		Emergency	Debt	Capital		0 alliant	Chakam
	General	Preparation and	Service	Projects		Adjustments	Statement of
September 30, 2018	Fund	Recovery Fund	Fund	Fund	Total	(Note 2)	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
Tot 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,	.,,		-,			<u> </u>	
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:						55,000,120	33,000,120
Debt service						3,200,219	3,200,219
Unrestricted						9,492,416	9,492,416
						\$ 68,498,763	\$ 68,498,763
Total net position							

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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

		Emergency	Debt	Capital			
	General	Preparation and	Service	Projects		Adjustments	Statement of
September 30, 2018	Fund	Recovery Fund	Fund	Fund	Total	(Note 2)	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
Franciska and Anna a							
Expenditures/expenses:							
Service operations:	202.062				202.002		282.002
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 issunce costs	-	-	-		-	-	-
Contracted service	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -		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

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	· · - ·	Emergency	Debt	Capital			
	General	Preparation and	Service	Projects		Adjustments	Statement of
September 30, 2018	Fund	Recovery Fund	Fund	Fund	Total	(Note 2)	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

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

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.

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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.

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.



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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 that 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.

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.

Asse	t Class	Estimated Useful Li	ves
Buildings		40	
Improvements other than buildings		20	
Furniture and fixtures		10	
Equipment		10	
Motor vehicles		8	
Water and wastewater plant in servi	ce	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.

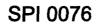
Net Position Flow Assumption

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.



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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

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
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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.

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.



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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.

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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 fund balance - total governmental funds	
to arrive at net position – governmental activities	\$ 81,069,844

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 fund balance – total governmental funds	
to arrive at net position – governmental activities	\$ (26,015,265)

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

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statements of activities

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

Net change in fund balances – total governmental funds (pages 20-21)	\$	(5,578,643)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which		
capital outlays exceeded depreciation in the current period.		4,518,713
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.		(146,274)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities.		399,387
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(4,308)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental fund, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effects on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in		
the treatment of long-term debt and related items.		1,601,831
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(286 210)
governmental funds		(386,210)
Change in net position of governmental activities (page 20-21)	Ś	404.496

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

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statements of activities (Continued)

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$4,518,713 difference are as follows:

Capital outlay	\$	7,224,436
Depreciation expense	_	(2,705,723)
Net adjustment to increase <i>fund balance – total governmental funds</i>		
to arrive at net position – governmental activities	Ś	4,518,713

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount \$1,601,831, is the net effect of these differences in the treatment of long-term debt and related items." The details of the \$1,601,831 difference are as follows:

General obligation bonds	(835,000)
Revenue bonds	(755,000)
Capital lease	(11,831)

Net adjustment to increase changes in fund balances-total governmental	ć	11 (01 021)
funds to arrive at changes in net position of governmental activities	Ş	(1,601,831)

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

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statements of activities (Continued)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$386,210 difference are as follows:

Compensated absences	\$ (2,811)
Accrued interest	(9,041)
Net pension expense	394,957
Amortization of deferred charge on refunding	16,344
Amortization of bond premiums	(16,644)
Amortization of bond insurance	3,405
Net adjustment to decrease changes in fund balances-total governmental	

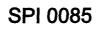
funds to arrive at *changes in net position of governmental activities* \$ 386,210

NOTE 3: LEGAL COMPLIANCE

Budget

- 1. As required by the Texas Water Code, the General Manager submits to the Board of Directors the proposed executive budgets for the fiscal year prior to the beginning of such fiscal year.
- 2. Budget Workshops are conducted to obtain rate payers comments.
- 3. The original amount appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriate budget resolutions by the Board of Directors. The original annual appropriated budgets are adopted by resolution by the Board of Directors prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are shown in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.
- 4. The General Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall total of appropriated expenditures of any fund must be approved by the Board of Directors. During the year, the budget was amended three times.
- 5. Appropriations lapse at the end of each fiscal year.

A Budget is not prepared for the Capital Projects fund since funds are budgeted over the life of the respective project and not on an annual basis.



NOTE 4: DEPOSITS AND INVESTMENTS

Deposits and investments as of September 30, 2018 are classified in the accompanying financial statements as follows:

Unrestricted – cash and cash equivalents	\$ 4,680,448
Unrestricted – investments (certificates of deposit)	2,421,668
Total	\$ 7,102,116

Restricted deposits and investments as of September 30, 2018 consist of the following:

Restricted cash and cash equivalents	\$ 3,158,958
Restricted investments (certificates of deposit)	2,675,452
Total	\$ 5,834,410

Investments Authorized by District Investment Policy – The table below identifies the investment types that are authorized for the District by its investment policy. The table also identifies certain provision of the District's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	2 years	None	None
Local Government Investment Pools	2 years	None	None
Money Market Funds	2 years	None	None
Time Certificates of Deposit	2 years	None	None

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The investment policy of the District states that, to the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the District will not invest in securities maturing more than two years from the date of purchase. In addition, the District will invest operating funds primarily in financial institution deposits, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds. The District will also diversify maturities and stagger maturity dates to minimize the impact of market movements over time.

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NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. U.S. Treasury securities are not considered to have credit risk exposure.

Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Bank balances are covered by Federal Depository Insurance Corporation (FDIC) insurance of \$250,000. Bank accounts in excess of FDIC insurance are covered with collateralized securities held by International Bank of Commerce in the District's name. As of September 30, 2018, the District's market value of pledged securities was \$21,770,484 and the bank deposits requiring collateral were \$12,036,329. The bank balances as of September 30, 2018 were fully insured by FDIC coverage and collateral pledged by financial institutions.

NOTE 5: RECEIVABLES

Receivables at September 30, 2018, including the applicable allowance for uncollectible accounts are as follows:

		General		Debt Service		Capital Projects		Total
Taxes	\$	_	Ś	120,994	\$	_	\$	120,994
Accounts	Ŷ	709,688	Ŷ	- 120,554	Ŷ	570,938	Ŷ	1,280,626
Miscellaneous		38,102		-		-		38,102
Gross receivables		747,790		120,994		570,938		1,439,722
Less: Allowance for uncollectible		(8,364)		(7,149)				(15,513)
Net total receivables	\$	739,426	\$	113,845	\$	570,938	\$	1,424,209

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2018 was as follows:

