team's expertise. However, this forecast relies in part on assumptions about future events and events beyond the control of the project team (such as account growth rates within the District). The forecast and recommendations contained in this study may be subject to revision if any of the following events occurs:

- Actual growth in accounts and consumed volumes is less than (or significantly greater than) forecast
- Capital improvement plan funding costs increase significantly due to the rising cost of materials or other factors
- An unforeseen event impacts the District, such as a recession, natural catastrophe or terrorist attack
- Increases or decreases in interest rates, coverage requirements or reserve requirements for long-term debt.
- District budget levels or priorities change significantly from those forecast in this study. It should be noted that none of these events are foreseen by the project team or District staff at this time.



Future Debt Term 20

	Alternative	Proposed
2018		
2019		\$ 2,500,000
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		

	Alternative	Proposed
2018		\$ 5,000,000
2019		
2020		\$ 3,000,000
2021		
2022		
2023		
2024		
2025		
2026		
2027		

Water Rate Adjustments

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Meter Charge										
Volume Charge										

Sewer Rate Adjustments

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Base Charge	0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%
Volume Charge										
Residential - 5/8" Meter	0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%
All Other Meter Sizes	0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

5 Year Rate Schedule
Scenario: 2018 08 16 Scenario 1 – Status Quo

Base Charge			4,000	\$	12.26	\$	13.12	\$	13.38	\$	13.65	\$	13.65	\$	13.92
Usage Charge	4,001	10,000			2.47		2.64		2.70		2.75		2.75		2.80
Usage Charge	10,001	20,000			3.89		4.16		4.25		4.33		4.33		4.42
Usage Charge	20,001	Above			5.55		5.94		6.06		6.18		6.18		6.30
Base Charge			4,000		23.07		24.68		25.18		25.68		25.68		26.20
Usage Charge	4,001	20,000			2.52		2.70		2.75		2.81		2.81		2.86
Usage Charge	20,001	40,000			3.78		4.04		4.13		4.21		4.21		4.29
Usage Charge	40,001	Above			5.32		5.69		5.81		5.92		5.92		6.04
Base Charge			15,000		111.06		118.83		121.21		123.64		123.64		126.11
Usage Charge	15,001	100,000			2.63		2.81		2.87		2.93		2.93		2.99
Usage Charge	100,001	200,000			3.95		4.23		4.31		4.40		4.40		4.49
Usage Charge	200,001	Above			5.90		6.31		6.44		6.57		6.57		6.70
Base Charge			50,000		418.64		447.94		456.90		466.04		466.04		475.36
Usage Charge	50,001	500,000			2.76		2.95		3.01		3.07		3.07		3.13
Usage Charge	500,001	1,000,000			4.14		4.43		4.52		4.61		4.61		4.70
Usage Charge	1,000,001	Above			5.69		6.09		6.21		6.33		6.33		6.46
Base Charge			50,000		784.00		838.88		855.66		872.77		872.77		890.23
Usage Charge	50,001	500,000			2.60		2.78		2.84		2.89		2.89		2.95
Usage Charge	500,001	1,000,000			3.90		4.17		4.26		4.34		4.34		4.43
Usage Charge	1,000,001	Above			5.25		5.62		5.73		5.84		5.84		5.96
Base Charge			50,000		840.00		898.80		916.78		935.11		935.11		953.81
Usage Charge	50,001	500,000			2.84		3.04		3.10		3.16		3.16		3.22
Usage Charge	500,001	1,000,000			4.20		4.49		4.58		4.68		4.68		4.77
Usage Charge	1,000,001	Above			5.69		6.09		6.21		6.33		6.33		6.46
Charge per 1,000 Gallons					0.55		1.04		1.04		1.04		1.04		1.05

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

5 Year Rate Schedule
Scenario: 2018 08 16 Scenario 1 – Status Quo

Wastewater Rates

5/8" Meter								
Base Charge		4,000	13.46	16.15	19.06	20.58	21.61	22.48
Usage Charge	4,001	10,000	2.73	3.28	3.87	4.17	4.38	4.56
Usage Charge	10,001	20,000	4.23	5.08	5.99	6.47	6.79	7.06
Usage Charge	20,001	Above	6.00	7.20	8.50	9.18	9.63	10.02
1" Meter								
Base Charge		4,000	21.83	26.20	30.91	33.38	35.05	36.46
Usage Charge	4,001	20,000	2.73	3.28	3.87	4.17	4.38	4.56
Usage Charge	20,001	40,000	4.10	4.92	5.81	6.27	6.58	6.85
Usage Charge	40,001	Above	6.12	7.34	8.67	9.36	9.83	10.22
2" Meter								
Base Charge		15,000	148.46	178.15	210.22	227.04	238.39	247.92
Usage Charge	15,001	100,000	2.97	3.56	4.21	4.54	4.77	4.96
Usage Charge	100,001	200,000	4.46	5.35	6.32	6.82	7.16	7.45
Usage Charge	200,001	Above	6.18	7.42	8.75	9.45	9.92	10.32
4" Meter								
Base Charge		50,000	340.56	408.67	482.23	520.81	546.85	568.73
Usage Charge	50,001	500,000	3.09	3.71	4.38	4.73	4.96	5.16
Usage Charge	500,001	1,000,000	4.63	5.56	6.56	7.08	7.43	7.73
Usage Charge	1,000,001	Above	6.30	7.56	8.92	9.63	10.12	10.52
6" Meter								
Base Charge		50,000	560.00	672.00	792.96	856.40	899.22	935.19
Usage Charge	50,001	500,000	2.70	3.24	3.82	4.13	4.34	4.51
Usage Charge	500,001	1,000,000	4.05	4.86	5.73	6.19	6.50	6.76
Usage Charge	1,000,001	Above	5.40	6.48	7.65	8.26	8.67	9.02
8" Meter								
Base Charge		50,000	896.00	1,075.20	1,268.74	1,370.23	1,438.75	1,496.30
Usage Charge	50,001	500,000	2.93	3.52	4.15	4.48	4.70	4.89
Usage Charge	500,001	1,000,000	4.42	5.30	6.26	6.76	7.10	7.38
Usage Charge	1,000,001	Above	5.89	7.07	8.34	9.01	9.46	9.84
BOD/TSS Rate per Lb.								
BOD Rate per Lb.			0.65	0.68	0.71	0.73	0.74	0.75
TSS Rate per Lb.			0.68	0.71	0.73	0.75	0.77	0.78

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

10 Year Rate Schedule**Scenario: 2018 08 16 Scenario 1 -- Status Quo**

Base Charge		4,000	\$	12.26	\$	12.26	\$	13.12	\$	13.38	\$	13.65	\$	13.65	\$	13.92	\$	13.92	\$	14.20	\$	14.20	\$	14.48
Usage Charge	4,001	10,000		2.47		2.47		2.64		2.70		2.75		2.75		2.80		2.80		2.86		2.86		2.92
Usage Charge	10,001	20,000		3.89		3.89		4.16		4.25		4.33		4.33		4.42		4.42		4.51		4.51		4.60
Usage Charge	20,001	Above		5.55		5.55		5.94		6.06		6.18		6.18		6.30		6.30		6.43		6.43		6.56
Base Charge		4,000		23.07		23.07		24.68		25.18		25.68		25.68		26.20		26.20		26.72		26.72		27.25
Usage Charge	4,001	20,000		2.52		2.52		2.70		2.75		2.81		2.81		2.86		2.86		2.92		2.92		2.98
Usage Charge	20,001	40,000		3.78		3.78		4.04		4.13		4.21		4.21		4.29		4.29		4.38		4.38		4.47
Usage Charge	40,001	Above		5.32		5.32		5.69		5.81		5.92		5.92		6.04		6.04		6.16		6.16		6.28
Base Charge		15,000		111.06		111.06		118.83		121.21		123.64		123.64		126.11		126.11		128.63		128.63		131.20
Usage Charge	15,001	100,000		2.63		2.63		2.81		2.87		2.93		2.93		2.99		2.99		3.05		3.05		3.11
Usage Charge	100,001	200,000		3.95		3.95		4.23		4.31		4.40		4.40		4.49		4.49		4.57		4.57		4.67
Usage Charge	200,001	Above		5.90		5.90		6.31		6.44		6.57		6.57		6.70		6.70		6.83		6.83		6.97
Base Charge		50,000		418.64		418.64		447.94		456.90		466.04		466.04		475.36		475.36		484.87		484.87		494.57
Usage Charge	50,001	500,000		2.76		2.76		2.95		3.01		3.07		3.07		3.13		3.13		3.20		3.20		3.26
Usage Charge	500,001	1,000,000		4.14		4.14		4.43		4.52		4.61		4.61		4.70		4.70		4.79		4.79		4.89
Usage Charge	1,000,001	Above		5.69		5.69		6.09		6.21		6.33		6.33		6.46		6.46		6.59		6.59		6.72
Base Charge		50,000		784.00		784.00		838.88		855.66		872.77		872.77		890.23		890.23		908.03		908.03		926.19
Usage Charge	50,001	500,000		2.60		2.60		2.78		2.84		2.89		2.89		2.95		2.95		3.01		3.01		3.07
Usage Charge	500,001	1,000,000		3.90		3.90		4.17		4.26		4.34		4.34		4.43		4.43		4.52		4.52		4.61
Usage Charge	1,000,001	Above		5.25		5.25		5.62		5.73		5.84		5.84		5.96		5.96		6.08		6.08		6.20

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

10 Year Rate Schedule**Scenario: 2018 08 16 Scenario 1 -- Status Quo**

Base Charge												
Base Charge	50,000	840.00	840.00	898.80	916.78	935.11	935.11	953.81	953.81	972.89	972.89	992.35
Usage Charge	50,001	500,000	2.84	2.84	3.04	3.10	3.16	3.16	3.22	3.22	3.29	3.36
Usage Charge	500,001	1,000,000	4.20	4.20	4.49	4.58	4.68	4.68	4.77	4.77	4.86	4.96
Usage Charge	1,000,001	Above	5.69	5.69	6.09	6.21	6.33	6.33	6.46	6.46	6.59	6.72
Base Charge		50,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-
Base Charge		50,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-
Base Charge		50,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-
Base Charge		50,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-
Base Charge		50,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

10 Year Rate Schedule**Scenario: 2018 08 16 Scenario 1 -- Status Quo****Wastewater Rates****5/8" Meter**

Base Charge	4,000		13.46	13.46	16.15	19.06	20.58	21.61	22.48	22.93	23.39	23.85	24.33
Usage Charge	4,001	10,000	2.73	2.73	3.28	3.87	4.17	4.38	4.56	4.65	4.74	4.84	4.93
Usage Charge	10,001	20,000	4.23	4.23	5.08	5.99	6.47	6.79	7.06	7.21	7.35	7.50	7.65
Usage Charge	20,001	Above	6.00	6.00	7.20	8.50	9.18	9.63	10.02	10.22	10.42	10.63	10.85

1" Meter

Base Charge	4,000		21.83	21.83	26.20	30.91	33.38	35.05	36.46	37.18	37.93	38.69	39.46
Usage Charge	4,001	20,000	2.73	2.73	3.28	3.87	4.17	4.38	4.56	4.65	4.74	4.84	4.93
Usage Charge	20,001	40,000	4.10	4.10	4.92	5.81	6.27	6.58	6.85	6.98	7.12	7.27	7.41
Usage Charge	40,001	Above	6.12	6.12	7.34	8.67	9.36	9.83	10.22	10.42	10.63	10.85	11.06

2" Meter

Base Charge	15,000		148.46	148.46	178.15	210.22	227.04	238.39	247.92	252.88	257.94	263.10	268.36
Usage Charge	15,001	100,000	2.97	2.97	3.56	4.21	4.54	4.77	4.96	5.06	5.16	5.26	5.37
Usage Charge	100,001	200,000	4.46	4.46	5.35	6.32	6.82	7.16	7.45	7.60	7.75	7.90	8.06
Usage Charge	200,001	Above	6.18	6.18	7.42	8.75	9.45	9.92	10.32	10.53	10.74	10.95	11.17

4" Meter

Base Charge	50,000		340.56	340.56	408.67	482.23	520.81	546.85	568.73	580.10	591.70	603.54	615.61
Usage Charge	50,001	500,000	3.09	3.09	3.71	4.38	4.73	4.96	5.16	5.26	5.37	5.48	5.59
Usage Charge	500,001	1,000,000	4.63	4.63	5.56	6.56	7.08	7.43	7.73	7.89	8.04	8.21	8.37
Usage Charge	1,000,001	Above	6.30	6.30	7.56	8.92	9.63	10.12	10.52	10.73	10.95	11.16	11.39

6" Meter

Base Charge	50,000		560.00	560.00	672.00	792.96	856.40	899.22	935.19	953.89	972.97	992.43	1,012.27
Usage Charge	50,001	500,000	2.70	2.70	3.24	3.82	4.13	4.34	4.51	4.60	4.69	4.78	4.88
Usage Charge	500,001	1,000,000	4.05	4.05	4.86	5.73	6.19	6.50	6.76	6.90	7.04	7.18	7.32
Usage Charge	1,000,001	Above	5.40	5.40	6.48	7.65	8.26	8.67	9.02	9.20	9.38	9.57	9.76