	Balance 9/30/17	Additions	Retirements	Reclassifications	Balance 9/30/18
Government Activities:					
Capital assets, not depreciated:	¢ 4 444 477	*	<u> </u>	<u>,</u>	ć 1 411 177
Land and easements	\$ 1,411,177	\$ -	\$ -	\$ -	\$ 1,411,177
Construction in progress	7,290,292	7,074,988	(136,993)	(2,344,958)	11,883,329
Total capital assets, not depreciated	8,701,469	7,074,988	(136,993)	(2,344,958)	13,294,506
Capital assets, being depreciated:					
Buildings and improvements	4,505,856	-	-	-	4,505,856
Improvements other than buildings	9,261,927	-	-	288,058	9,549,985
Machinery and equipment	2,414,444	105,675	(39,800)	-	2,480,319
Infrastructure	99,381,102	43,773	(12,027)	2,056,900	101,469,748
Total capital assets, being depreciated	115,563,329	149,448	(51,827)	2,344,958	118,005,908
Less accumulated depreciated for:					
1 3	(1 110 753)	(122,000)			(1,249,362)
Buildings and improvements	(1,116,753)	(132,609)	-	-	
Improvements other than buildings	(1,380,935)	(472,185)	-	-	(1,853,120)
Machinery and equipment	(1,682,305)	(122,114)	39,479	-	(1,764,940)
Infrastructure	(43,387,400)	(1,978,815)	3,067		(45,363,148)
Total accumulated depreciation	(47,567,393)	(2,705,723)	42,546	-	(50,230,570)
Total capital assets,					
being depreciated, net	67,995,936	(2,556,275)	(9,281)		67,775,338
Governmental activities					
Capital assets, net	\$ 76,697,405	\$ 4,518,713	\$ (146,274)	s -	\$ 81,069,844
Capital assets, Her	γ /0,0 <i>51</i> ,405	γ 4 ,310,713	<u>, (1+0,274)</u>		

Depreciation expense for the fiscal year was \$2,705,723.

NOTE 7: LONG-TERM DEBT

Bonds Payable

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds are direct obligations and pledge the full faith and credit of the District. The bonds are collateralized by and payable from the levy of a continuing direct annual ad valorem tax, without limit as to the rate or amount, upon all taxable property within the District. These bonds generally are issued as 25-year serial bonds with equal amounts of principal maturing each year. The District currently has two general obligation tax bond issues outstanding.

On May 15, 2012, the District issued \$21,170,000 Unlimited Tax Bonds, Series 2012 for the purpose of water distribution improvements, wastewater collection improvements, wastewater effluent reuse improvements, improvements to the Cuates pump station and pipeline, and improvements to Water Plant No. 2.

NOTE 7: LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

On March 2, 2016, the District issued \$2,580,000 Unlimited Tax Bonds, Series 2016 for the purpose of water distribution improvements, wastewater collection improvements, wastewater effluent reuse improvements, improvements to the Cuates pump station, and pipeline and improvements to Water Plant No. 2.

On April 1, 2015, the District issued \$6,345,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2015. The proceeds were used to advance refund \$6,070,000 of outstanding 2007 Series Waterworks and Sewer System revenue bonds.

On October 16, 2016, the District issued \$5,815,000 Revenue Bonds, series 2016 for the purpose in making improvements to its existing Port Isabel Wastewater Treatment Plant, including installing a new blower, new return activated sludge/waste activated sludge (RAS/WAS) pump station and new headworks on the existing plant site. Improvements also include replacing the plant's aeration basin, digester diffusers, air piping, electrical system and controls.

The following is a schedule of bonds outstanding at September 30, 2018:

Во	nd Issue	Interest Rate	Sept	Balance at ember 30, 2018
\$21,170,000 Unlimited Tax Bonds, Series 2012. Issued May 15, 2	012.			
Maturity date June 1, 2032.		2% - 5%	\$	12,245,000
\$2,580,000 Unlimited Tax Bonds, Series 2016. Issued March 2, 2	016.			
Maturity date June 1, 2032.		2.29%		2,110,000
Total General Obligation Tax Bonds				14,355,000
\$6,345,000 Waterworks and Sewer System Revenue Refunding				
Bonds, Series 2015. Issued April 1, 2015. Maturity date March 2	. , 20 27.	2.64%		4,885,000
\$5,815,000 Waterworks and Sewer System Revenue Bonds,				
Series 2016. Issued October 16, 2016. Maturity date March 1, 20	36	.01% - 1.37%		5,255,000
Total Revenue Bonds				10,140,000
Total General Obligation and Revenue Bonds			\$	24,495,000

Principal and interest on the bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District and additionally from net revenues derived from the operation of the District's water and wastewater system.

NOTE 7: LONG-TERM DEBT (Continued)

Advance Refunding

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the defeased bonds are not included in the District's financial statements. At September 30, 2018, the following outstanding bonds are considered defeased:

Series	Ending Balance
2007	\$4,825,000

Changes in long-term liabilities

Changes in the District's long-term liabilities for the year ended September 30, 2018 are as follows:

	09/30/17	Additions	Reductions	09/30/18	Due Within One Year
	 03/30/1/	 Additions	 Incudentions	 00,00,10	
Bonds payable					
General Obligation Tax Bonds	\$ 15,190,000	\$ -	\$ 835,000	\$ 14,355,000	\$ 860,000
Revenue Bonds	10,895,000	-	755,000	10,140,000	770,000
Plus: unamortized premium	249,650	-	16,644	233,006	-
Total bonds payable	26,334,650	-	1,606,644	24,728,006	 1,630,000
Net pension liability	1,915,746	-	688,924	1,226,822	_
Lease payable	76,636	-	11,831	64,805	12,192
Compensated Absences	74,915	127,339	130,150	72,104	-
	\$ 28,401,947	\$ 127,339	\$ 2,437,549	\$ 26,091,737	\$ 1,642,192

The debt service fund makes the payments on the bonds payable. The net pension liability and the compensated absences are expected to be liquidated by the general fund.

The debt service requirements for the District's bonds are as follows:

Year Ended	Revenue N	otes	General Obligation Bonds			Bonds
September 30	Principal	Interest		Principal		Interest
2019	770,000	164,412		860,000		484,832
2020	780,000	151,344		885,000		460,132
2021	795,000	137,932		905,000		434,718
2022	810,000	123,830		935,000		408,704
2023	820,000	108,908		970,000		374,126
2024 – 2028	3,730,000	302,186		5,285,000		1,417,448
2029 – 2033	1,490,000	107,873		4,515,000		450,907
2034 - 2037	945,000	19,307		-		-
Total	\$ 10,140,000 \$	1,115,792	\$	14,355,000	\$	4,030,867

NOTE 8: EMERGENCY PREPARATION AND RECOVERY FUND

In lieu of a written minimum fund balance policy, the District created an Emergency Preparation and Recovery Fund to minimize the effects of natural or man-made emergencies that may arise and affect the District's operations. This policy, adopted by the Board, states that monies to be placed in this fund shall be in an amount to constitute no less than twenty percent of the District's operating budget. Prior to the use of these monies, the Board must first declare an emergency exists and approve the use of the funds.

NOTE 9: EMPLOYEE RETIREMENT SYSTEM

A. General Information about the Pension Plan

Plan description

The District provides retirement, disability, and death benefits for all of its nontemporary full-time and part-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The TCDRS is an agent multiple-employer, statewide public employee pension plan established by the Texas Legislature in 1967 and administered by a nine member Board of Trustees. The retirement system consists of 602 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employees contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-finance monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members.