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

10 Year Rate Schedule**Scenario: 2018 08 16 Scenario 1 -- Status Quo**

8" Meter													
Base Charge	50,000		896.00	896.00	1,075.20	1,268.74	1,370.23	1,438.75	1,496.30	1,526.22	1,556.75	1,587.88	1,619.64
Usage Charge	50,001	500,000	2.93	2.93	3.52	4.15	4.48	4.70	4.89	4.99	5.09	5.19	5.30
Usage Charge	500,001	1,000,000	4.42	4.42	5.30	6.26	6.76	7.10	7.38	7.53	7.68	7.83	7.99
Usage Charge	1,000,001	Above	5.89	5.89	7.07	8.34	9.01	9.46	9.84	10.03	10.23	10.44	10.65
Other													
Base Charge	50,000		-	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-	-
Other													
Base Charge	50,000		-	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-	-
Other													
Base Charge	50,000		-	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-	-
Other													
Base Charge	50,000		-	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-	-
Other													
Base Charge	50,000		-	-	-	-	-	-	-	-	-	-	-
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-	-
Usage Charge	1,000,001	Above	-	-	-	-	-	-	-	-	-	-	-
BOD/TSS Rate per Lb.													
BOD Rate per Lb.			0.65	0.68	0.71	0.73	0.74	0.75	0.77	0.78	0.80	0.82	
TSS Rate per Lb.			0.68	0.71	0.73	0.75	0.77	0.78	0.80	0.81	0.83	0.85	

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Model Summary**Scenario: 2018 08 16 Scenario 1 -- Status Quo****1**

Base Chg	4,000	\$	12.26	\$	12.26	\$	13.12	\$	13.38	\$	13.65	\$	13.65	\$	13.92	\$	13.92	\$	14.20	\$	14.20	\$	14.48
Usage Chg	4,001	10,000	2.47		2.47		2.64		2.70		2.75		2.75		2.80		2.80		2.86		2.86		2.92
Usage Chg	10,001	20,000	3.89		3.89		4.16		4.25		4.33		4.33		4.42		4.42		4.51		4.51		4.60
Usage Chg	20,001	Above	5.55		5.55		5.94		6.06		6.18		6.18		6.30		6.30		6.43		6.43		6.56

Wastewater Rates -- Residential

Base Chg	4,000	\$	13.46	\$	13.46	\$	16.15	\$	19.06	\$	20.58	\$	21.61	\$	22.48	\$	22.93	\$	23.39	\$	23.85	\$	24.33
Usage Chg	4,001	10,000	2.73		2.73		3.28		3.87		4.17		4.38		4.56		4.65		4.74		4.84		4.93
Usage Chg	10,001	20,000	4.23		4.23		5.08		5.99		6.47		6.79		7.06		7.21		7.35		7.50		7.65
Usage Chg	20,001	Above	6.00		6.00		7.20		8.50		9.18		9.63		10.02		10.22		10.42		10.63		10.85

2

5,000 Gal	Total	\$	30.24	\$	30.24	\$	34.37	\$	38.03	\$	40.11	\$	41.30	\$	42.62	\$	43.14	\$	44.00	\$	44.54	\$	45.43
	Increase				-		4.13		3.66		2.08		1.19		1.32		0.52		0.86		0.54		0.89
	Percent Inc				0.0%		13.7%		10.7%		5.5%		3.0%		3.2%		1.2%		2.0%		1.2%		2.0%
10,000 Gal	Total		52.83		52.83		59.87		66.01		69.52		71.49		73.74		74.80		76.09		76.99		78.53
	Increase				-		7.04		6.14		3.51		1.97		2.26		0.86		1.49		0.89		1.54
	Percent Inc				0.0%		13.3%		10.3%		5.3%		2.8%		3.2%		1.2%		2.0%		1.2%		2.0%
20,000 Gal	Total		123.45		123.45		139.56		153.39		161.34		165.73		170.89		172.81		176.27		178.27		181.83
	Increase				-		16.11		13.83		7.95		4.39		5.16		1.92		3.46		2.00		3.57
	Percent Inc				-		13.1%		9.9%		5.2%		2.7%		3.1%		1.1%		2.0%		1.1%		2.0%
30,000 Gal	Total		223.95		223.95		252.95		277.68		291.94		299.78		309.06		312.48		318.73		322.29		328.74
	Increase				-		29.00		24.73		14.26		7.84		9.29		3.42		6.25		3.56		6.45
	Percent Inc				0.0%		12.9%		9.8%		5.1%		2.7%		3.1%		1.1%		2.0%		1.1%		2.0%

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Model Summary**Scenario: 2018 08 16 Scenario 1 -- Status Quo**

Water Rate Revenues	\$ 5,077,328	\$ 5,465,487	\$ 5,659,338	\$ 5,836,216	\$ 5,908,905	\$ 6,080,895	\$ 6,154,014	\$ 6,330,586	\$ 6,404,251	\$ 6,585,595
WW Rate Revenues	3,513,303	4,236,421	5,098,290	5,644,103	6,046,246	6,404,063	6,655,991	6,904,932	7,161,169	7,424,893
Non-Rate Revenues	435,635	435,635	435,635	435,635	435,635	435,635	435,635	435,635	435,635	435,635
Total Revenues	9,026,266	10,137,553	11,193,263	11,915,955	12,390,786	12,920,594	13,245,641	13,671,153	14,001,055	14,446,124
Operating Expenses	7,129,408	7,795,539	8,178,012	8,535,462	8,854,966	9,187,422	9,533,398	9,893,486	10,268,305	10,658,505
Net Revenues after Operating Expenses	1,896,858	2,342,014	3,015,251	3,380,493	3,535,820	3,733,171	3,712,243	3,777,668	3,732,750	3,787,619
Capital Outlays	694,418	715,251	736,708	758,809	781,574	805,021	829,171	854,047	879,668	906,058
Debt Service -- Current	932,150	934,412	931,344	932,932	933,830	928,908	928,208	926,720	929,537	926,630
Debt Service -- Future	-	666,515	870,309	1,107,379	1,085,999	1,086,065	1,085,655	1,084,769	1,083,407	1,091,421
Total	1,626,568	2,316,177	2,538,361	2,799,120	2,801,402	2,819,993	2,843,034	2,865,535	2,892,612	2,924,108
Total Cost of Service	8,755,976	10,111,716	10,716,373	11,334,582	11,656,368	12,007,416	12,376,432	12,759,021	13,160,918	13,582,613
Net Revenues for Contingency	270,290	25,837	476,890	581,373	734,418	913,178	869,209	912,133	840,137	863,511
Percent of COS	3.0%	0.3%	4.3%	4.9%	5.9%	7.1%	6.6%	6.7%	6.0%	6.0%
Debt Coverage	2.03	1.46	1.67	1.66	1.75	1.85	1.84	1.88	1.85	1.88

4										
Beginning Balance	\$ 7,076,260	\$ 7,800,432	\$ 4,139,881	\$ 3,161,692	\$ 1,791,275	\$ 723,007	\$ 562,497	\$ 401,184	\$ 239,832	\$ 78,545
Sources of Funds										
Interest	35,381	39,002	20,699	15,808	8,956	3,615	2,812	2,773	2,838	2,903
Long-Term Debt -- Tax Bonds	-	-	-	-	-	-	-	-	-	-
Long-Term Debt -- Revenue Bonds	5,000,000	2,500,000	3,000,000	-	-	-	-	-	-	-
Capacity Fees	692,150	128,000	134,160	35,875	35,875	35,875	35,875	35,875	35,875	35,875
Total Sources	5,727,531	2,667,002	3,154,859	51,683	44,831	39,490	38,687	38,648	38,713	38,778
Less Uses of Funds:										
Capital Improvement Plan	5,003,359	6,327,553	4,133,048	1,422,100	1,113,100	200,000	200,000	200,000	200,000	200,000
Total Uses of Funds	5,003,359	6,327,553	4,133,048	1,422,100	1,113,100	200,000	200,000	200,000	200,000	200,000
Ending Balance	7,800,432	4,139,881	3,161,692	1,791,275	723,007	562,497	401,184	239,832	78,545	(82,678)

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Model Summary**Scenario: 2018 08 16 Scenario 1 – Status Quo**

5

Water Accounts

Total Accounts	6,781	6,831	6,881	6,931	6,981	7,031	7,081	7,131	7,181	7,231
New Accounts	-	50	50	50	50	50	50	50	50	50
Avg. Annual Growth Rate		0.74%	0.73%	0.73%	0.72%	0.72%	0.71%	0.71%	0.70%	0.70%

Wastewater Accounts

Total Accounts	6,045	6,085	6,125	6,165	6,205	6,245	6,285	6,325	6,365	6,405
New Accounts	-	40	40	40	40	40	40	40	40	40
Avg. Annual Growth Rate		0.66%	0.66%	0.65%	0.65%	0.64%	0.64%	0.64%	0.63%	0.63%

6

Water Volume

5/8" Meter	355,214,724	356,489,853	357,760,438	359,026,527	360,288,166	361,545,403	362,798,283	364,046,852	365,291,152	366,531,229
1" Meter	485,968,063	486,781,262	487,593,106	488,403,599	489,212,750	490,020,565	490,827,051	491,632,213	492,436,059	493,238,595
2" Meter	108,563,204	109,461,906	110,353,289	111,237,530	112,114,798	112,985,255	113,849,056	114,706,353	115,557,291	116,402,008
4" Meter	213,250,756	217,515,771	221,698,767	225,804,300	229,836,519	233,799,218	237,695,872	241,529,676	245,303,577	249,020,298
6" Meter	97,336,800	100,199,647	102,982,971	105,693,049	108,335,375	110,914,789	113,435,579	115,901,570	118,316,186	120,682,510
8" Meter	100	100	100	100	100	100	100	100	100	100
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total System	1,260,333,646	1,270,448,540	1,280,388,671	1,290,165,105	1,299,787,709	1,309,265,330	1,318,605,941	1,327,816,764	1,336,904,366	1,345,874,740

Wastewater Billing Units

5/8" Meter	224,961,846	226,222,842	227,483,839	228,744,836	230,005,833	231,266,830	232,527,827	233,788,824	235,049,821	236,310,818
1" Meter	313,267,536	314,583,786	315,900,036	317,216,286	318,532,536	319,848,786	321,165,036	322,481,287	323,797,537	325,113,787
2" Meter	69,748,883	70,964,020	72,179,157	73,394,295	74,609,432	75,824,569	77,039,707	78,254,844	79,469,981	80,685,119
4" Meter	153,997,429	160,240,568	166,483,707	172,726,846	178,969,985	185,213,124	191,456,263	197,699,402	203,942,541	210,185,680
6" Meter	55,209,368	58,555,390	61,901,412	65,247,435	68,593,457	71,939,479	75,285,501	78,631,524	81,977,546	85,323,568
8" Meter	75	75	75	75	75	75	75	75	75	75
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total System	817,185,135	830,566,681	843,948,226	857,329,772	870,711,318	884,092,863	897,474,409	910,855,955	924,237,500	937,619,046

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Current 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027

WASTEWATER Model Summary**Scenario: 2018 08 16 Scenario 1 – Status Quo****1 WASTEWATER Rates - Residential**

Base Chg	-	4,000	\$	13.46	\$	13.46	\$	16.15	\$	19.06	\$	20.58	\$	21.61	\$	22.48	\$	22.93	\$	23.39	\$	23.85	\$	24.33
Usage Chg	4,001	10,000		2.73		2.73		3.28		3.87		4.17		4.38		4.56		4.65		4.74		4.84		4.93
Usage Chg	10,001	20,000		4.23		4.23		5.08		5.99		6.47		6.79		7.06		7.21		7.35		7.50		7.65
Usage Chg	20,001	Above		6.00		6.00		7.20		8.50		9.18		9.63		10.02		10.22		10.42		10.63		10.85

WASTEWATER Rates - Commercial - 2" Meter

Base Chg	-	15,000	\$	148.46	\$	148.46	\$	178.15	\$	210.22	\$	227.04	\$	238.39	\$	247.92	\$	252.88	\$	257.94	\$	263.10	\$	268.36
Usage Chg	15,001	100,000		2.97		2.97		3.56		4.21		4.54		4.77		4.96		5.06		5.16		5.26		5.37
Usage Chg	100,001	200,000		4.46		4.46		5.35		6.32		6.82		7.16		7.45		7.60		7.75		7.90		8.06
Usage Chg	200,001	Above		6.18		6.18		7.42		8.75		9.45		9.92		10.32		10.53		10.74		10.95		11.17

WASTEWATER Residential Monthly Bill - 5/8" Meter - 75% of metered use

5,000 Gal	Total		\$	13.46	\$	13.46	\$	16.15	\$	19.06	\$	20.58	\$	21.61	\$	22.48	\$	22.93	\$	23.39	\$	23.85	\$	24.33
	Increase		\$	-	\$	-	\$	2.69	\$	2.91	\$	1.52	\$	1.03	\$	0.86	\$	0.45	\$	0.46	\$	0.47	\$	0.48
	Percent Inc			0.0%		0.0%		20.0%		18.0%		8.0%		5.0%		4.0%		2.0%		2.0%		2.0%		2.0%
10,000 Gal	Total	23.02		23.02		23.02		27.62		32.59		35.20		36.96		38.43		39.20		39.99		40.79		41.60
	Increase		\$	-	\$	-	\$	4.60	\$	4.97	\$	2.61	\$	1.76	\$	1.48	\$	0.77	\$	0.78	\$	0.80	\$	0.82
	Percent Inc			0.0%		0.0%		20.0%		18.0%		8.0%		5.0%		4.0%		2.0%		2.0%		2.0%		2.0%
20,000 Gal	Total	50.99		50.99		50.99		61.19		72.20		77.98		81.88		85.15		86.86		88.59		90.36		92.17
	Increase		\$	-	\$	-	\$	10.20	\$	11.01	\$	5.78	\$	3.90	\$	3.28	\$	1.70	\$	1.74	\$	1.77	\$	1.81
	Percent Inc			0.0%		0.0%		20.0%		18.0%		8.0%		5.0%		4.0%		2.0%		2.0%		2.0%		2.0%
30,000 Gal	Total	88.74		88.74		88.74		106.49		125.66		135.71		142.49		148.19		151.16		154.18		157.26		160.41
	Increase		\$	-	\$	-	\$	17.75	\$	19.17	\$	10.05	\$	6.79	\$	5.70	\$	2.96	\$	3.02	\$	3.08	\$	3.15
	Percent Inc			0.0%		0.0%		20.0%		18.0%		8.0%		5.0%		4.0%		2.0%		2.0%		2.0%		2.0%