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Under the TCDRS Act, the contributions rate of the employer is actuarially determined annually and approved by the TCDRS Board of Trustees. The employer contributed using the actuarially determined rate of 14.39% and 14.27% for the calender years 2017 and 2016, respectively. The contribution rate payable by the employee members for the calendar years 2017 and 2016 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Employees covered by benefit terms

At December 31, 2017, the following employees were covered by the benefit terms:

	Number of Employees
Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receving benefits	40
Active employees	75
Total	166

Actuarial assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%	
Salary increases	4.9%, average over career, including inflation	
Investment rate of return	8.00%, net of pension plan investment expense	

Mortality rates were based on the following:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set- forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two year set-forward for females.



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NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012 except where required to be different by GASB 68.

Discount Rate

Discount rate (*2)	8.10%	8.10%
Long-term expected rate of return, net of investment expense (*2,) 8.10%	8.10%
Municipal bond rate(*3)	Does not apply	Does not apply

(*2) This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

(*3) The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Depletion of Plan Assets/GASB Discount Rates

The discount rate is the single rate of return that, when applied to all projected benefit payments result in an actuarial present value of projected benefit payments that equal to the total of the following:

- The actuarial present value of benefit payments projected to be made in future periods in which

 (a) the amount of the pension plan's fiduciary net position is projected to be greater than the
 benefit payments that are projected to be made in that period and (b) pension plan assets up to
 that point are expected to be invested using a strategy to achieve the long-term rate of return,
 calculated using the long-term expected rate of return on pension plan investments.
- 2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

- 1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Long-term expected rate of return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target	Geometric Real Rate
		Allocation	of Return (Expected
		(*1)	minus inflation) (*2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (*3)	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities – Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities – Emerging Markets	MSCI EM Standard (net) Index	8.00%	5.55%
Investment – Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index (*4)	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (*5)	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

(*1) Target asset allocation adopted at the April 2018 TCDRS Board meeting.

(*2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

- (*3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.
- (*4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(*5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability

The District's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The District's changes in net pension liability were as follows:

	Increase (Decrease) Plan Fiduciary Net					Net Pension
	Г	otal Pension		Net Position		Liability
<u> </u>		Liability (a)		(b)		(a) – (b)
Balances as of December 31, 2016	\$	12,270,739	\$	10,354,992	\$	1,915,747
Changes for the year:						
Service cost		355,712		-		355,712
Interest on total pension liability (*1)		994,321		-		994,321
Effect of plan changes (*2)		-		-		-
Effect of economic/demograhic gains						
or losses		(6,355)		-		(6,355)
Effect of assumptions changes or inputs		13,650		-		13,650
Refund of contributions		(53,683)		(53 <i>,</i> 683)		-
Benefit payments		(662,021)		(662 <i>,</i> 021)		-
Administrative expenses		-		(7,771)		7,771
Member contributions		-		182,504		(182,504)
Net investment income		-		1,508,763		(1,508,763)
Employer contributions		-		365,000		(365,000)
Other (*3)		_		(2,243)		2,243
Balances as of December 31, 2017	\$	12,912,363	\$	11,685,541	\$	1,226,822

(*1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(*2) No plan changes valued.

(*3) Relates to allocation of system-wide items.

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NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability (Continued)

Sensitivity Analysis

The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate:

	1% Decrease	D	Current Discount Rate		1% Increase
	 7.10%		8.10%		9.10%
Total pension liability	\$ 14,670,518	\$	12,912,363	\$	11,439,637
Fiduciary net position	 11,685,541		11,685,541	_	11,685,541
Net pension liability/(asset)	\$ 2,984,977	\$	1,226,822	\$	(245,904)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS CAFR.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, The District recognized pension expense of \$394,957. The District reported deferred inflows and outflows of resources related to pensions from the following sources:

	 erred Inflows of Resources	Defe	erred Outflows of Resources
Differences between expected and actual experience	\$ 173,495	\$	31,472
Changes in assumptions	-		51,220
Net difference between projected and actual earnings	141,977		-
Contributions made subsequent to measurement date (*1)	 N/A		298,513
Total deferred inflows/outflows of resources related to pensions	\$ 315,472	\$	381,205

(*1) Reflects employer contributions made subsequent to the measurement date through the employer's fiscal year end. This amount will be recognized as a reduction in Net Pension liability for the year ending September 30, 2019.

1.772

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31,							
2018	\$	49,089					
2019		22,760					
2020		(161,105)					
2021		(144,738)					
2022		1,214					
Thereafter (*1)		-					

(*1) Total remaining balance to be recognized in future years. Note that additional future deferred inflows and outflows of resources may impact these numbers

NOTE 10: RISK MANAGEMENT

The District is exposed to various risk of loss related to torts, theft of damage to, and destruction of assets, error and omissions, inquiries to employees, and natural disasters. Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage.

During the year ended September 30, 2018, employees of the District were covered by a health, dental, and life insurance plan (the "Plan"). The District paid premiums of \$550.05 per month per employee to the Plan for health insurance and \$37.10 per month per employee to the Plan for dental, vision and life insurance. Employees, at their options, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contact between the District and the licensed insurer is renewable annually, and terms of coverage and premium costs are included in the contractual provisions. Latest financial statements for United Healthcare are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

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NOTE 11: INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2018 were as follows:

	 ie From er Funds	-	Due To ner Funds
Major Funds:			
General Fund	\$ 326,053	\$	614,376
Debt Service Fund	5,117		-
Capital Projects Fund	609,359		326,053
Total	\$ 940,529	\$	940,529

The balances primarily result from the time lag between the dates the 1) transactions are recorded in the accounting system and 2) payments between funds are made.

Interfund transfers for the year ended September 30, 2018 were as follows:

	Transfer in:									
		General Fund		Capital Projects		Debt Service		Emergency Fund		Total
Transfer out: General Fund	\$	(1,871,276)	\$	939,126	\$	932,150	\$		\$	

During the year, transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and (2) move general fund resources to the capital projects fund.

NOTE 12: AUTHORIZED, ISSUED AND OUTSTANDING DEBT

On May 14, 2011, voters in the Laguna Madre Water District approved two propositions for issuing new bonds. At September 30, 2018, only a portion of that debt had been issued. The projects are as follows:

	 Issued Authorized May 15, 2012			Feb	Issued ruary 12, 2016	ļ	Remaining Authorization
System improvements Seawater desalination plant	\$ 23,750,000 15,655,000	\$	21,170,000	\$	2,580,000	\$	- 15,655,000
	\$ 39,405,000	\$	21,170,000	\$	2,580,000	\$	15,655,000

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NOTE 13: MAJOR COMMITMENTS

As of September 30, 2018, the District has committed certain funds for major construction projects and capital acquisitions. The construction projects and capital acquisitions are as follows:

Projects/Capital Acquisitions:	Amoun	t committed:
Wastewater Treatment Facility Sludge Holding Tank		
Upgrade and Lift Stations Rehabilitation	\$	5,425,000
AMI Water Meters		2,940,000
Reuse Improvement		797,565
Vacuum Truck		325,489
Total	\$	9,488,054

NOTE 14: CAPITAL LEASE COMMITMENTS

During fiscal year 2016, the District entered into a lease purchase agreement relating to the acquisition of a jetter truck. The agreement qualifies as a capital lease. The cost of the asset acquired through the lease was \$101,445. The lease purchase agreement provides for an eight-year lease in the principal amount of \$101,445 at an interest rate not to exceed 3.057% per annum, with a bargain purchase option of \$1 at the end of the lease term.

The future minimum leases obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

Year ending September 30,	
2019	\$ 14,174
2020	14,174
2021	14,174
2022	14,174
2023	14,174
Total minimum lease payments	70,870
Less: amount representing interest	(6,065)
Present value of minimum lease payments	\$ 64,805

NOTE 15: SUSBSEQUENT EVENTS

On November 28, 2018, the District issued \$2,875,000 in Waterworks and Sewer System Revenues Notes, Series 2018. Proceeds from the sale of the Revenue Notes will be used to pay costs of issuance, to fund a debt service reserve fund and to finance the meter replacement project.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Laguna Madre Water District Schedule of Revenues, Expenditures, and Changes in Fund Balance General Fund – Budget and Actual For the Fiscal Year Ended September 30, 2018

	Budgete	d Am	ounts	Actual		
	Original Final		Amounts	Variance		
Revenues:						
Water services	\$ 5,084,063	\$	5,084,063	\$ 5,321,051	\$	236,988
Wastewater services	3,480,340		3,480,340	3,650,725		170,385
Other water sales	104,234		104,234	119,597		15,363
Late fees	76,976		76,976	62,631		(14,345)
Tap fees	155,123		155,123	237,154		82,031
Investment earnings	14,836		14,836	89,446		74,610
Miscellaneous	350,269		350,269	104,782		(245,487)
Total revenues	9,265,841		9,265,841	9,585,386		319,545
Expenditures:						
Service operations:						
Administration	331,850		326,550	282,962		43,588
Contracted services	321,400		255,185	240,125		15,060
Insurance	199,801		217,026	200,962		16,064
Professional fees	143,500		210,370	206,570		3,800
Payroll and benefits	4,000,408		3,930,775	3,908,057		22,718
Utilities	767,315		701,157	690,553		10,604
Materials and supplies	979,862		895,356	936,154		(40,798)
Repairs and maintenance	434,262		323,499	292,266		31,233
Other	122,293		66,349	75,808		(9,459)
Capital outlay	·					
Capital Outlay	523,125		482,123	139,642		342,481
Lease principal	-		11,831	11,831		-
Interest and fiscal charges	-		2,343	2,343		-
Total expenditures	7,823,816		7,422,564	6,987,273		435,291
Excess (deficiency) of revenues						
over expenditures	1,442,025		1,843,277	2,598,113		754,836
Other financing sources/uses:						
Transfers-internal activities	(1,442,024)		(1,871,276)	(1,871,276)		-
Net other financing sources/uses	(1,442,024)		(1,871,276)	(1,871,276)		-
Excess (deficiency) of revenues						
and other financing sources over						
(under) expenditures and other						
financing uses	\$ 1	\$	(27,999)	726,837	\$	754,836
Fund balance:		•		,		•
				6,317,368		
Beginning of the year				\$ 7,044,205		
End of the year		2 1	<u></u>	ې ۲,044,205		

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Laguna Madre Water District Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance General Fund – Budget and Actual

- 1. As required by the Texas Water Code, the General Manager submits to the Board of Directors the proposed executive budgets for the fiscal year prior to the beginning of such fiscal year.
- 2. Budget Workshops are conducted to obtain rate payers comments.
- 3. The original amount appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriate budget resolutions by the Board of Directors. The original annual appropriated budgets are adopted by resolution by the Board of Directors prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are shown in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.
- 4. The General Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall total of appropriated expenditures of any fund must be approved by the Board of Directors. During the year, the budget was amended three times.
- 5. Appropriations lapse at the end of each fiscal year.

SPI 0103

Laguna Madre Water District Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31,							
		2017		2016		2015		2014
Total Pension Liability								
Service cost	\$	355,712	\$	351,190	\$	369,415	\$	349,544
Interest on total pension liability		994,321		934,915		909,356		857,968
Effect of plan changes		-		-		(86,128)		-
Effect of assumption changes or inputs		13,650		-		79,690		-
Effect of economic/demoghraphic (gains) or losses		(6,355)		(63,218)		(252,109)		94,417
Benefit payments/refunds of contributions		(715,704)		(631,962)		(763,280)		(588,331
Net change in total pension liability		641,624		590,925		256,944		713,598
Total pension liability, beginning		12,270,739		11,679,814		11,422,870		10,709,272
Total pension liability, ending (a)	\$	12,912,363	\$	12,270,739	\$	11,679,814	\$	11,422,870
Fiduciary Net Position								
Employer contributions	\$	365,000	\$	346,147	\$	350,544	\$	369,552
Member contribtutions		182,504		177,303		177,449		187,581
Investment income net of investment expenses		1,508,763		725,930		(25,081)		643,747
Benefit payments/refunds of contributions		(715,704)		(631 <i>,</i> 962)		(763,280)		(588,331
Administrative expenses		(7,771)		(7,894)		(7,167)		(7,549
Other		(2,243)		(73 <i>,</i> 059)		(25,499)		15,773
Net change in in fiduciary net position		1,330,549		536,465		(293,034)		620,773
Fiduciary net position, beginning		10,354,992		9,818,527		10,111,561		9,490,788
Fiduciary net position, ending (b)	\$	11,685,541	\$	10,354,992	\$	9,818,527	\$	10,111,561
Net pension liability / (asset), ending = (a) - (b)	\$	1,226,822	\$	1,915,747	\$	1,861,287	\$	1,311,309
Fiduciary net position as a % of total pension liability		90.50%		84.39%		84.06%		88.52%
Pensionable covered payroll	\$	2,607,198	\$	2,532,895	\$	2,534,988	\$	2,679,726
Net pension liability as a % of covered payroll		47.06%		75.63%		73.42%		48.93%

This schedule will ultimately present information for the past ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 68, should not be shown here.

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Laguna Madre Water District Schedule of Employer Contributions

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	352,564	352,564	-	2,551,846	13.8%
2016	344,556	344,556	-	2,518,460	13.7%
2017	360,462	360,462	-	2,590,525	13.9%
2018	399,387	399,387	-	2,707,139	14.8%

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization period:	12.7 years (based on contribution rate calculated in 12/31/2017
	valuation)
Asset Valuation Method:	5-year smoothed market
Inflation:	2.75%
Salary Increases:	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return:	8.00%, net of administrative and investment expenses, including
	inflation.
Retirement Age:	Members who are eligible for service retirement are assumed to
	commence receiving benefit payments based on age. The average age
	at service retirement for recent retirees is 61.
Mortality :	130% of the RP-2014 Healthy Annuitant Mortality Table for males and
	110% of the RP-2014 Healthy Annuitant Mortality Table for females,
	both projected with 110% of the MP-2014 Ultimate scale after 2014
Changes in Assumptions and	2015: New inflations, mortality and other assumptions reflected.
Methods Reflected in the	2017: New mortality assumptions were reflected.
Schedule of Employer	
Contributions:	
Changes in Plan Provisions	2015: No changes in plan provisions were reflected in the Schedule.
Reflected in the Schedule of	2016: No changes in plan provisions were reflected in the Schedule.
Employer Contributions:	2017: New Annuity Purchase Rates were reflected for benefits earned
	after 2017.