WASTEWATER Commercial Monthly Bill - 2" Meter

20,000 Gal	Total		\$	148.46	\$	148.46	\$	178.15	\$	210.22	\$	227.04	\$	238.39	\$	247.92	\$	252.88	\$	257.94	\$	263.10	\$	268.36
	Increase		\$	-	\$	-	\$	29.69	\$	32.07	\$	16.82	\$	11.35	\$	9.54	\$	4.96	\$	5.06	\$	5.16	\$	5.26
	Percent Inc			0.0%		0.0%		20.0%		18.0%		8.0%		5.0%		4.0%		2.0%		2.0%		2.0%		2.0%
50,000 Gal	Total	215.29		215.29		215.29		258.34		304.84		329.23		345.69		359.52		366.71		374.04		381.53		389.16
	Increase		\$	-	\$	-	\$	43.08	\$	46.50	\$	24.39	\$	16.46	\$	13.83	\$	7.19	\$	7.33	\$	7.48	\$	7.63
	Percent Inc			0.0%		0.0%		20.0%		18.0%		8.0%		5.0%		4.0%		2.0%		2.0%		2.0%		2.0%

2 WASTEWATER Revenues and Expenses**REVENUES****WW Rate Revenues**

5/8" Meter	\$	757,579	\$	901,493	\$	1,070,968	\$	1,170,761	\$	1,238,817	\$	1,296,426	\$	1,331,660	\$	1,365,860	\$	1,400,486	\$	1,436,159
1" Meter		1,159,709		1,378,088		1,634,897		1,784,789		1,885,979		1,971,032		2,021,908		2,070,799		2,120,836		2,172,046
2" Meter		571,966		688,618		827,470		914,731		978,535		1,035,044		1,074,354		1,113,126		1,153,019		1,194,062
4" Meter		683,981		842,190		1,033,735		1,165,972		1,271,335		1,369,360		1,446,104		1,523,125		1,602,648		1,684,743
6" Meter		329,316		413,308		516,188		591,509		654,383		714,303		763,679		813,573		865,157		918,479
8" Meter		10,752		12,723		15,031		16,341		17,196		17,898		18,285		18,650		19,023		19,404
Other		-		-		-		-		-		-		-		-		-		-
Other		-		-		-		-		-		-		-		-		-		-
Other		-		-		-		-		-		-		-		-		-		-
Other		-		-		-		-		-		-		-		-		-		-

Total WW Rate Revenues

		3,513,303		4,236,421		5,098,290		5,644,103		6,046,246		6,404,063		6,655,991		6,904,932		7,161,169		7,424,893
WW Non-Rate Revenues		103,959		103,959		103,959		103,959		103,959		103,959		103,959		103,959		103,959		103,959
Total Revenues		3,617,261		4,340,380		5,202,248		5,748,062		6,150,205		6,508,022		6,759,950		7,008,891		7,265,128		7,528,852

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

	Current	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
WASTEWATER Model Summary											
Scenario: 2018 08 16 Scenario 1 -- Status Quo											
COST OF SERVICE											
Operating Expenses											
01 -- Water Plant	-	-	-	-	-	-	-	-	-	-	-
03 -- Distribution	-	-	-	-	-	-	-	-	-	-	-
04 -- Collections	382,961	414,975	429,688	444,969	460,841	477,328	494,456	512,252	530,744	549,961	569,961
05 -- Maintenance	131,976	142,031	146,893	151,935	157,162	162,584	168,206	174,038	180,088	186,364	192,864
06 -- Laboratory	129,724	142,464	147,395	152,514	157,829	163,349	169,082	175,037	181,222	187,648	194,312
07 -- Administration	455,017	496,609	513,147	530,294	548,075	566,515	585,640	605,476	626,054	647,401	669,521
08 -- Wastewater Plant	1,674,560	1,839,108	1,963,545	2,094,084	2,177,683	2,264,855	2,355,765	2,450,586	2,549,498	2,652,692	2,760,264
10 -- Finance	357,127	389,913	403,586	417,784	432,528	447,840	463,744	480,266	497,429	515,262	533,784
11 -- Electrical	100,140	110,428	114,210	118,136	122,213	126,448	130,846	135,414	140,160	145,091	150,107
12 -- CONSTRUCTION & MAINTENANCE	152,258	166,764	172,572	178,603	184,867	191,371	198,128	205,147	212,438	220,014	227,866
Water Source Alternatives	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	3,383,763	3,702,293	3,891,037	4,088,319	4,241,199	4,400,290	4,565,868	4,738,216	4,917,634	5,104,433	5,295,864
Net Revenues Available for Debt Service and Capital Outlays	233,499	638,086	1,311,212	1,659,742	1,909,007	2,107,731	2,194,082	2,270,675	2,347,494	2,424,419	2,501,854
Debt Service											
Debt Service -- Current	592,242	593,722	591,715	592,755	593,358	590,183	589,792	588,907	590,585	588,805	586,921
Debt Service -- Future	-	666,515	669,358	906,428	885,048	885,114	884,704	883,818	882,456	880,470	878,486
Total Debt Service	592,242	1,260,237	1,261,073	1,499,182	1,478,406	1,475,296	1,474,496	1,472,725	1,473,040	1,469,275	1,465,407
Net Revenues Available for Capital Outlays	(358,744)	(622,151)	50,138	160,560	430,601	632,435	719,586	797,950	874,453	945,144	1,019,447

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

	Current	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
--	---------	------	------	------	------	------	------	------	------	------	------

WASTEWATER Model Summary**Scenario: 2018 08 16 Scenario 1 – Status Quo**Capital Outlays

Total Capital Outlays		533,342	549,342	565,823	582,797	600,281	618,290	636,838	655,944	675,622	695,891
-----------------------	--	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------

Total Cost of Service		4,509,347	5,511,873	5,717,933	6,170,299	6,319,886	6,493,876	6,677,202	6,866,885	7,066,296	7,279,599
-----------------------	--	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Net Revenues for Contingency		(892,086) -24.7%	(1,171,493) -27.0%	(515,684) -9.9%	(422,237) -7.3%	(169,681) -2.8%	14,145 0.2%	82,748 1.2%	142,006 2.0%	198,831 2.7%	249,253 3.3%
------------------------------	--	---------------------	-----------------------	--------------------	--------------------	--------------------	----------------	----------------	-----------------	-----------------	-----------------

Net Revenues – Draft Report

Beginning of Year Fund Balance		2,686,734	1,794,648	623,155	107,471	(314,766)	(484,447)	(470,302)	(387,554)	(245,548)	(46,716)
--------------------------------	--	-----------	-----------	---------	---------	-----------	-----------	-----------	-----------	-----------	----------

End of Year Fund Balance		1,794,648	623,155	107,471	(314,766)	(484,447)	(470,302)	(387,554)	(245,548)	(46,716)	202,537
--------------------------	--	-----------	---------	---------	-----------	-----------	-----------	-----------	-----------	----------	---------

Financial Ratios

One Day Op Expenditure (incl debt svc)	\$	10,893	\$	13,596	\$	14,115	\$	15,308	\$	15,670	\$	16,097	\$	16,549	\$	17,016	\$	17,509	\$	18,038
Days of Operating Expenditures		165		46		8		(21)		(31)		(29)		(23)		(14)		(3)		11

Debt Coverage		0.39		0.51		1.04		1.11		1.29		1.43		1.49		1.54		1.59		1.64
---------------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------

Rec. Annual Rate Adjustment 5/8" Meter		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
---	--	-------	--	-------	--	-------	--	-------	--	-------	--	-------	--	-------	--	-------	--	-------	--	-------

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Forecast Summary**Scenario: 2018 08 16 Scenario 1 -- Status Quo**

1

Revenues

Water Rate Revenues	\$ 5,077,328	\$ 5,465,497	\$ 5,659,338	\$ 5,836,216	\$ 5,908,905	\$ 6,080,895	\$ 6,154,014	\$ 6,330,586	\$ 6,404,251	\$ 6,585,595
Water Non-Rate Revenues	331,677	331,677	331,677	331,677	331,677	331,677	331,677	331,677	331,677	331,677
Total Revenues	5,409,004	5,797,174	5,991,014	6,167,893	6,240,581	6,412,572	6,485,691	6,662,263	6,735,927	6,917,272

Operating Expenses

01 -- Water Plant	1,440,534	1,582,896	1,689,712	1,759,923	1,833,220	1,909,747	1,989,657	2,073,111	2,160,277	2,251,329
03 -- Distribution	739,372	801,140	829,229	858,348	888,537	919,840	952,300	985,964	1,020,879	1,057,094
04 -- Collections	-	-	-	-	-	-	-	-	-	-
05 -- Maintenance	148,825	160,163	165,646	171,331	177,226	183,339	189,680	196,256	203,078	210,156
06 -- Laboratory	129,724	142,464	147,395	152,514	157,829	163,349	169,082	175,037	181,222	187,648
07 -- Administration	513,104	560,006	578,655	597,991	618,042	638,836	660,402	682,771	705,976	730,048
08 -- Wastewater Plant	-	-	-	-	-	-	-	-	-	-
10 -- Finance	521,689	569,583	589,557	610,297	631,834	654,202	677,435	701,570	726,642	752,693
11 -- Electrical	100,140	110,428	114,210	118,136	122,213	126,448	130,846	135,414	140,160	145,091
12 -- CONSTRUCTION & MAINTENANCE	152,258	166,764	172,572	178,603	184,867	191,371	198,128	205,147	212,438	220,014
Water Source Alternatives	-	-	-	-	-	-	-	-	-	-
Total	3,745,645	4,093,246	4,286,975	4,447,143	4,613,768	4,787,132	4,967,530	5,155,269	5,350,671	5,554,072

Revenues Less Operating Expenses	1,663,359	1,703,928	1,704,039	1,720,750	1,626,813	1,625,440	1,518,161	1,506,993	1,385,256	1,363,200
----------------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Capital Expenses

Capital Outlays	161,076	165,908	170,885	176,012	181,292	186,731	192,333	198,103	204,046	210,167
Debt Service -- Current	339,907	340,690	339,628	340,177	340,471	338,725	338,415	337,812	338,953	337,824
Debt Service -- Future	-	-	200,951	200,951	200,951	200,951	200,951	200,951	200,951	200,951
Total	500,983	506,598	711,465	717,140	722,715	726,407	731,700	736,866	743,950	748,943

Total Cost of Service	4,246,628	4,599,844	4,998,440	5,164,283	5,336,483	5,513,539	5,699,230	5,892,136	6,094,621	6,303,015
------------------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

Net Revenues for Contingency	1,162,376 21.5%	1,197,330 20.7%	992,575 16.6%	1,003,610 16.3%	904,099 14.5%	899,033 14.0%	786,461 12.1%	770,127 11.6%	641,306 9.5%	614,258 8.9%
-------------------------------------	---------------------------	---------------------------	-------------------------	---------------------------	-------------------------	-------------------------	-------------------------	-------------------------	------------------------	------------------------

Debt Coverage	4.89	5.00	3.15	3.18	3.00	3.01	2.81	2.80	2.57	2.53
----------------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Forecast Summary**Scenario: 2018 08 16 Scenario 1 -- Status Quo****2 WASTEWATER Revenues and Expenses****Revenues**

WW Rate Revenues	\$ 3,513,303	\$ 4,236,421	\$ 5,098,290	\$ 5,644,103	\$ 6,046,246	\$ 6,404,063	\$ 6,655,991	\$ 6,904,932	\$ 7,161,169	\$ 7,424,893
WW Non-Rate Revenues	103,959	103,959	103,959	103,959	103,959	103,959	103,959	103,959	103,959	103,959
Total Revenues	3,617,261	4,340,380	5,202,248	5,748,062	6,150,205	6,508,022	6,759,950	7,008,891	7,265,128	7,528,852

Operating Expenses

01 -- Water Plant	-	-	-	-	-	-	-	-	-	-
03 -- Distribution	-	-	-	-	-	-	-	-	-	-
04 -- Collections	382,961	414,975	429,688	444,969	460,841	477,328	494,456	512,252	530,744	549,961
05 -- Maintenance	131,976	142,031	146,893	151,935	157,162	162,584	168,206	174,038	180,088	186,364
06 -- Laboratory	129,724	142,464	147,395	152,514	157,829	163,349	169,082	175,037	181,222	187,648
07 -- Administration	455,017	496,609	513,147	530,294	548,075	566,515	585,640	605,476	626,054	647,401
08 -- Wastewater Plant	1,674,560	1,839,108	1,963,545	2,094,084	2,177,683	2,264,855	2,355,765	2,450,586	2,549,498	2,652,692
10 -- Finance	357,127	389,913	403,586	417,784	432,528	447,840	463,744	480,266	497,429	515,262
11 -- Electrical	100,140	110,428	114,210	118,136	122,213	126,448	130,846	135,414	140,160	145,091
12 -- CONSTRUCTION & MAINTENANCE	152,258	166,764	172,572	178,603	184,867	191,371	198,128	205,147	212,438	220,014
Water Source Alternatives	-	-	-	-	-	-	-	-	-	-
Total	3,383,763	3,702,293	3,891,037	4,088,319	4,241,199	4,400,290	4,565,868	4,738,216	4,917,634	5,104,433

Revenues Less Operating Expenses	233,499	638,086	1,311,212	1,659,742	1,909,007	2,107,731	2,194,082	2,270,675	2,347,494	2,424,419
----------------------------------	---------	---------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Capital Expenses

Capital Outlays	533,342	549,342	565,823	582,797	600,281	618,290	636,838	655,944	675,622	695,891
Debt Service -- Current	592,242	593,722	591,715	592,755	593,358	590,183	589,792	588,907	590,585	588,805
Debt Service -- Future	-	666,515	669,358	906,428	885,048	885,114	884,704	883,818	882,456	890,470
Total	1,125,584	1,809,579	1,826,896	2,081,979	2,078,687	2,093,586	2,111,334	2,128,669	2,148,662	2,175,166

Total Cost of Service	4,509,347	5,511,873	5,717,933	6,170,299	6,319,886	6,493,876	6,677,202	6,866,885	7,066,296	7,279,599
------------------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

Net Revenues for Contingency	(892,086)	(1,171,493)	(515,684)	(422,237)	(169,681)	14,145	82,748	142,006	198,831	249,253
	-24.7%	-27.0%	-9.9%	-7.3%	-2.8%	0.2%	1.2%	2.0%	2.7%	3.3%

Debt Coverage	0.39	0.51	1.04	1.11	1.29	1.43	1.49	1.54	1.59	1.64
----------------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Forecast Summary**Scenario: 2018 08 16 Scenario 1 -- Status Quo**

3

Revenues

Water Rate Revenues	\$ 5,077,328	\$ 5,465,497	\$ 5,659,338	\$ 5,836,216	\$ 5,908,905	\$ 6,080,895	\$ 6,154,014	\$ 6,330,586	\$ 6,404,251	\$ 6,585,595
Wastewater Rate Revenues	3,513,303	4,236,421	5,098,290	5,644,103	6,046,246	6,404,063	6,655,991	6,904,932	7,161,169	7,424,893
Non-Rate Revenues	435,635	435,635	435,635	435,635	435,635	435,635	435,635	435,635	435,635	435,635
Total Revenues	9,026,266	10,137,553	11,193,263	11,915,955	12,390,786	12,920,594	13,245,641	13,671,153	14,001,055	14,446,124

Operating Expenses

01 -- Water Plant	1,440,534	1,582,696	1,689,712	1,759,923	1,833,220	1,909,747	1,989,657	2,073,111	2,160,277	2,251,329
03 -- Distribution	739,372	801,140	829,229	858,348	888,537	919,840	952,300	985,964	1,020,879	1,057,094
04 -- Collections	382,961	414,975	429,688	444,969	460,841	477,328	494,456	512,252	530,744	549,961
05 -- Maintenance	280,801	302,194	312,539	323,265	334,388	345,923	357,886	370,295	383,166	396,520
06 -- Laboratory	259,448	284,929	294,790	305,028	315,659	326,699	338,164	350,073	362,444	375,295
07 -- Administration	968,121	1,056,616	1,091,802	1,128,285	1,166,117	1,205,351	1,246,042	1,288,248	1,332,029	1,377,449
08 -- Wastewater Plant	1,674,560	1,839,108	1,963,545	2,094,084	2,177,683	2,264,855	2,355,765	2,450,586	2,549,498	2,652,692
10 -- Finance	878,816	959,497	993,143	1,028,081	1,064,362	1,102,042	1,141,180	1,181,835	1,224,072	1,267,955
11 -- Electrical	200,280	220,857	228,419	236,272	244,426	252,895	261,691	270,828	280,320	290,181
12 -- CONSTRUCTION & MAINTENANCE	304,515	333,528	345,145	357,207	369,733	382,743	396,256	410,293	424,876	440,028
Water Source Alternatives	-	-	-	-	-	-	-	-	-	-
Total	7,129,408	7,795,539	8,178,012	8,535,462	8,854,966	9,187,422	9,533,398	9,893,486	10,268,305	10,658,505

Revenues Less Operating Expenses	1,896,858	2,342,014	3,015,251	3,380,493	3,535,820	3,733,171	3,712,243	3,777,668	3,732,750	3,787,619
----------------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Capital Expenses

Capital Outlays	694,418	715,251	736,708	758,809	781,574	805,021	829,171	854,047	879,668	906,058
Debt Service -- Current	932,150	934,412	931,344	932,932	933,830	928,908	928,208	926,720	929,537	926,630
Debt Service -- Future	-	666,515	870,309	1,107,379	1,085,999	1,086,065	1,085,655	1,084,769	1,083,407	1,091,421
Total	1,626,568	2,316,177	2,538,361	2,799,120	2,801,402	2,819,993	2,843,034	2,865,535	2,892,612	2,924,108

Total Cost of Service	8,755,976	10,111,716	10,716,373	11,334,582	11,656,368	12,007,416	12,376,432	12,759,021	13,160,918	13,582,613
------------------------------	------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------

Net Revenues for Contingency	270,290	25,837	476,890	581,373	734,418	913,178	869,209	912,133	840,137	863,511
	3.0%	0.3%	4.3%	4.9%	5.9%	7.1%	6.6%	6.7%	6.0%	6.0%

Debt Coverage	2.03	1.46	1.67	1.66	1.75	1.85	1.84	1.88	1.85	1.88
----------------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area -- Rate Recommendations**Scenario: 2018 08 16 Scenario 1 -- Status Quo**

Effective Date			Current	Oct-18	Oct-19	Oct-20	Oct-21	Oct-22	Oct-23	Oct-24	Oct-25	Oct-26
Month of Adjustment (Oct = 1)			1	1	1	1	1	1	1	1	1	1
<u>Annual Adjustment</u>			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5/8" Meter			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1" Meter			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2" Meter			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4" Meter			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6" Meter			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
8" Meter			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Annual Adjustment</u>												
Base Charge - All Classes			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
<u>Volume Charge</u>												
5/8" Meter			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
1" Meter			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
2" Meter			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
4" Meter			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
6" Meter			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
8" Meter			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
Other			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
Other			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
Other			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
Other			0.00%	7.00%	2.00%	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
<u>5/8" Meter</u>												
Base Charge			4,000	\$ 12.26	\$ 12.26	\$ 13.12	\$ 13.38	\$ 13.65	\$ 13.92	\$ 13.92	\$ 14.20	\$ 14.48
Usage Charge			4,001	10,000	2.47	2.47	2.70	2.75	2.75	2.80	2.86	2.92
			10,001	20,000	3.89	3.89	4.16	4.25	4.33	4.42	4.51	4.60
			20,001	Above	5.55	5.55	5.94	6.06	6.18	6.30	6.43	6.56
<u>1" Meter</u>												
Base Charge			4,000	\$ 23.07	\$ 23.07	\$ 24.68	\$ 25.18	\$ 25.68	\$ 26.20	\$ 26.20	\$ 26.72	\$ 27.25
Usage Charge			4,001	20,000	2.52	2.52	2.70	2.75	2.81	2.86	2.92	2.98
			20,001	40,000	3.78	3.78	4.04	4.13	4.21	4.29	4.38	4.47
			40,001	Above	5.32	5.32	5.69	5.81	5.92	6.04	6.16	6.28
<u>2" Meter</u>												
Base Charge			15,000	\$ 111.06	\$ 111.06	\$ 118.83	\$ 121.21	\$ 123.64	\$ 123.64	\$ 126.11	\$ 126.11	\$ 128.63
Usage Charge			15,001	100,000	2.63	2.63	2.81	2.87	2.93	2.99	2.99	3.05
			100,001	200,000	3.95	3.95	4.23	4.31	4.40	4.49	4.49	4.57
			200,001	Above	5.90	5.90	6.31	6.44	6.57	6.70	6.70	6.83
<u>4" Meter</u>												
Base Charge			50,000	\$ 418.64	\$ 418.64	\$ 447.94	\$ 456.90	\$ 466.04	\$ 466.04	\$ 475.36	\$ 475.36	\$ 484.87
Usage Charge			50,001	500,000	2.76	2.76	2.95	3.01	3.07	3.13	3.13	3.20
			500,001	1,000,000	4.14	4.14	4.43	4.52	4.61	4.70	4.70	4.79
			1,000,001	Above	5.69	5.69	6.09	6.21	6.33	6.46	6.46	6.59

Intellectual Property of Economists.com, LLC - Not to be used without express written permission			\$ 784.00	\$ 784.00	\$ 838.88	\$ 855.66	\$ 872.77	\$ 872.77	\$ 890.23	\$ 890.23	\$ 908.03	\$ 908.03
			2.60	2.60	2.78	2.84	2.89	2.89	2.95	2.95	3.01	3.01

LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL

Input Area -- Rate Recommendations
Scenario: 2018 08 16 Scenario 1 -- Status Quo

500,001	1,000,000	3.90	3.90	4.17	4.26	4.34	4.34	4.43	4.43	4.52	4.52	4.61
1,000,001	Above	5.25	5.25	5.62	5.73	5.84	5.84	5.96	5.96	6.08	6.08	6.20

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area – Rate Recommendations**Scenario: 2018 08 16 Scenario 1 – Status Quo****8" Meter**

Base Charge	50,000	\$ 840.00	\$ 840.00	\$ 898.80	\$ 916.78	\$ 935.11	\$ 935.11	\$ 953.81	\$ 953.81	\$ 972.89	\$ 972.89	\$ 992.35
Usage Charge	500,000	2.84	2.84	3.04	3.10	3.16	3.16	3.22	3.22	3.29	3.29	3.36
	1,000,001	4.20	4.20	4.49	4.58	4.68	4.68	4.77	4.77	4.86	4.86	4.96
	Above	5.69	5.69	6.09	6.21	6.33	6.33	6.46	6.46	6.59	6.59	6.72

Other

Base Charge	50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Usage Charge	500,000	-	-	-	-	-	-	-	-	-	-	-
	1,000,001	-	-	-	-	-	-	-	-	-	-	-
	Above	-	-	-	-	-	-	-	-	-	-	-

Other

Base Charge	50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Usage Charge	500,000	-	-	-	-	-	-	-	-	-	-	-
	1,000,001	-	-	-	-	-	-	-	-	-	-	-
	Above	-	-	-	-	-	-	-	-	-	-	-

Other

Base Charge	50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Usage Charge	500,000	-	-	-	-	-	-	-	-	-	-	-
	1,000,001	-	-	-	-	-	-	-	-	-	-	-
	Above	-	-	-	-	-	-	-	-	-	-	-

Other

Base Charge	50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Usage Charge	500,000	-	-	-	-	-	-	-	-	-	-	-
	1,000,001	-	-	-	-	-	-	-	-	-	-	-
	Above	-	-	-	-	-	-	-	-	-	-	-

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area -- Rate Recommendations

Scenario: 2018 08 16 Scenario 1 -- Status Quo

Wastewater Rates				9.00%	12.00%	12.00%	9.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
Month of Adjustment (Oct = 1)				4	1	1	1	1	1	1	1	1	1	
Annual Adjustment				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
5/8" Meter				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
1" Meter				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2" Meter				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
4" Meter				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
6" Meter				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
8" Meter				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Other				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Other				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Other				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Other				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Annual Adjustment				DASHBOARD										
Base Charge - All Classes				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
Volume Charge				DASHBOARD										
5/8" Meter				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
1" Meter				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
2" Meter				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
4" Meter				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
6" Meter				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
8" Meter				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
Other				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
Other				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
Other				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
Other				0.00%	20.00%	18.00%	8.00%	5.00%	4.00%	2.00%	2.00%	2.00%	2.00%	
5/8" Meter														
Base Charge		4,000	\$ 13.46	\$ 13.46	\$ 16.15	\$ 19.06	\$ 20.58	\$ 21.61	\$ 22.48	\$ 22.93	\$ 23.39	\$ 23.85	\$ 24.33	
Usage Charge		4,001	10,000	2.73	3.28	3.87	4.17	4.38	4.56	4.65	4.74	4.84	4.93	
		10,001	20,000	4.23	5.08	5.99	6.47	6.79	7.06	7.21	7.35	7.50	7.65	
		20,001	Above	6.00	6.00	7.20	8.50	9.18	9.63	10.02	10.22	10.42	10.63	10.85
1" Meter														
Base Charge		4,000	\$ 21.83	\$ 21.83	\$ 26.20	\$ 30.91	\$ 33.38	\$ 35.05	\$ 36.46	\$ 37.18	\$ 37.93	\$ 38.69	\$ 39.46	
Usage Charge		4,001	20,000	2.73	3.28	3.87	4.17	4.38	4.56	4.65	4.74	4.84	4.93	
		20,001	40,000	4.10	4.10	4.92	5.81	6.27	6.58	6.85	6.98	7.12	7.27	7.41
		40,001	Above	6.12	6.12	7.34	8.67	9.36	9.83	10.22	10.42	10.63	10.85	11.06
2" Meter														
Base Charge		15,000	\$ 148.46	\$ 148.46	\$ 178.15	\$ 210.22	\$ 227.04	\$ 238.39	\$ 247.92	\$ 252.88	\$ 257.94	\$ 263.10	\$ 268.36	
Usage Charge		15,001	100,000	2.97	2.97	3.58	4.21	4.54	4.77	4.96	5.06	5.16	5.26	5.37
		100,001	200,000	4.46	4.46	5.35	6.32	6.82	7.16	7.45	7.60	7.75	7.90	8.06
		200,001	Above	6.18	6.18	7.42	8.75	9.45	9.92	10.32	10.53	10.74	10.95	11.17
4" Meter														
Base Charge		50,000	\$ 340.56	\$ 340.56	\$ 408.67	\$ 482.23	\$ 520.81	\$ 546.85	\$ 568.73	\$ 580.10	\$ 591.70	\$ 603.54	\$ 615.61	
Usage Charge		50,001	500,000	3.09	3.09	3.71	4.38	4.73	4.96	5.16	5.26	5.37	5.48	5.59
		500,001	1,000,000	4.63	4.63	5.56	6.56	7.08	7.43	7.73	7.89	8.04	8.21	8.37
		1,000,001	Above	6.30	6.30	7.56	8.92	9.63	10.12	10.52	10.73	10.95	11.16	11.39
6" Meter														
Base Charge		50,000	\$ 560.00	\$ 560.00	\$ 672.00	\$ 792.96	\$ 856.40	\$ 899.22	\$ 935.19	\$ 953.89	\$ 972.97	\$ 992.43	\$ 1,012.27	
Usage Charge		50,001	500,000	2.70	2.70	3.24	3.82	4.13	4.34	4.51	4.60	4.69	4.78	4.88
		500,001	1,000,000	4.05	4.05	4.86	5.73	6.19	6.50	6.76	6.90	7.04	7.18	7.32
				5.40	5.40	6.48	7.65	8.26	8.67	9.02	9.20	9.38	9.57	9.76