OTHER SUPPLEMENTARY INFORMATION

Laguna Madre Water District Schedule of Revenues, Expenditures, and Changes in Fund Balance Debt Service Fund – Budget and Actual For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual				
		Original	 Final		Amounts	١	/ariance
Revenues:							
Property taxes	\$	1,367,447	\$ 1,367,447	\$	1,454,793	\$	87,346
Penalties and interest		33,999	33,999		25,284		(8,715)
Investment earnings		5,988	5,988		39,839		33,851
Miscellaneous		-	-		61		61
Total revenues		1,407,434	1,407,434		1,519,977		112,543
Expenditures:							
Debt service:							
Principal		1,590,000	1,590,000		1,590,000		-
Interest		687,117	687,117		688,266		(1,149)
Contracted service		50,125	 50,125	_	54,014		(3,889)
Total expenditures		2,327,242	 2,327,242		2,332,280		(5,038)
Excess (deficiency) of revenues							
over expenditures		(919,808)	(919,808)		(812,303)		107,505
Other financing sources/(uses):							
Transfers-internal activities		932,150	 932,150		932,150		-
Net other financing sources/uses		932,150	 932,150		932,150		
Excess (deficiency) of revenues							
and other financing sources over							
(under) expenditures and other							
financing uses	\$	12,342	\$ 12,342		119,847	\$	107,505
Fund balance:							
Beginning of the year					3,011,861		
End of the year			 	\$	3,131,708		

TEXAS SUPPLEMENTARY INFORMATION (TSI) SECTION



Laguna Madre Water District Notes Required by the Water District Accounting Manual

CREATION OF DISTRICT

History

Laguna Madre Water District (the "District") is a governmental entity created by an election held on November 14, 1950, pursuant to Article XVI, Section 59, of the Texas Constitution and Article 7881, Revised Civil Statutes of Texas. The District Board held its first meeting on December 11, 1950, and issued its first bonds on July 16, 1951. Originally created as a Fresh Water Supply District, the District was converted into a Municipal Utility District by an order of the Texas Water Rights Commission on November 20, 1973. Effective February 16, 1996, the Texas Natural Resources Conservation Commission officially authorized the District to change its name to the Laguna Madre Water District. The District is under the authority of the Texas Commission on Environmental Quality and is operated under and governed by Chapter 54 of the Texas Water Code.

The District's principal function is to provide treated water and wastewater services to the City of Port Isabel, Texas and various other communities which are adjacent to Port Isabel, Texas.

The District obtains water from the Rio Grande under rights granted by the State of Texas permitting the use of up to 7,278.6 acre-feet annually. Additionally, new water rights were purchased on August 28, 2018 and are pending TCEQ approval which will increase the permitted use to 7,513.4 acre-feet annually. This water is pumped via the District's raw water transmission line from the Rio Grande River to Water Plant No. 2 in Laguna Vista.

Tax Revenues

There is no maximum applicable tax rate for the District and the extent of the taxable property is \$3,312,253,813.

The following notes which are required by the Water District Accounting Manual are fully disclosed in the Basic Financial Statement.

Pledge of Revenues is disclosed in Note 7, Long Term Debt.

Compliance with Debt Service Requirements is disclosed in Note 1, Restricted Assets.

Redemption of Bonds is disclosed in Note 7, Long Term Debt

Pension Coverage for District Employee is disclosed in Note 9, Employee Retirement System.

Laguna Madre Water District TSI – 1. Services and Rates

For the year ended September 30, 2018

1. Services provided by the District during the fiscal year.

- Retail Water

-Retail Wastewater

2. Retail Service Providers

a. Retail rates for a 5/8" meter

	 nimum harge	Minimum Usage	Flat Rate Y/N	Ga	er 1,000 Ilons ninimum	Usage levels
WATER	\$ 12.26	4,000	N	\$	2.47	4,001 to 10,000
				\$	3.89	10,001 to 20,000
				\$	5.55	20,001 plus
WASTEWATER *	\$ 13.46	3,000		\$ \$ \$	2.73 4.23 6.00	3,001 to 4,500 4,501 to 7,500 7,501 plus

Surcharge: \$0.005

District employs winter averaging for wastewater usage?	No	
Total water and wastewater charges per 10,000 gallons usage	(including surcharge):	\$53.10

Laguna Madre Water District TSI – 1. Services and Rates (Continued)

For the year ended September 30, 2018

b. Water and Wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active Factor				
5/8"	4,966	4,871	_	-				
1"	1,171	1,165	-	-				
2"	335	302	-	-				
4"	73	73	-	-				
6"	36	33	-	-				
8"	5	1	-	-				
10"	0	0	-	-				
16"	1	1	-	-				
Total Water:	6,587	6,446		-				
Total Wastewater:	5,626	5,557	-	-				
3. Total water consumption during the fiscal year:								
Gallons p	umped into system:	1,443,198,000						
Gallons b	illed to customers:	1,329,802,462						

Water accountability ratio (gallons billed/gallons pumped); 92.10%

4. Location of the District:

i.

County in which District is located:	<u>Cameron</u>
Is the District located entirely within one count	y? <u>Yes</u>
Is the District located within a city?	Yes
Cities in which District located is located:	Port Isabel, South Padre Island, Town of Laguna Vista
Is the District located within a city's extra territ	orial jurisdiction (ETJ)? <u>Yes - Partly</u>
ETJ's in which District is located: <u>La</u>	aguna Heights (unincorporated)
Are board members appointed by an office out	side the District? <u>No</u>
If yes, by whom?	<u>N/A</u>

Laguna Madre Water District TSI – 2. General Fund Expenditures

For the year ended September 30, 2018	
Personnel (Including Benefits)	\$ 3,908,057
Professional Fees:	
Auditing	24,700
Legal	55,102
Engineering	30,291
Financial Advisor	54,995
IT Consultant	41,482
Contracted Services	210,200
Utilities	690,553
Repairs and Maintenance	292,266
Administrative Expenditures	
Office Supplies	29,740
Property Insurance	159,101
Other Administrative Expenditures	309,257
Capital Outlay:	139,642
Solid Waste Disposal	29,925
Materials and Supplies	936,154
Other Expenditures	75,808
Total Expenditures	\$ 6,987,273

Number of persons employed by the District: 77 Full Time

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Laguna Madre Water District TSI – 3. Temporary Investments

For the year ended September 30, 2018

	Identification or	Interest	Maturity	Balance at End	
Funds	Certificate Number	Rate	Date	of Year	
			alara -	<u>,</u>	
General Fund					
Certificate of Deposit	01-72431591	2.55%	3/8/2019	\$ 500,769	
Certificate of Deposit	01-72032853	2.25%	3/19/2019	1,012,779	
Certificate of Deposit	01-72035342	2.74%	9/9/2019	200,330	
Certificate of Deposit	238700	1.55%	10/18/2018	505,819	
Certificate of Deposit	01-72318976	2.25%	3/9/2019	202,556	
Total General Fund				2,422,253	
Debt Service Fund					
Certificate of Deposit	01-72894387	2.74%	9/9/2018	250,413	
Certificate of Deposit	01-72695969	2.25%	3/9/2019	506,390	
Certificate of Deposit	01-72941067	2.74%	9/9/2019	250,413	
Certificate of Deposit	01-72716515	2.25%	3/9/2019	<u>253,195</u>	
Total Debt Service Fi	und			1,260,411	
Capital Projects Fund					
Certificate of Deposit	01-72408716	2.25%	3/9/2019	151,916	
Certificate of Deposit	01-72054984	2.55%	3/8/2019	<u>250,</u> 385	
Total Capital Project	s Fund			402,301	
Emergency Fund					
Certificate of Deposit	01-72705218	2.25%	3/19/2019	1,012,155	
Total Emergency Fur	nd			1,012,155	
Total - All Funds				\$5,097,120	

Laguna Madre Water District TSI – 4. Texas Levied and Receivable

For the year ended September 30	, 2018	3					De	ebt Service Taxes
Taxes Receivable Beginning of Ye	ear		1.1		10.15	1	\$	126,630
2016 Original Tax Levy								1,452,755
Tax Roll Adjustments								(5,458
Total to be accounted for			9					1,573,927
Tax Collections:								
Current Year								1,428,212
Prior Year								24,721
Total Collections				1. 		4		1,452,933
Taxes Receivable, End of Year							\$	120,994
Taxes Receivable, By Years								
Prior Years							\$	96,597
Current Year - 2017							,	24,397
				and the second				
Taxes Receivable, End of Year							\$	120,994
Taxes Receivable, End of Year	_				1		\$	120,994
Taxes Receivable, End of Year September 30,		2017		2016		2015	\$	120,994 2014
		2017		2016		2015	\$	
September 30,	\$	2017 1,314,065,195	\$	2016 1,297,763,711	\$	2015 1,315,897,695		
September 30, Property Valuations:	\$		\$		\$			2014
September 30, Property Valuations: Land	\$	1,314,065,195	\$	1,297,763,711	\$	1,315,897,695	\$	2014 1,323,826,813 2,027,911,719 98,291,083
September 30, Property Valuations: Land Improvements		1,314,065,195 2,062,696,293		1,297,763,711 2,041,412,552		1,315,897,695 2,040,487,372	\$	2014 1,323,826,813 2,027,911,719 98,291,083
September 30, Property Valuations: Land Improvements Personal Property		1,314,065,195 2,062,696,293 147,044,871		1,297,763,711 2,041,412,552 99,482,510		1,315,897,695 2,040,487,372 100,511,349	\$	2014 1,323,826,813
September 30, Property Valuations: Land Improvements Personal Property Total Property Valuations		1,314,065,195 2,062,696,293 147,044,871		1,297,763,711 2,041,412,552 99,482,510		1,315,897,695 2,040,487,372 100,511,349	\$	2014 1,323,826,813 2,027,911,719 98,291,083 3,450,029,615
September 30, Property Valuations: Land Improvements Personal Property Total Property Valuations Tax Rates Per \$100 Valuation:	\$	1,314,065,195 2,062,696,293 147,044,871 3,523,806,359	\$	1,297,763,711 2,041,412,552 99,482,510 3,438,658,773	\$	1,315,897,695 2,040,487,372 100,511,349 3,456,896,416	\$	2014 1,323,826,813 2,027,911,719 98,291,083 3,450,029,615 0.039260
September 30, Property Valuations: Land Improvements Personal Property Total Property Valuations Tax Rates Per \$100 Valuation: Debt Service Tax Rate	\$	1,314,065,195 2,062,696,293 147,044,871 3,523,806,359 0.043860	\$	1,297,763,711 2,041,412,552 99,482,510 3,438,658,773 0.045020	\$	1,315,897,695 2,040,487,372 100,511,349 3,456,896,416 0.044643	\$ \$	2014 1,323,826,813 2,027,911,719 98,291,083 3,450,029,615 0.039260

Due During					
Fiscal Year	Principal Due	Interest Due			
Ending	March 1,	March 1 & Sept 1		Total	
2019	490,000	122,496		612,496	
2020	500,000	109,428		609,428	
2021	515,000	96,030		611,030	
2022	530,000	82,236		612,236	
2023	540,000	68,112		608,112	
2024	555,000	53,658		608,658	
2025	570,000	38,808		608,808	
2026	585,000	23,562		608,562	
2027	600,000	7,920	-	607,920	
	\$ 4,885,000	\$ 602,250	\$	5,487,250	

Waterworks and Sewer System Revenue Notes, Series 2015

SPI 0115

Due During			
Fiscal Year	Principal Due	Interest Due	
<u>Ending</u>	<u>June 1,</u>	<u>June 1 & Dec 1</u>	<u>Total</u>
2019	705,000	436,513	1,141,513
2020	725,000	415,362	1,140,362
2021	745,000	393,612	1,138,612
2022	770,000	371,263	1,141,263
2023	800,000	340,463	1,140,463
2024	820,000	316,463	1,136,463
2025	845,000	290,838	1,135,838
2026	875,000	263,375	1,138,375
2027	905,000	234,500	1,139,500
2028	935,000	203,956	1,138,956
2029	965,000	171,231	1,136,231
2030	1,005,000	136,250	1,141,250
2031	1,055,000	86,000	1,141,000
2032	1,095,000	43,800	1,138,800
	\$ 12,245,000	\$ 3,703,626	\$ 15,948,626

Unlimited Tax Bonds, Series 2012

Due During			
Fiscal Year	Principal Due	Interest Due	
Ending	<u>June 1,</u>	<u>June 1 & Dec 1</u>	Total
2019	155,000	48,319	203,319
2020	160,000	44,770	204,770
2021	160,000	41,106	201,106
2022	165,000	37,442	202,442
2023	170,000	33,660	203,660
2024	175,000	29,770	204,770
2025	175,000	25,763	200,763
2026	180,000	21,755	201,755
2027	185,000	17,633	202,633
2028	190,000	13,397	203,397
2029	195,000	9,046	204,046
2030	200,000	4,580	204,580
	\$ 2,110,000	\$ 327,241	\$ 2,437,241

Unlimited Tax Bonds, Series 2016

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Due During			
Fiscal Year	Principal Due	Interest Due	
Ending	March 1,	Mar 1 & Sept 1	Total
2019	280,000	41,916	321,916
2020	280,000	41,916	321,916
2021	280,000	41,902	321,902
2022	280,000	41,594	321,594
2023	280,000	40,796	320,796
2024	280,000	39,550	319,550
2025	280,000	37,912	317,912
2026	285,000	35,975	320,975
2027	285,000	33,710	318,710
2028	290,000	31,092	321,092
2029	290,000	28,207	318,207
2030	295,000	25,105	320,105
2031	300,000	21,773	321,773
2032	300,000	18,248	318,248
2033	305,000	14,541	319,541
2034	310,000	10,620	320,620
2035	315,000	6,495	321,495
2036	320,000	2,192	322,192
	\$ 5,255,000	\$ 513,544	\$ 5,768,544