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area -- Rate Recommendations**Scenario: 2018 08 16 Scenario 1 -- Status Quo****8" Meter**

Base Charge	50,000	\$ 896.00	\$ 896.00	\$ 1,075.20	\$ 1,268.74	\$ 1,370.23	\$ 1,438.75	\$ 1,496.30	\$ 1,526.22	\$ 1,556.75	\$ 1,587.88	\$ 1,619.64
Usage Charge	50,001	500,000	2.93	2.93	3.52	4.15	4.48	4.70	4.89	5.09	5.19	5.30
	500,001	1,000,000	4.42	4.42	5.30	6.26	6.76	7.10	7.38	7.68	7.83	7.99
	1,000,001	Above	5.89	5.89	7.07	8.34	9.01	9.46	9.84	10.03	10.23	10.44

Other

Base Charge	50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-
	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-
	1,000,001	Above	-	-	-	-	-	-	-	-	-	-

Other

Base Charge	50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-
	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-
	1,000,001	Above	-	-	-	-	-	-	-	-	-	-

Other

Base Charge	50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-
	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-
	1,000,001	Above	-	-	-	-	-	-	-	-	-	-

Other

Base Charge	50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Usage Charge	50,001	500,000	-	-	-	-	-	-	-	-	-	-
	500,001	1,000,000	-	-	-	-	-	-	-	-	-	-
	1,000,001	Above	-	-	-	-	-	-	-	-	-	-

Contingency -- Revenues Less Revenue Requirement

Water	1,162,376	1,197,330	992,575	1,003,610	904,099	899,033	786,461	770,127	641,306	614,258
Wastewater	(892,086)	(1,171,493)	(515,684)	(422,237)	(169,681)	14,145	82,748	142,006	198,831	249,253

	3.1%	0.3%	4.4%	5.1%	6.1%	7.3%	6.8%	6.9%	6.2%	6.2%
Debt Coverage	2.03	1.46	1.67	1.66	1.75	1.85	1.84	1.88	1.85	1.88

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area -- Rate Recommendations**Scenario: 2018 08 16 Scenario 1 -- Status Quo**

5/8" Meter	\$ 1,160,129	\$ 1,238,475	\$ 1,272,075	\$ 1,301,558	\$ 1,307,719	\$ 1,335,780	\$ 1,342,041	\$ 1,370,776	\$ 1,377,139	\$ 1,406,564
1" Meter	1,898,293	2,023,759	2,075,899	2,121,228	2,128,512	2,171,411	2,178,842	2,222,730	2,230,311	2,275,211
2" Meter	575,363	619,368	641,412	661,590	670,010	689,741	698,305	718,655	727,368	748,354
4" Meter	801,998	873,992	915,583	954,674	976,744	1,015,239	1,037,240	1,076,697	1,098,672	1,139,146
6" Meter	631,466	699,175	743,386	785,963	814,698	857,298	886,141	930,073	959,085	1,004,432
8" Meter	10,080	10,727	10,983	11,203	11,221	11,427	11,446	11,656	11,675	11,889
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Water Revenue	\$ 5,077,328	\$ 5,465,497	\$ 5,659,338	\$ 5,836,216	\$ 5,908,905	\$ 6,080,895	\$ 6,154,014	\$ 6,330,586	\$ 6,404,251	\$ 6,585,595
Less Revenues to be Raised from Rates:										
5/8" Meter	\$ 1,064,246	\$ 1,155,433	\$ 1,258,294	\$ 1,298,018	\$ 1,339,320	\$ 1,381,787	\$ 1,426,417	\$ 1,472,815	\$ 1,521,595	\$ 1,571,775
1" Meter	1,441,206	1,559,756	1,693,367	1,741,541	1,791,627	1,843,059	1,897,154	1,953,373	2,012,511	2,073,251
2" Meter	319,175	347,808	380,152	393,559	407,511	421,888	436,994	452,716	469,245	486,283
4" Meter	700,693	772,008	852,631	891,445	931,719	973,191	1,016,588	1,061,667	1,108,902	1,157,610
6" Meter	389,583	433,110	482,262	507,984	534,568	561,875	590,336	619,823	650,624	682,350
8" Meter	49	53	57	59	61	62	64	66	68	70
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Sub-Total	3,914,952	4,268,167	4,666,763	4,832,606	5,004,806	5,181,863	5,367,553	5,560,459	5,762,945	5,971,338
Rate Revenue Less RRRR:	-	-	-	-	-	-	-	-	-	-
5/8" Meter	95,883	83,043	13,781	3,540	(31,601)	(46,008)	(84,376)	(102,039)	(144,456)	(165,210)
1" Meter	457,086	464,003	382,533	379,687	336,885	328,352	281,687	269,357	217,801	201,960
2" Meter	256,188	271,561	261,260	268,031	262,499	267,853	261,311	265,939	258,123	262,072
4" Meter	101,305	101,984	62,952	63,229	45,025	42,048	20,652	15,030	(10,230)	(18,465)
6" Meter	241,883	266,065	261,124	277,978	280,130	295,423	295,805	310,250	308,461	322,082
8" Meter	10,031	10,674	10,926	11,144	11,161	11,365	11,382	11,590	11,607	11,819
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area -- Rate Recommendations
Scenario: 2018 08 16 Scenario 1 -- Status Quo

WW Rate Revenues

WW Rate Revenue

5/8" Meter	\$ 757,579	\$ 901,493	\$ 1,070,968	\$ 1,170,761	\$ 1,238,817	\$ 1,296,426	\$ 1,331,660	\$ 1,365,660	\$ 1,400,486	\$ 1,436,159
1" Meter	1,159,709	1,378,088	1,634,897	1,784,789	1,885,979	1,971,032	2,021,908	2,070,799	2,120,836	2,172,046
2" Meter	571,966	688,618	827,470	914,731	978,535	1,035,044	1,074,354	1,113,126	1,153,019	1,194,062
4" Meter	683,981	842,190	1,033,735	1,165,972	1,271,335	1,369,360	1,446,104	1,523,125	1,602,648	1,684,743
6" Meter	329,316	413,308	516,188	591,509	654,383	714,303	763,679	813,573	865,157	918,479
8" Meter	10,752	12,723	15,031	16,341	17,196	17,898	18,285	18,650	19,023	19,404
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total WW Rate Revenues	3,513,303	4,236,421	5,098,290	5,644,103	6,046,246	6,404,063	6,655,991	6,904,932	7,161,169	7,424,893

Less Revenues to be Raised from Rates.

5/8" Meter	\$ 1,320,458	\$ 1,589,514	\$ 1,834,320	\$ 1,743,776	\$ 1,772,247	\$ 1,806,965	\$ 1,843,901	\$ 1,882,254	\$ 1,922,857	\$ 1,966,708
1" Meter	1,645,375	2,002,548	2,055,100	2,197,956	2,226,705	2,263,829	2,303,655	2,345,045	2,389,142	2,437,315
2" Meter	367,191	452,661	470,531	509,546	522,610	537,772	553,741	570,263	587,627	606,195
4" Meter	789,156	988,128	1,059,670	1,171,975	1,224,609	1,282,699	1,343,273	1,405,753	1,470,923	1,539,788
6" Meter	283,168	365,021	394,310	443,044	469,712	498,606	528,626	559,562	591,739	625,583
8" Meter	39	42	43	44	45	46	48	49	51	52
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Sub-Total	4,405,388	5,407,914	5,613,974	6,066,340	6,215,927	6,389,918	6,573,243	6,762,926	6,962,338	7,175,640

Rate Revenue Less RRRR.

5/8" Meter	(562,880)	(688,021)	(563,352)	(573,016)	(533,430)	(510,539)	(512,240)	(516,594)	(522,371)	(530,548)
1" Meter	(485,666)	(624,460)	(420,203)	(413,167)	(340,726)	(292,797)	(281,747)	(274,247)	(268,306)	(265,268)
2" Meter	204,775	235,958	356,939	405,185	455,926	497,272	520,613	542,863	565,392	587,867
4" Meter	(105,176)	(155,939)	(25,935)	(6,003)	46,726	86,661	102,831	117,372	131,725	144,955
6" Meter	46,148	48,287	121,878	148,465	184,671	215,697	235,053	254,011	273,418	292,896
8" Meter	10,713	12,682	14,988	16,297	17,151	17,852	18,237	18,601	18,973	19,352
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Rate Revenue less Revenue Rqmt	(892,086)	(1,171,493)	(515,684)	(422,237)	(169,681)	14,145	82,748	142,006	198,831	249,253
	(892,086)	(1,171,493)	(515,684)	(422,237)	(169,681)	14,145	82,748	142,006	198,831	249,253

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area – Rate Recommendations
Scenario: 2018 08 16 Scenario 1 – Status Quo

Net Annual Volume after Minimum:													
5/8" Meter	4,001	10,000	40.0%	48,485,889	48,323,941	48,160,175	47,994,611	47,827,267	47,658,161	47,487,313	47,314,741	47,140,461	46,964,492
	6,072	10,001	20,000	40.0%	48,485,889	48,323,941	48,160,175	47,994,611	47,827,267	47,658,161	47,487,313	47,314,741	47,140,461
	4,000	20,001	Above	20.0%	24,242,945	24,161,971	24,080,088	23,997,305	23,913,633	23,829,081	23,743,657	23,657,370	23,570,230
				100.0%	121,214,724	120,809,853	120,400,438	119,986,527	119,568,166	119,145,403	118,718,283	118,286,852	117,851,152
1" Meter	4,001	20,000	40.0%	165,702,425	165,931,705	166,160,442	166,388,640	166,616,300	166,843,426	167,070,020	167,296,085	167,521,624	167,746,638
	27,107	20,001	40,000	40.0%	165,702,425	165,931,705	166,160,442	166,388,640	166,616,300	166,843,426	167,070,020	167,296,085	167,521,624
	6,000	40,001	Above	20.0%	82,851,213	82,965,852	83,080,221	83,194,320	83,308,150	83,421,713	83,535,010	83,648,043	83,760,812
				100.0%	414,256,063	414,829,262	415,401,106	415,971,599	416,540,750	417,108,565	417,675,051	418,240,213	418,804,059
2" Meter	15,001	100,000	65.0%	35,232,082	35,231,239	35,225,638	35,215,395	35,200,619	35,181,415	35,157,887	35,130,130	35,098,239	35,062,305
	29,957	100,001	200,000	30.0%	16,260,961	16,260,572	16,257,987	16,253,259	16,246,439	16,237,576	16,226,717	16,213,906	16,199,187
	26,000	200,001	Above	5.0%	2,710,160	2,710,095	2,709,664	2,708,877	2,707,740	2,706,263	2,704,453	2,702,318	2,699,865
				100.0%	54,203,204	54,201,906	54,193,289	54,177,530	54,154,798	54,125,255	54,089,056	54,046,353	53,997,291
4" Meter	50,001	500,000	45.0%	75,712,840	76,822,097	77,894,445	78,931,935	79,936,434	80,909,648	81,853,142	82,768,354	83,656,610	84,519,134
	236,945	500,001	1,000,000	40.0%	67,300,303	68,286,309	69,239,507	70,161,720	71,054,608	71,919,687	72,758,349	73,571,870	74,361,431
	101,000	1,000,001	Above	15.0%	25,237,613	25,607,366	25,964,815	26,310,645	26,645,478	26,969,883	27,284,381	27,589,451	27,885,537
				100.0%	168,250,756	170,715,771	173,098,767	175,404,300	177,636,519	179,799,218	181,895,872	183,929,676	185,903,577
6" Meter	50,001	500,000	30.0%	23,081,040	23,579,894	24,054,891	24,507,915	24,940,612	25,354,437	25,750,674	26,130,471	26,494,856	26,844,753
	238,571	500,001	1,000,000	30.0%	23,081,040	23,579,894	24,054,891	24,507,915	24,940,612	25,354,437	25,750,674	26,130,471	26,494,856
	101,000	1,000,001	Above	40.0%	30,774,720	31,439,859	32,073,188	32,677,220	33,254,150	33,805,915	34,334,232	34,840,628	35,326,474
				100.0%	76,936,800	78,599,647	80,182,971	81,693,049	83,135,375	84,514,789	85,835,579	87,101,570	88,316,186
8" Meter	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-
	8	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-
	101,000	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-
				100.0%	-	-	-	-	-	-	-	-	-
Other	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-
	-	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-
	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-
				100.0%	-	-	-	-	-	-	-	-	-

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area -- Rate Recommendations**Scenario: 2018 08 16 Scenario 1 -- Status Quo**

Other	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-	-
			100.0%	-	-	-	-	-	-	-	-	-	-	-
Other	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-	-
			100.0%	-	-	-	-	-	-	-	-	-	-	-
Other	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-	-
			100.0%	-	-	-	-	-	-	-	-	-	-	-
Total				834,861,546	839,156,440	843,276,571	847,233,005	851,035,609	854,693,230	858,213,841	861,604,664	864,872,266	868,022,640	
				834,861,546	839,156,440	843,276,571	847,233,005	851,035,609	854,693,230	858,213,841	861,604,664	864,872,266	868,022,640	