TWDB Revenue Bonds, Series 2016

SPI 0118

Due During			
Fiscal Year	Principal Due	Interest Due	
Ending	<u>March 1,</u>	<u>Mar 1 & Sept 1</u>	<u>Total</u>
2019	1,630,000	649,244	2,279,244
2020	1,665,000	611,476	2,276,476
2021	1,700,000	572,650	2,272,650
2022	1,745,000	532,535	2,277,535
2023	1,790,000	483,031	2,273,031
2024	1,830,000	439,441	2,269,441
2025	1,870,000	393,321	2,263,321
2026	1,925,000	344,667	2,269,667
2027	1,975,000	293,763	2,268,763
2028	1,415,000	248,445	1,663,445
2029	1,450,000	208,484	1,658,484
2030	1,500,000	165,935	1,665,935
2031	1,355,000	107,773	1,462,773
2032	1,395,000	62,048	1,457,048
2033	305,000	14,541	319,541
2034	310,000	10,620	320,620
2035	315,000	6,495	321,495
2036	320,000	2,192	322,192
	\$ 24,495,000	\$ 5,146,661	\$ 29,641,661

Annual Requirements for All Series

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Laguna Madre Water District TSI – 6. Changes in Long-Term Bonded Debt

For the year ended September 30, 2018

			Bond Issues		
	Series	Series	Series	Series	Series
na , <u>(111) – a ann an a</u> nn an a	2012 Tax	2015 Revenue	2016 Tax	2016 Revenue	Total
Interest rates	2.0 - 5.0%	2.64%	2.29%	.01 - 1.37%	
Dates Interest Payable	6/1, 12/1	3/1, 9/1	6/1, 12/1	3/1, 9/1	
Maturity dates	6/1/2012 to 6/1/2032	9/1/2015 to 3/1/2027	6/1/2016 to 6/1/2030	3/1/2017 to 3/1/2036	
Bonds outstanding at beginning of current year	\$12,930,000	\$5,360,000	\$2,260,000	\$5,535,000	\$26,085,000
Bonds sold during Current Year	-	-	-	-	-
Bonds refunded	-	-	-	-	-
Bonds retired	685,000	475,000	150,000	280,000	\$1,590,000
Bonds outstanding at end of					
current year	\$12,245,000	\$4,885,000	\$2,110,000	\$5,255,000	\$24,495,000
Interest paid during the Fiscal Year	\$457,063	\$135,234	\$51,754	\$41,916	\$685,967

Paying agent Name & City

Series 2012: Bank of New York Mellon, Corporate Trust, New York, New York Series 2015: Regions Capital Advantage, Inc., Birmingham, Alabama

Series 2016 Tax: BOKF, NA Dallas, Texas

Series 2016 Revenue: Bank of New York Mellon, Corporate Trust, New York, New York

Bond Authority:	Tax Bonds	Revenue Bonds		
Amount Authorized	\$39,405,000	\$12,160,000		
Amount Issued	23,750,000	12,160,000		
Remaining to be Issued	\$15,655,000	\$0		

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2018:	\$3,081,257

Average annual Debt Service payment (principal & interest) for remaining term of all debt:

\$1,360,833

Laguna Madre Water District TSI – 7. Comparative Schedule of Revenues and Expenditures General Fund and Debt Service Fund

For the year ended September 30,	2018	%	2017	%	2016	%	2015	%	2014	%
GENERAL FUND:										
REVENUE:										
Water Service	5,321,051	55.5%	5,481,245	56.3%	5,060,601	54.7%	4,596,999	57.3%	4,331,211	58.1%
Wastewater Service	3,650,725	38.1%	3,713,416	38.1%	3,496,971	37.8%	3,063,040	38.2%	2,828,501	37.9%
Other Water sales	119,597	1.2%	134,503	1.4%	124,459	1.3%	-	0.0%	2 in 1	0.0%
Late fees	62,631	0.7%	58,683	0.6%	76,976	0.8%	63,063	0.8%	57,194	0.8%
Tap Connection fees	237,154	2.5%	162,892	1.7%	134,898	1.5%	167,919	2.1%	111,151	1.5%
Interest on investments	89,446	0.9%	33,305	0.3%	14,836	0.2%	5,195	0.1%	5,990	0.1%
Miscellaneous	104,782	1.1%	154,440	1.6%	350,709	3.8%	126,676	1.6%	125,229	1.7%
TOTAL REVENUES	9,585,386	100.0%	9,738,484	100.0%	9,259,450	100.0%	8,022,892	100.0%	7,459,276	100.0%
EXPENDITURES:										
Professional fees	206,570	2.2%	337,497	3.5%	388,806	4.2%	346,321	4.3%	322,314	4.3%
Payroll and benefits	3,908,057	40.8%	3,657,751	37.6%	3,687,855	39.8%	3,668,463	45.7%	3,810,930	51.1%
Utilities	690,553	7.2%	738,882	7.6%	815,276	8.8%	804,031	10.0%	769,218	10.3%
Materials and supplies	936,154	9.8%	955,147	9.8%	1,162,026	12.5%	986,917	12.3%	846,303	11.3%
Repairs and Maintenance	292,266	3.0%	275,616	2.8%	341,278	3.7%	280,086	3.5%	255,350	3.4%
Other expenditures	799,857	8.3%	722,134	7.4%	196,707	2.1%	206,859	2.6%	167,627	2.2%
Capital outlay	139,642	1.5%	206,388	2.1%	417,400	4.5%	367,244	4.6%	508,905	6.8%
Lease principal	11,831	0.1%	11,480	0.1%	13,329	0.1%	-	0.0%	-	0.0%
Interest and fiscal charges	2,343	0.0%	2,694	0.0%	844	0.0%		0.0%	1997. 1997. – Start Barris, start 1997. – Start Barris, start	0.0%
TOTAL EXPENDITURES	6,987,273	72.9%	6,907,589	70.9%	7,023,521	75.9%	6,659,921	83.0%	6,680,647	89.6%
			1. AU							
EXCESS REVENUES OVER (UNDER)										
EXPENDITURES	2,598,113	27.1%	2,830,895	29.1%	2,235,929	24.1%	1,362,971	17.0%	778,629	10.4%

Laguna Madre Water District TSI – 7. Comparative Schedule of Revenues and Expenditures General Fund and Debt Service Fund (Continued)