5/8" Meter	58,500	58,920	59,340	59,760	60,180	60,600	61,020	61,440	61,860	62,280
1" Meter	17,928	17,988	18,048	18,108	18,168	18,228	18,288	18,348	18,408	18,468
2" Meter	3,624	3,684	3,744	3,804	3,864	3,924	3,984	4,044	4,104	4,164
4" Meter	900	936	972	1,008	1,044	1,080	1,116	1,152	1,188	1,224
6" Meter	408	432	456	480	504	528	552	576	600	624
8" Meter	12	12	12	12	12	12	12	12	12	12
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total System	81,372	81,972	82,572	83,172	83,772	84,372	84,972	85,572	86,172	86,772

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area -- Rate Recommendations**Scenario: 2018 08 16 Scenario 1 -- Status Quo****WASTEWATER -- Customer & Usage Data****Customer Class Units -- Base Annual Usage**

5/8" Meter	224,961,846	226,222,842	227,483,839	228,744,836	230,005,833	231,266,830	232,527,827	233,788,824	235,049,821	236,310,818
1" Meter	313,267,536	314,583,786	315,900,036	317,216,286	318,532,536	319,848,786	321,165,036	322,481,287	323,797,537	325,113,787
2" Meter	69,748,883	70,964,020	72,179,157	73,394,295	74,609,432	75,824,569	77,039,707	78,254,844	79,469,981	80,685,119
4" Meter	153,997,429	160,240,568	166,483,707	172,726,846	178,969,985	185,213,124	191,456,263	197,699,402	203,942,541	210,185,680
6" Meter	55,209,368	58,555,390	61,901,412	65,247,435	68,593,457	71,939,479	75,285,501	78,631,524	81,977,546	85,323,568
8" Meter	75	75	75	75	75	75	75	75	75	75
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Wastewater	817,185,135	830,566,681	843,948,226	857,329,772	870,711,318	884,092,863	897,474,409	910,855,955	924,237,500	937,619,046

Net Annual Volume after Minimum:

5/8" Meter	4,001	10,000	60.0%	6,529,107	6,565,705	6,602,304	6,638,902	6,675,500	6,712,098	6,748,696	6,785,294	6,821,892	6,858,491
203	10,001	20,000	35.0%	3,808,646	3,829,995	3,851,344	3,872,693	3,894,042	3,915,390	3,936,739	3,958,088	3,979,437	4,000,786
4,000	20,001	Above	5.0%	544,092	547,142	550,192	553,242	556,292	559,341	562,391	565,441	568,491	571,541
Total			100.0%	10,881,846	10,942,842	11,003,839	11,064,836	11,125,833	11,186,830	11,247,827	11,308,824	11,369,821	11,430,818
1" Meter	4,001	20,000	65.0%	166,495,898	167,195,461	167,895,023	168,594,586	169,294,149	169,993,711	170,693,274	171,392,836	172,092,399	172,791,962
17,938	20,001	40,000	30.0%	76,844,261	77,167,136	77,490,011	77,812,886	78,135,761	78,458,636	78,781,511	79,104,386	79,427,261	79,750,136
6,000	40,001	Above	5.0%	12,807,377	12,861,189	12,915,002	12,968,814	13,022,627	13,076,439	13,130,252	13,184,064	13,237,877	13,291,689
Total			100.0%	256,147,536	257,223,786	258,300,036	259,376,286	260,452,536	261,528,786	262,605,036	263,681,287	264,757,537	265,833,787
2" Meter	15,001	100,000	80.0%	14,471,106	14,723,216	14,975,326	15,227,436	15,479,546	15,731,655	15,983,765	16,235,875	16,487,985	16,740,095
5,252	100,001	200,000	15.0%	2,713,332	2,760,603	2,807,874	2,855,144	2,902,415	2,949,685	2,996,956	3,044,227	3,091,497	3,138,768
26,000	200,001	Above	5.0%	904,444	920,201	935,958	951,715	967,472	983,228	998,985	1,014,742	1,030,499	1,046,256
Total			100.0%	18,088,883	18,404,020	18,719,157	19,034,295	19,349,432	19,664,569	19,979,707	20,294,844	20,609,981	20,925,119
4" Meter	50,001	500,000	80.0%	87,677,943	91,232,454	94,786,965	98,341,477	101,895,988	105,450,499	109,005,010	112,559,521	116,114,033	119,668,544
123,421	500,001	1,000,000	15.0%	16,438,614	17,106,085	17,772,556	18,439,027	19,105,498	19,771,969	20,438,439	21,104,910	21,771,381	22,437,852
101,000	1,000,001	Above	5.0%	5,479,871	5,702,028	5,924,185	6,146,342	6,368,499	6,590,656	6,812,813	7,034,970	7,257,127	7,479,284
Total			100.0%	109,597,429	114,040,568	118,483,707	122,926,846	127,369,985	131,813,124	136,256,263	140,699,402	145,142,541	149,585,680
6" Meter	50,001	500,000	80.0%	28,327,494	30,044,312	31,761,130	33,477,948	35,194,766	36,911,583	38,628,401	40,345,219	42,062,037	43,778,855
89,418	500,001	1,000,000	15.0%	5,311,405	5,633,309	5,955,212	6,277,115	6,599,019	6,920,922	7,242,825	7,564,729	7,886,632	8,208,535
101,000	1,000,001	Above	5.0%	1,770,468	1,877,770	1,985,071	2,092,372	2,199,673	2,306,974	2,414,275	2,521,576	2,628,877	2,736,178
Total			100.0%	35,409,368	37,555,390	39,701,412	41,847,435	43,993,457	46,139,479	48,285,501	50,431,524	52,577,546	54,723,568
8" Meter	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-
75	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-	-
101,000	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-
Total			100.0%	-	-	-	-	-	-	-	-	-	-

**LAGUNA MADRE WATER DISTRICT
WATER/WASTEWATER COST OF SERVICE MODEL**

Input Area – Rate Recommendations**Scenario: 2018 08 16 Scenario 1 – Status Quo**

Other	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-	-
Total			100.0%	-	-	-	-	-	-	-	-	-	-	-
Other	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-	-
Total			100.0%	-	-	-	-	-	-	-	-	-	-	-
Other	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-	-
Total			100.0%	-	-	-	-	-	-	-	-	-	-	-
Other	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-	-
Total			100.0%	-	-	-	-	-	-	-	-	-	-	-
Other	50,001	500,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	500,001	1,000,000	0.0%	-	-	-	-	-	-	-	-	-	-	-
-	1,000,001	Above	100.0%	-	-	-	-	-	-	-	-	-	-	-
Total			100.0%	-	-	-	-	-	-	-	-	-	-	-
Total Wastewater				430,125,060	438,166,606	446,208,151	454,249,697	462,291,243	470,332,788	478,374,334	486,415,880	494,457,425	502,498,971	
				430,125,060	438,166,606	446,208,151	454,249,697	462,291,243	470,332,788	478,374,334	486,415,880	494,457,425	502,498,971	
Customer Class Units – Total Bills														
5/8" Meter				53,520	53,820	54,120	54,420	54,720	55,020	55,320	55,620	55,920	56,220	
1" Meter				14,280	14,340	14,400	14,460	14,520	14,580	14,640	14,700	14,760	14,820	
2" Meter				3,444	3,504	3,564	3,624	3,684	3,744	3,804	3,864	3,924	3,984	
4" Meter				888	924	960	996	1,032	1,068	1,104	1,140	1,176	1,212	
6" Meter				396	420	444	468	492	516	540	564	588	612	
8" Meter				12	12	12	12	12	12	12	12	12	12	
Other				-	-	-	-	-	-	-	-	-	-	
Other				-	-	-	-	-	-	-	-	-	-	
Other				-	-	-	-	-	-	-	-	-	-	
Other				-	-	-	-	-	-	-	-	-	-	
Total Wastewater				72,540	73,020	73,500	73,980	74,460	74,940	75,420	75,900	76,380	76,860	

Laguna Madre Water District

FINANCIAL STATEMENTS And SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended September 30, 2018



**Laguna Madre Water District
Table of Contents
September 30, 2018**

INTRODUCTORY SECTION	
Organizational Chart	1
Annual Filing Affidavit	2
FINANCIAL SECTION	
Independent Auditors' Report	3
Management's Discussion and Analysis	6
BASIC FINANCIAL STATEMENTS	
Statement of Net Position and Governmental Fund Balance Sheet	18
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Net Position	20
Notes to the Basic Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION SECTION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund – Budget and Actual	51
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund – Budget and Actual	52
Schedule of Changes in Net Pension Liability and Related Ratios	53
Schedule of Employer Contributions	54
OTHER SUPPLEMENTARY INFORMATION SECTION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Fund – Budget and Actual	55
TEXAS SUPPLEMENTARY INFORMATION (TSI) SECTION	
Notes Required by the Water District Accounting Manual	56
TSI – 1. Services and Rates	57
TSI – 2. General Fund Expenditures	59
TSI – 3. Temporary Investments	60

(Continued)

Laguna Madre Water District
Table of Contents
September 30, 2018

TEXAS SUPPLEMENTARY INFORMATION (TSI) SECTION (Continued)	
TSI – 4. Taxes Levied and Receivable	61
TSI – 5. Long-Term Debt Service Requirements by Years	62
TSI – 6. Changes in Long-Term Bonded Debt	67
TSI – 7. Comparative Schedule of Revenues and Expenditures – General Fund And Debt Service Fund – Five Years	68
TSI – 8. Board Members, Key Personnel and Consultants	70
OTHER INFORMATION SECTION	
Top Ten Taxpayers	72
Top Ten Rate Payers	73
COMPLIANCE SECTION	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	74

INTRODUCTORY SECTION

**Laguna Madre Water District
Organizational Chart**

Board Members

Scott D. Friedman
Herb Houston
Alex Avalos
Jason Starkey
Adam Lalonde

Chairman
Vice Chairman
Secretary
Director
Director

Administration

Carlos J. Galvan, Jr.
Robert Gomez
Eduardo Salazar
Charles Ortiz, P.E.

General Manager
Director of Operations
Director of Finance
District Engineer

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF CAMERON

I, SCOTT FRIEDMAN of the

(Name of Duty Authorized District Representative)

LAGUNA MADRE WATER DISTRICT hereby
(Name of District)

Swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 13TH day of FEBRUARY, 2019, its annual audit report for the Twelve-Month Period ended SEPTEMBER 30, 2018 and that copies of the annual audit report have been filed in the district office, located at:

105 PORT RD., PORT ISABEL, TX 78578
(Address of District)

The filing affidavit and the attached copy of the annual audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements Texas Water Code Section 49.194.

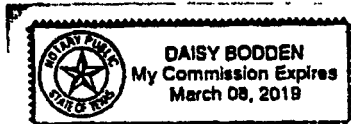
Date: FEBRUARY 13, 2019

By: 

SCOTT FRIEDMAN, CHAIRMAN

(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 13TH day of FEBRUARY, 2019.




(Signature of Notary)

My Commission Expires on: MARCH 08, 2019, Notary Public in the State of Texas.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Laguna Madre Water District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Laguna Madre Water District ("District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 we have obtained is sufficient and appropriate to provide a basis for our audit 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 and each major fund of the District, as of September 30, 2018, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the employer's net pension liability and related ratios, and schedule of employer contributions on pages 6-17 and 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information, Texas Supplementary Information section, and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and Texas supplementary information sections are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and Texas supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, on our consideration of the District'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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas

February 6, 2019

(This page intentionally left blank)

Laguna Madre Water District Management's Discussion & Analysis

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Laguna Madre Water District's (District) annual financial report presents our discussion and analysis of the District's financial performance for the fiscal year ended September 30, 2018. The MD&A should be read in conjunction with the District's financial statements which follow this section.

Financial Highlights

- In the Government-Wide Statement of Net Position, the total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources for the fiscal year ended September 30, 2018, by \$68,498,763. Of this amount \$9,492,416 (considered unrestricted) may be used to meet the District's ongoing obligations to citizens and creditors. The net investment in capital assets of the District is \$55,806,128.
- The restricted portion of the Government-Wide net position includes the debt service payment amounts of \$3,200,219 due fiscal year 2018-19.
- The fund balance in the General Fund increased by \$726,837. The ending fund balance for the fiscal year ended September 30, 2018, was \$7,044,205. The combined General Fund and Emergency fund balances are \$9,110,793.
- For the fiscal year ended September 30, 2018, the District's fund balances reported a combined ending fund balance of \$13,375,673.

Overview of the Financial Statements

This annual report consists of the management's discussion and analysis (this section), the basic financial statements, notes to the basic financial statements, required supplementary information, supplementary information, Texas supplementary information (TSI) section and other information section.

The basic financial statements are comprised of three components:

- The *government-wide financial statements* provide both long-term and short-term information about the District's overall financial status. These statements are presented for governmental activities, the only activity of the District. They are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.
- The *statement of net position* presents information on all of the District's assets and liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Laguna Madre Water District Management's Discussion & Analysis

- The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The fund financial statements focus on individual parts of the District, reporting the District's operation in greater detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

- The governmental funds statements show how general government services were financed in the short-term as well as what remains for future spending. The District considers these funds as major: General Fund, Debt Service Fund, Emergency Services Fund, and Capital Projects fund.

Additional Information Regarding the District's Fund Financial Statements:

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund and debt service fund. Budgetary comparison statements have been provided for the general and debt service fund.

The District's basic financial statements can be found on pages 18-21.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-50 of this report.

Laguna Madre Water District Management's Discussion & Analysis

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's general fund budgetary schedule, schedule of changes in employer's net pension liability and related ratios, as well as the schedule of employer contributions. Required supplementary information can be found on pages 51-54 of this report.