For the year ended September 30,	2018	%	2017	%	2016	%	2015	%	2014	%
DEBT SERVICE FUND:										
REVENUES:										
Property taxes	1,454,793	95.7%	1,473,558	96.7%	1,480,550	97.0%	1,348,644	96.0%	2,668,060	97.5%
Penalty and Interest	25,284	1.7%	30,409	2.0%	35,959	2.4%	51,639	3.7%	62,146	2.39
Interest on investments	39,839	2.6%	19,365	1.3%	7,062	0.5%	3,663	0.3%	7,063	0.39
Miscellaneous	61	0.0%	12	0.0%	2,115	0.1%	671	0.0%	-	0.0%
TOTAL REVENUES	1,519,977	100.0%	1,523,344	100.0%	1,525,686	100.0%	1,404,617	100.0%	2,737,269	100.0%
EXPENDITURES:										
Tax collection expense	35,367	2.3%	35,827	2.4%	42,532	2.8%	33,636	2.4%	3,423	0.19
Appraisal charge	18,647	1.2%	18,605	1.2%	15,707	1.0%	30,221	2.2%	101,873	3.79
Debt service, interest and fees	2,278,266	149.9%	2,279,584	149.6%	1,939,105	127.1%	2,504,931	178.3%	3,204,346	117.19
Bond issue costs	-	0.0%	-	0.0%	-	0.0%	140,385	10.0%		0.0%
TOTAL EXPENDITURES	2,332,280	153.4%	2,334,016	153.2%	1,997,344	130.9%	2,709,173	192.9%	3,309,642	120.9%
EXCESS REVENUES OVER (UNDER)										
EXPENDITURES	(812,303)	(53.4%)	(810,672)	(53.2%)	(471,658)	(30.9%)	(1,304,556)	(92.9%)	(572,373)	(20.9%
TOTAL ACTIVE RETAIL WATER										
CONNECTIONS	6,446		6,369		6,278		6,319		6,208	
TOTAL ACTIVE RETAIL WASTE WATER										
CONNECTIONS	5,557		5,519		5,466		5,413		5,344	

Laguna Madre Water District TSI – 8. Board Members, Key Personnel and Accountants

For the year ended September 30, 2018

Complete District Mailing Address:	105 Port Road			
	Port Isabel, TX 78578			
District Business Telephone	(956) 943-2626			

Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054): October 13, 2017

Limit on Fees of Office that a Director may receive during a fiscal year (Set by Board Resolution - TWC 49.0060): $\frac{5}{2} - 0 - .$

Name and Address	Term of Office (Elected or Appointed) or Date Hired	Fees Office 9/30/2	Paid	Expe Reimbur 9/30/		Title at Year End
BOARD MEMBERS						
Scott Friedman PO Box 3897 South Padre Island, TX 78597	11/16 - 11/20	\$	-	\$	-	Chairman
Rick Wells 115 S Trevino Port Isabel, TX 78578	11/14 - 11/18	\$	-	\$	-	Vice-Chairman
Doyle Wells, III PO Box 3633 South Padre Island, TX 78596	7/16 - 11/18	\$	-	\$	-	Secretary
Alex Avalos 212 W Esperanza / PO Box 2867 South Padre Island, TX 78596	9/17 - 11/20	\$	-	\$	-	Director
Herb Houston 4 Whooping Crane Laguna Vista, TX 78578	9/17 - 11/20	\$	-	\$	-	Director

Laguna Madre Water District TSI – 8. Board Members, Key Personnel and Accountants (Continued)

For the year ended September 30, 2018

Name and Address	Term of Office (Elected or Appointed) or Date Hired	Offic	es of ce Paid 0/2018	Reimbu	oense ursement 0/2018	Title at Year End
KEY ADMINISTRATIVE PERSONNEL						
Carlos J. Galvan, Jr.						
1636 Oklahoma Street Port Isabel, TX 78578	2001	\$	-	\$	-	General Manager
Charles Ortiz						
5587 Garden Breeze Ct. Brownsville, TX 78526	2013	\$	-	\$	-	District Engineer
Eduardo Salazar						
33097 Washington Ave. Port Isabel, TX 78578	2018	\$	-	\$	-	Director of Finance
Robert Gomez						
1425 Catherine Cir. Brownsville, TX 78520	2017	\$	-	\$	-	Director of Operations
CONSULTANTS						
Beatty Bangle Strama						
400 West 15 St Ste 1450 Austin, TX 78701	2015	\$72	,733.11	\$	-	Attorney
Estrada Hinojosa & Co., Inc.						
1717 Main Street Dallas, TX 75201	1999	\$ 10	,000.00	\$	-	Financial Advisor
G5 Internet Services						
311-D Vogel Drive Mercedes, TX 78570	2012	\$ 40	,135.80	\$	-	IT Consultant

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OTHER INFORMATION

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Laguna Madre Water District Top Ten Taxpayers

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For the year ended September 30, 2018

Owner ID	Taxpayer Name	Master Value	Taxable Value		
642489	SAN ROMAN WIND I LLC	\$ 52,800,430	\$	52,800,430	
324942	AEP TEXAS INC	\$ 16,592,720	\$	16,592,720	
536143	SUBSEA 7 PORT ISABEL LLC	\$ 11,375,685	\$	11,375,685	
562039	SPI BEACH WATER RESORT WATERPARK LLC	\$ 10,882,174	\$	10,882,174	
336660	PENINSULA ISLAND RESORT & SPA LLC	\$ 10,346,917	\$	10,346,917	
580926	AGORA USA LP	\$ 10,312,156	\$	10,312,156	
526932	SAPPHIRE VP LP ATTN STEPHEN SWAN	\$ 9,000,000	\$	9,000,000	
541018	BAHIA MAR TOWER LLC	\$ 7,361,990	\$	7,361,990	
37416	AEP TEXAS CENTRAL CO	\$ 7,188,180	\$	7,188,180	
546094	AFFILIATED HOSPITALITY LLC	\$ 6,689,867	\$	6,689,867	

Laguna Madre Water District Top Ten Rate Payers

For the year ended September 30, 2018

Account Name	Address	City	 Amount
LONG ISLAND VILLAGE	900 S GARCIA ST	PORT ISABEL	\$ 328,025
SCHLITTERBAHN SO PADRE	200 PADRE BLVD	SOUTH PADRE ISLAND	\$ 310,846
TEXAS PACK INC	508 PORT ROAD	PORT ISABEL	\$ 218,225
CAMERON COUNTY PARKS	1 PADRE BLVD	SOUTH PADRE ISLAND	\$ 169,748
SSPIBR, LTD DBA PEARL SO PADRE	310 PADRE BLVD	SOUTH PADRE ISLAND	\$ 155,163
WAL-MART STORES	1401 HWY 100	PORT ISABEL	\$ 85,235
SAPPHIRE CONDOS	310-A PADRE BLVD	SOUTH PADRE ISLAND	\$ 77,596
SAIDA TOWERS II	400 PADRE BLVD	SOUTH PADRE ISLAND	\$ 76,658
BRIDGEPOINT CONDOS	334 PADRE BLVD	SOUTH PADRE ISLAND	\$ 76,444
SOUTH PADRE ISLAND GOLF COURSE	1 GOLF HOUSE RD	LAGUNA VISTA	\$ 68,085

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COMPLIANCE SECTION

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Carr, Riggs & Ingram, LLC 3125 Central Blvd. Brownsville, TX 78520

(956) 546-1655 (956) 546-0377 (fax) CRicpa.com

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

To the Board of Directors Laguna Madre Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Laguna Madre Water District as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Laguna Madre Water District's basic financial statements, and have issued our report thereon dated February 6, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.