Other Supplementary Information, Texas Supplementary Information (TSI) Section and Other Information Section

The District also provides other supplementary information concerning the District's debt service fund budgetary schedule, Texas Supplementary Information schedules as required by the Texas Commission on Environmental Quality, and other information deemed appropriate. The other supplementary information, the TSI, and other information can be found on pages 55-73 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of the District's financial position. At September 30, 2018, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$68,498,763. By far, the largest portion of the District's net position (81.5%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide services to its citizens and therefore these assets are not available for future spending. Although the District's investment in these capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$3,200,219 (4.7%), represents resources that are subject to external restriction on how they may be used. The remaining balances of unrestricted net position, totaling \$9,492,416 may be used to meet the District's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balance in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

**Laguna Madre Water District
Management's Discussion & Analysis**

Exhibit 1
Laguna Madre Water District
Governmental Activities – Net Position
September 30,

	2018	2017
Current and other assets	\$ 15,001,957	\$ 20,559,648
Capital assets	81,069,844	76,697,405
Total assets	96,071,801	97,257,053
 Total deferred outflows of resources	 520,126	 1,126,246
 Long-term liabilities outstanding	 26,091,737	 28,401,947
Other liabilities	1,685,955	1,666,331
Total liabilities	27,777,692	30,068,278
 Total deferred inflows of resources	 315,472	 220,754
 Net position		
Net Investment in capital assets	55,806,128	56,218,039
Restricted	3,200,219	3,084,681
Unrestricted	9,492,416	8,791,547
Total net position	\$ 68,498,763	\$ 68,094,267

Governmental Activities

During the current fiscal year, net position for governmental activities increased by \$404,496. As indicated in Exhibit 2 charges for services comprised 83.9% and property taxes comprised 13.2% of all revenues. Service operations comprised 67.6% of all expenses; interest on long-term debt, 6.9%; and depreciation expense, 25.4%.

Laguna Madre Water District Management's Discussion & Analysis

Exhibit 2 Laguna Madre Water District Governmental Activities – Changes in Net Position For the Fiscal Year Ended September 30,

	2018	2017
Revenues:		
Program Revenues		
Charges for services	\$ 9,391,158	\$ 9,550,739
General Revenues		
Property taxes	1,475,769	1,486,069
Investment earnings	213,196	132,361
Other	104,843	154,452
Total revenue	11,184,966	11,323,621
Expenses		
Service operations	7,189,786	7,025,455
Interest on long-term debt and fiscal expense	738,687	945,387
Depreciation expense	2,705,723	2,630,994
Total expenses	10,634,196	10,601,836
Other Income/Expenses		
Gain/loss on sale of assets	(146,274)	-
Increase in net position	404,496	721,785
Net Position, Beginning	68,094,267	67,372,482
Net Position, Ending	\$ 68,498,763	\$ 68,094,267

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party or the District itself.

Laguna Madre Water District Management's Discussion & Analysis

At September 30, 2018, the District's governmental funds reported combined ending fund balances of \$13,375,673, a decrease of \$5,578,643 in comparison with the prior year. Approximately 41.9% of this amount (\$5,599,329) constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$593,554), 2) restricted for particular purposes (\$4,138,220), 3) committed for particular purposes (\$2,138,543), 4) assigned for particular purposes (\$906,027).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,599,329, while total fund balance increased to \$7,044,205. The fund balance of the District's general fund increased by \$726,837 primarily due to a decrease in expenditures.

As shown in Exhibit 3 below the District has maintained healthy fund balances in its general fund for several consecutive fiscal years.

Exhibit 3
Fund Balance of the General Fund

Fiscal Year	Revenues	Expenditures Plus Transfers Out	Fund Balance	Percentage of Fund Balance In Relation to Revenues	Percentage of Fund Balance In Relation to Expenditures Plus Transfer Out
April					
2008	\$ 8,237,727	\$ 6,632,006	\$ 6,273,270	76.2%	94.6%
2009	\$ 7,174,800	\$ 8,474,029	\$ 5,239,329	73.0%	61.8%
2010	\$ 7,443,217	\$ 7,387,754	\$ 4,511,569	60.6%	61.1%
2011	\$ 8,100,426	\$ 7,466,198	\$ 5,087,406	62.8%	68.1%
2012	\$ 8,268,463	\$ 7,151,218	\$ 6,284,270	76.0%	87.9%
2013	\$ 8,738,728	\$ 10,335,855	\$ 4,697,639	53.8%	45.4%
September					
2013*	\$ 3,813,789	\$ 3,137,960	\$ 5,373,468	140.9%	171.2%
2014	\$ 7,459,276	\$ 7,345,323	\$ 5,487,421	73.6%	74.7%
2015	\$ 8,022,892	\$ 7,743,486	\$ 5,771,327	71.9%	74.5%
2016	\$ 9,259,450	\$ 8,864,410	\$ 6,267,812	67.7%	70.7%
2017	\$ 9,738,484	\$ 9,695,592	\$ 6,317,365	64.9%	65.2%
2018	\$ 9,585,386	\$ 8,858,549	\$ 7,044,205	73.5%	79.5%

*Results are based on a 5-month period. During 2013 the District changed to a September 30 fiscal year end.

**Laguna Madre Water District
Management's Discussion & Analysis**

Exhibit 4
Laguna Madre Water District
General Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended September 30,

	2018	2017
Revenues		
Water services	\$ 5,321,051	\$ 5,481,245
Wastewater services	3,650,725	3,713,416
Other water sales	119,597	134,503
Late fees	62,631	58,683
Tap fees	237,154	162,892
Investment earnings	89,446	33,305
Miscellaneous	104,782	154,440
Total revenues	9,585,386	9,738,484
Expenditures		
Service operation	6,833,457	6,687,027
Lease principal	11,831	11,480
Lease interest	2,343	2,694
Capital outlay	139,642	206,388
Total expenditures	6,987,273	6,907,589
Excess (Deficiency) of Revenues Over (under) Expenditures	2,598,113	2,830,895
Other Financing Sources (Uses)		
Transfer from other funds	-	6,661
Transfer to other funds	(1,871,276)	(2,788,003)
Total other financing sources	(1,871,276)	(2,781,342)
Net Change in Fund Balances	726,837	49,553
Fund Balance Beginning,	6,317,368	6,267,815
Fund Balance Ending	\$ 7,044,205	\$ 6,317,368

**Laguna Madre Water District
Management's Discussion & Analysis**

Exhibit 5
Laguna Madre Water District
Debt Service Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended September 30,

	2018	2017
Revenues		
Property taxes and penalties/interest	\$ 1,480,077	\$ 1,503,967
Investment earnings	39,839	19,365
Miscellaneous	61	12
Total revenues	1,519,977	1,523,344
Expenditures		
Bond principal	1,590,000	1,565,000
Bond interest and fiscal agent fees	688,266	714,584
Contracted services	54,014	54,432
Total expenditures	2,332,280	2,334,016
Excess (Deficiency) of Revenues Over (under) Expenditures	(812,303)	(810,672)
Other Financing Sources (Uses)		
Transfer from other funds	932,150	925,965
Total other financing sources	932,150	925,965
Net Change in Fund Balances	119,847	115,293
Fund Balance Beginning,	3,011,861	2,896,568
Fund Balance Ending	\$ 3,131,708	\$ 3,011,861

As shown in Exhibit 5 above, the debt service fund for the fiscal year ended September 30, 2018, had a fund balance of \$3,131,708; this amount represented an increase of \$119,847 compared to prior year. The total debt service fund balance is restricted for payment of debt service. The District's ad valorem tax rate during fiscal year 2018 was \$0.04386 per \$100 valuation.

**Laguna Madre Water District
Management's Discussion & Analysis**

Exhibit 6
Laguna Madre Water District
Capital Projects Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended September 30,

	2018	2017
Revenues		
Investment earnings	\$ 48,793	\$ 62,009
Total revenues	48,793	62,009
Expenditures		
Capital outlay	7,448,364	6,702,033
Bond issuance costs	-	228,145
Total expenditures	7,448,364	6,930,178
Excess (Deficiency) of Revenues Over (under) Expenditures	(7,399,571)	(6,868,169)
Other Financing Sources (Uses)		
Issuance of debt	-	5,815,000
Transfer from other funds	939,126	1,855,377
Total other financing sources	939,126	7,670,377
Net Change in Fund Balances	(6,460,445)	802,208
Fund Balance Beginning,	7,593,617	6,791,409
Fund Balance Ending	\$ 1,133,172	\$ 7,593,617

General Fund Budgetary Highlights

For the fiscal year ended September 30, 2018, total actual revenues exceeded budgeted revenues by \$319,545. Total actual expenditures were under budget by \$435,291. The general fund budget indicates that actual expenses exceeded budgeted expenses in the "materials and supplies" and "other" categories. These variances are not considered significant. Variances between budgeted and actual amounts are not expected to have a significant effect on future services or liquidity of the District. The budget remains in effect the entire year and is revised only if necessary through a budget amendment.

Laguna Madre Water District Management's Discussion & Analysis

Capital Asset and Debt Administration

The District's investment in capital assets for its governmental activities as shown in Exhibit 7 as of September 30, 2018, amounts to \$81,069,844. The net increase in capital assets for the fiscal year ended September 30, 2018 was \$4,372,439.

Major Projects ---General Fund

The District approved an upgrade to Advanced Metering Infrastructure (AMI), which is an integrated system of smart meters, communications networks, and data management systems that enables two-way communication between the District and its customers.

Major Projects---Capital Projects Fund

Port Isabel Wastewater Treatment Plant modifications were made at a cumulative cost of \$6,196,327. Additional improvements at the other Wastewater Treatment Plants were made at a cost of \$150,311. Wastewater collection system modifications and repairs totaled \$126,947. Raw water system maintenance in the amount of \$46,500. The District purchased water rights for \$356,935.

The depreciation expense for the year ended September 30, 2018 for the governmental activities totaled \$2,705,723.

Exhibit 7
Laguna Madre Water District
Capital Assets
(Net of depreciation)
For the Fiscal Year Ended September 30,

	2018	2017
Land	\$ 1,411,177	\$ 1,411,177
Construction in progress	11,883,329	7,290,292
Buildings and improvements	3,256,494	3,389,103
Improvements other than buildings	7,696,865	7,880,992
Machinery and equipment	715,379	732,139
Infrastructure	56,106,600	55,993,702
Total	\$ 81,069,844	\$ 76,697,405

Additional information on the District's capital assets can be found in Note 6 on page 38 of this report.

Laguna Madre Water District Management's Discussion & Analysis

Long-Term Debt

At September 30, 2018, the District's total bonded debt was \$24,728,006. Of this amount, \$14,355,000 is considered to be tax supported debt and \$10,140,000 are considered revenue notes. The revenue bonds did not require a bond rating.

Exhibit 8 shows the District's outstanding long-term debt as of September 30, 2018.

Additional information on the District's long-term debt can be found in Note 7 on pages 38-40 of this report.

Exhibit 8
Laguna Madre Water District
Long-Term Liabilities
For the Fiscal Year Ended September 30,

	2018	2017
General obligation tax bonds	\$ 14,355,000	\$ 15,190,000
Revenue bonds	10,140,000	10,895,000
Plus: Unamortized premium	233,006	249,650
Total bonds payable	24,728,006	26,334,650
Compensated absences	72,104	74,915
Lease payable	64,805	76,636
Net pension liabilities	1,226,822	1,915,746
Total long-term liabilities	\$ 26,091,737	\$ 28,401,947

Bond Ratings

The District maintains the following general obligation and revenue bond credit ratings:

	Moody's Investors Service	Standard & Poor's
General obligation bonds	Aa2	A+
Revenue bonds	N/A	N/A



Laguna Madre Water District Management's Discussion & Analysis

Request for Information

This financial report is to provide the District directors, citizens, taxpayers, customers, bondholders, creditors, and other governmental sectors with a general overview of the District's financial condition and to demonstrate the District's accountability for the funds it receives.

If you have any questions regarding this report or need additional information, please contact:

Laguna Madre Water District
Eduardo Salazar, Director of Finance
105 Port Road
Port Isabel, Texas 78578

Phone Number: 956.943.2626
Fax Number: 956.943.6662
E-mail: esalazar@lmwd.org
Web Page: lmwd.org

BASIC FINANCIAL STATEMENTS

Laguna Madre Water District
Statement of Net Position and Governmental Funds Balance Sheet

<i>September 30, 2018</i>	General Fund	Emergency Preparation and Recovery Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Position
Assets							
Cash and cash equivalents	\$ 4,099,910	\$ -	\$ -	580,538	\$ 4,680,448	\$ -	\$ 4,680,448
Certificates of deposit	2,019,367	-	-	402,301	2,421,668	-	2,421,668
Receivables, (net):						-	
Taxes	-	-	113,845	-	113,845	-	113,845
Accounts	701,324	-	-	570,938	1,272,262	-	1,272,262
Miscellaneous	38,102				38,102	-	38,102
Internal receivables	326,053	-	5,117	609,359	940,529	(940,529)	-
Inventories	520,778	-	-	-	520,778	-	520,778
Prepaid expenses	72,776	-	-	-	72,776	-	72,776
Restricted assets:							
Cash and cash equivalents	122,946	1,054,433	1,820,846	160,733	3,158,958	-	3,158,958
Certificates of deposit	402,886	1,012,155	1,260,411	-	2,675,452	-	2,675,452
Capital assets not being depreciated:							
Land	-	-	-	-	-	1,411,177	1,411,177
Construction in progress	-	-	-	-	-	11,883,329	11,883,329
Capital assets net of accumulated depreciation:							
Buildings and improvements	-	-	-	-	-	3,256,494	3,256,494
Improvements other than buildings	-	-	-	-	-	7,696,865	7,696,865
Machinery and equipment	-	-	-	-	-	715,379	715,379
Infrastructure	-	-	-	-	-	56,106,600	56,106,600
Bond insurance	-	-	-	-	-	47,668	47,668
Total Assets	8,304,142	2,066,588	3,200,219	2,323,869	15,894,818	80,176,983	96,071,801
Deferred Outflows of Resources							
Deferred charge on refunding	-	-	-	-	-	138,921	138,921
Deferred outflows related to pension	-	-	-	-	-	381,205	381,205
Total Deferred Outflows of Resources	-	-	-	-	-	520,126	520,126

<i>September 30, 2018</i>	General Fund	Emergency Preparation and Recovery Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Position
Liabilities							
Accounts payable	44,205	-	-	426,245	470,450	-	470,450
Accrued payroll	105,599	-	-	-	105,599	-	105,599
Accrued expenses	45,236	-	-	-	45,236	-	45,236
Accrued interest	-	-	-	-	-	175,850	175,850
Retainage payable	-	-	-	438,399	438,399	-	438,399
Internal payables	614,476	-	-	326,053	940,529	(940,529)	-
Customer deposits	450,421	-	-	-	450,421	-	450,421
Long-term liabilities:							
Due within one year	-	-	-	-	-	1,642,192	1,642,192
Due in more than one year	-	-	-	-	-	23,222,723	23,222,723
Net pension liability	-	-	-	-	-	1,226,822	1,226,822
Total Liabilities	1,259,937	-	-	1,190,697	2,450,634	25,327,058	27,777,692
Deferred Inflows of Resources							
Unavailable tax revenue	-	-	68,511	-	68,511	(68,511)	-
Deferred inflows related to pension	-	-	-	-	-	315,472	315,472
Total Deferred Inflows of Resources	-	-	68,511	-	68,511	246,961	315,472
FUND BALANCE/NET POSITION							
Fund balances:							
Non-spendable:							
Prepaid items	72,776	-	-	-	72,776	(72,776)	-
Inventories	520,778	-	-	-	520,778	(520,778)	-
Restricted:							
Meter deposits	453,878	-	-	-	453,878	(453,878)	-
Debt service	-	-	3,131,708	-	3,131,708	(3,131,708)	-
Capital projects	-	-	-	552,634	552,634	(552,634)	-
Committed:							
Capital projects	71,955	-	-	-	71,955	(71,955)	-
Emergency reserve	-	2,066,588	-	-	2,066,588	(2,066,588)	-
Assigned:							
Capital projects	325,489	-	-	580,538	906,027	(906,027)	-
Unassigned	5,599,329	-	-	-	5,599,329	(5,599,329)	-
Total fund balances	7,044,205	2,066,588	3,131,708	1,133,172	13,375,673	(13,375,673)	-
Total liabilities, deferred inflows, and fund balances	\$ 8,304,142	\$ 2,066,588	\$ 3,200,219	\$ 2,323,869	\$ 15,894,818		
Net Position (Government-wide):							
Net investment in capital assets						55,806,128	55,806,128
Restricted for:							
Debt service						3,200,219	3,200,219
Unrestricted						9,492,416	9,492,416
Total net position						\$ 68,498,763	\$ 68,498,763

The notes to the financial statements are an integral part of this statement

Laguna Madre Water District

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance

<i>September 30, 2018</i>	General Fund	Emergency Preparation and Recovery Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Activities
Revenues:							
Water services	\$ 5,321,051	\$ -	\$ -	\$ -	\$ 5,321,051	\$ -	\$ 5,321,051
Wastewater services	3,650,725	-	-	-	3,650,725	-	3,650,725
Other water sales	119,597	-	-	-	119,597	-	119,597
Late fees	62,631	-	-	-	62,631	-	62,631
Tap fees	237,154	-	-	-	237,154	-	237,154
Property taxes	-	-	1,454,793	-	1,454,793	(4,308)	1,450,485
Penalties and interest	-	-	25,284	-	25,284	-	25,284
Investment earnings	89,446	35,118	39,839	48,793	213,196	-	213,196
Other	104,782	-	61	-	104,843	-	104,843
Total revenues	9,585,386	35,118	1,519,977	48,793	11,189,274	(4,308)	11,184,966
Expenditures/expenses:							
Service operations:							
Administration	282,962	-	-	-	282,962	-	282,962
Contracted services	240,125	-	-	-	240,125	-	240,125
Insurance	200,962	-	-	-	200,962	-	200,962
Professional fees	206,570	-	-	-	206,570	-	206,570
Payroll and benefits	3,908,057	-	-	-	3,908,057	(402,198)	3,505,859
Net pension expense	-	-	-	-	-	394,957	394,957
Utilities	690,553	-	-	-	690,553	-	690,553
Materials and supplies	936,154	-	-	-	936,154	-	936,154
Repairs and maintenance	292,266	-	-	-	292,266	-	292,266
Other	75,808	-	-	-	75,808	-	75,808
Capital outlay	139,642	-	-	7,448,364	7,588,006	(7,224,436)	363,570
Debt service:							
Principal	-	-	1,590,000	-	1,590,000	(1,590,000)	-
Lease principal	11,831	-	-	-	11,831	(11,831)	-
Interest and fiscal charges	2,343	-	688,266	-	690,609	(5,936)	684,673
Bond issuance costs	-	-	-	-	-	-	-
Contracted service	-	-	54,014	-	54,014	-	54,014
Depreciation	-	-	-	-	-	2,705,723	2,705,723
Total expenditures/expenses	6,987,273	-	2,332,280	7,448,364	16,767,917	(6,133,721)	10,634,196
Excess (deficiency) of revenues over expenditures	2,598,113	35,118	(812,303)	(7,399,571)	(5,578,643)	6,129,413	550,770

<i>September 30, 2018</i>	General Fund	Emergency Preparation and Recovery Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Activities
Other financing sources/(uses):							
Gain or loss on sale of assets	-			-	-	(146,274)	(146,274)
Transfers In	-	-	932,150	939,126	1,871,276	(1,871,276)	-
Transfers Out	(1,871,276)	-	-	-	(1,871,276)	1,871,276	-
Net other financing sources/(uses)	(1,871,276)	-	932,150	939,126	-	(146,274)	(146,274)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	726,837	35,118	119,847	(6,460,445)	(5,578,643)	5,578,643	
Change in net position						404,496	404,496
Fund balance/net position:							
Beginning of the year	6,317,368	2,031,470	3,011,861	7,593,617	18,954,316	49,139,951	68,094,267
End of the year	\$ 7,044,205	\$ 2,066,588	\$ 3,131,708	\$ 1,133,172	\$ 13,375,673	\$ 55,123,090	\$ 68,498,763

The notes to the financial statements are an integral part of this statement

Laguna Madre Water District Notes to Financial Statements

The financial statements of the Laguna Madre Water District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting Standards Board ("GASB") is the accepted standard-setting body for established governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Laguna Madre Water District was organized on October 10, 1973 to create a municipal utility district, and is governed by a five-member Board of Directors. The District is governed pursuant to provisions of the Texas Commission on Environmental Quality. Service areas include Port Isabel, South Padre Island and Laguna Vista, Texas, and surrounding areas. The District was established for the purpose of providing water and wastewater services to its residents and taxpayers.

The District follows GASB accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. As a result of applying the component unit definition criteria in GASB Statement No. 14 and as amended by GASB Statement No. 61, the District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Basis of Presentation - Government-wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of accounting for specific activities. The District uses funds to report results of operations and financial position, and demonstrate compliance with legal, contractual and regulatory requirements.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The *emergency preparation and recovery fund* is used for preparing for and recovering from man-made or natural disasters or emergencies.

**Laguna Madre Water District
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-wide and Fund Financial Statements (Continued)

- The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.
- The *capital projects fund* accounts for the acquisition or construction of the District's major capital facilities.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Laguna Madre Water District
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the *current financial resources measurements 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payments are due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and debt service funds. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds.

The appropriated budget is prepared by department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the General Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriate is utilized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Laguna Madre Water District
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The District's investing activity is governed by Texas Government Code Chapter 2256, The Public Funds Investment Act (the "Act"). The Act authorizes the District to invest in obligations of the United States or its agencies and instrumentalities, certificates of deposit, money market mutual funds, and State and local government investment pools. The Act requires the District to adopt and implement an investment policy on an annual basis that addresses (1) safety of principal and liquidity and (2) investment diversification, yield, and maturity and the quality and capability of investment management.

The District's management believes it has substantially complied with the requirements of the Act and the District's investment policy.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first out ("FIFO") method and consist of materials, meters and expendable supplies. The cost of such inventories is recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

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 the reported amounts to assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes are levied each October 1st on the basis of assessed values and are due upon receipt of the tax bill. Taxes become delinquent February 1st of the following year at which time penalties and interest are applicable. Discounts of 3%, 2%, and 1% are granted for payments received in October, November, and December, respectively. Liens for unpaid taxes go into effect on July 1st of the year taxes become delinquent.

Laguna Madre Water District
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks and similar items) are reported in the applicable governmental activities columns in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donations.

Asset Class	Estimated Useful Lives
Buildings	40
Improvements other than buildings	20
Furniture and fixtures	10
Equipment	10
Motor vehicles	8
Water and wastewater plant in service	50
Infrastructure	50

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Laguna Madre Water District
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The nonspendable fund balance classification includes amount that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances include inventory and prepaid items.

The restricted fund balance includes resources that can be spent only for specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purpose determined by a formal action of the District's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors has by resolution authorized the General Manager and Director of Finance to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Restricted Assets

Certain proceeds of bonds, as well as certain resources set aside for the repayment of revenue and general obligation bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The Debt Service Funds restricted assets consist of the following items:

Cash and cash equivalents	\$	1,820,846
Certificates of deposit		1,260,411
Total restricted assets	\$	3,081,257

**Laguna Madre Water District
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets (Continued)

The Capital Projects Funds restricted assets consist of the following items:

Cash and cash equivalents	\$ 160,733
---------------------------	------------

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (TCDRS) and additions to/deductions from TCDRS' Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in the accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. One item is a deferred outflow related to a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension reported in the government-wide statement of net position rise from amounts permitted to be recognized as part of pension expense over a period of years. These expenses are related to differences between expected and actual plan experience, changes in assumptions, differences between projected and actual investments earnings, and employer contributions made subsequent to the measurement date through the District's year end. The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will recognized as a reduction of the net pension liability in the next fiscal year. Deferred outflows of resources related to pensions resulting from differences between projected and actual investments earnings are recognized in pension expense over a period of five years. Other pension related deferred outflows are recognized in pension expense over the remaining service life for all active, inactive, and retired members.

Laguna Madre Water District
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows related to pensions reported in the government-wide statement of net position result from differences between expected and actual plan experience. The deferred inflows of resources related to pension are recognized in pension expense over the average remaining service life for all active, inactive, and retired members.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Accumulated sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists.

Deferred Compensation Plan

The District offers a separate deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees permits them to defer a portion of their salary, until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Amendments to the laws governing Section 457 Deferred Compensation Plans substantially became effective January 1, 1997. The District approved plan amendments such that plan assets are held in trust, with Nationwide Retirement Solutions and ING Aetna Life Insurance and Annuity Company as trustees, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

The District does not have legal access to the resources of the deferred compensation plan; as such the plan is not reported in the District's financial statements.

**Laguna Madre Water District
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Discounts/Bond Premiums/Issuance Costs

In governmental fund types, bond discounts, bond premiums and issuance costs are recognized in the current period. At the government wide level, bond discounts and premiums are netted against bonds payable and are amortized over the term of the bond.

New Accounting Standards Adopted

In the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

- *GASB Statement No. 86, Certain Debt Extinguishment Issues*

In May 2017, the GASB issued GASB Statement No. 86, Certain Debt Extinguishment Issues, This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt, improves accounting and financial report for prepaid insurance on debt that is extinguished and improves notes to financial statements for all debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in-substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt was acquired.

Recently Issued Accounting Pronouncements

In March 2018, the GASB issued GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, this Statement will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Management is evaluating the effects that the full implementation of GASB Statement No. 88 will have on its financial statements for the year ended September 30, 2019.

(This space intentionally left blank)

**Laguna Madre Water District
Notes to Financial Statements**

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the governmental-wide statement of net assets

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances – governmental funds (pages 18-19)	\$ 13,375,673
--	---------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	81,069,844
---	------------

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.	68,511
---	--------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.	(26,015,265)
---	--------------

Net position of governmental activities (pages 18-19)	\$ 68,498,763
---	---------------

One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$81,069,844 are as follows:

Land	\$ 1,411,177
Construction in progress	11,883,329
Buildings and improvements, net	3,256,494
Improvements other than buildings, net	7,696,865
Personal property with UAC > \$5,000, net	715,379
Infrastructure, net	56,106,600

Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	\$ 81,069,844
---	---------------

(This space intentionally left blank)

**Laguna Madre Water District
Notes to Financial Statements**

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Explanation of certain differences between the governmental fund balance sheet and the governmental-wide statement of net position (Continued)

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(26,015,265) difference are as follows:

General obligation bonds payable	\$ (20,170,000)
Revenue bonds payable	(4,325,000)
Deferred charge on refunding (to be amortized as interest expense)	138,921
Capital lease payable	(64,805)
Bond insurance (to be amortized over life of debt)	47,667
Issuance premiums (to be amortized as interest expense)	(233,006)
Accrued interest payable	(175,850)
Compensated absences	(72,104)
Net pension liability	(1,226,822)
Deferred outflows related to pensions (to be amortized as net pension expense)	381,205
Deferred inflows related to pensions (to be amortized as net pension expense)	(315,471)
Net adjustment to increase <i>fund balance – total governmental funds</i>	
to arrive at <i>net position – governmental activities</i>	\$ (26,015,265)

(This space intentionally left blank)