EISNERAMPER

Water Rate Study Report: Pendleton Water Association Inc.

Pendleton Water Association Inc.

62 Queens Rd, Many, LA 71449

AND

Division of Administration, Office of Community Development

December 5, 2024

EISNERAMPER

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Mr. Tony Farrell
Pendleton Water Association Inc.
62 Queens Rd
Many, Louisiana 71449

RE: Office of Community Development Water Rate Study

Dear Mr. Farrell,

EAG Public Sector, LLP has completed our Water Rate Study Report. The report is required by the Louisiana Office of Community Development's Water Sector Program to qualify for American Rescue Plan Act ("ARPA") grant funding. The objective of this engagement was to assess the adequacy of Pendleton's water system water rates to maintain sustainability. The following report provides a summary of our procedures and projections.

This engagement was conducted in accordance with the *Statements on Standards for Consulting Services*, established by the American Institute of Certified Public Accountants. Our procedures were not designed to detect fraud, or to constitute an audit, review, or compilation of the information provided. Accordingly, we will not express an opinion or conclusion nor provide any other form of assurance on the completeness and accuracy of the information. Additionally, the projection of any conclusions, based on our findings, to past or future periods is subject to the risk that changes may have occurred during the passage of time that may alter the validity of such conclusions.

EAG Public Sector, LLP appreciates the cooperation and assistance provided by Pendleton Water Association, Inc. personnel during this engagement. We sincerely appreciate this opportunity to be of service to you. Please do not hesitate to contact us if you have any questions related to this report or any other matters.

Sincerely,

EAG Public Sector, LLP

EAG Public Sector, LLP

Table of Contents

I. Executive Summary:

EAG Public Sector, LLP ("EisnerAmper") has been engaged by the Louisiana Office of Community Development ("OCD") to perform rate studies of Louisiana public water systems and community sewerage systems (or community water systems) that apply to the State of Louisiana Water Sector Program for American Rescue Plan Act ("ARPA") project funding. Pendleton Water Association Inc. ("Pendleton") applied to the Water Sector Program for a grant totaling $1,770,000. The rate studies are a prerequisite for the applicant to meet the Water Sector Program requirements and receive an award of funds.

As directed by the State of Louisiana Office of Community Development, applicants must demonstrate a financial sustainability factor of 1.15 during the first year of the grant to qualify for Water Sector Program funding. EisnerAmper conducted its rate study analysis from May - September 2024 utilizing Pendleton historical financial information for fiscal years ended December 2021 – 2023, historical financial information for January through September 2024, its 2024 budget, and future capital expenditure projections. Using these data and other information, EisnerAmper forecasted Pendleton's revenues and expenses for a ten-year period ending December 31, 2034, and determined that based on their projected number of customers in ten years (utilizing the US Census Bureau for Parish Population), Pendleton will be operating at a sustainability factor below the required threshold of 1.15. Per the Rate Study Forecast, EisnerAmper determined that Pendleton would need to increase their rates by 51% to meet the minimum required sustainability factor for year one (fiscal year 2025). Following this initial increase, Pendleton will be operating at a sustainability factor below the required threshold of 1.15, whereas rates will need to increase again. Such rate adjustments will not need to be applied equally across different customer classes. As such, EisnerAmper will recommend a new rate in this report.

Per the Rate Study Forecast performed, EisnerAmper determined that Pendleton's current rate structure is in accordance with the standards set forth by the American Water Works Association'("AWWA") Manual M1 (Seventh Edition) and the Water Environment Federation's Financing and Charges for Wastewater Systems (4th Edition). Pendleton's current rate structure has established base and volumetric rates that are charged to all residential customers. Those base rates are adjusted on an as-needed basis. The same rate structure is applied to all business customers, along with the same initial base and volumetric rates applied to residential customers. The AWWA states that fixed rate structures are an acceptable form of rate structures for rural municipalities.

In the preparation of this report and the Rate Study Forecast, EisnerAmper relied on various assumptions and considerations in relation to conditions or events that may occur in the future. Information used in the preparation of this report was provided by the employees of Pendleton.

While EisnerAmper considers the recommendations and opinions made in this report to be reasonable, some assumptions cannot be made with absolute certainty due to unforeseen events or circumstances that may have a financial impact to the water district. As such, EisnerAmper based their findings on the AWWA's best practices, and the information provided by Pendleton.

II. Scope of Work:

2.1 Overview

EisnerAmper conducted a water rate study of Pendleton to achieve the objectives of the Water Sector Program and determine if rates charged will produce sustainable operations currently and, in the future, allowing for operating and maintenance expenses, debt service and the changes as a result of the improvements to be funded under Act 410 of the 2021 Regular Session of the Louisiana Legislature.

The minimum requirements of the rate study as defined by the Louisiana Office of Community Development are as follows:

1. Review existing revenues, compare to expenses, and determine if there are any deficiencies in the current rate structure. Determine the required rates to meet expenses, capital, and funding costs for future needs of the system with a minimum sustainability factor of 1.15.
2. Project demands for the system created by population projections.
3. Identify the system's most important asset and require a Contingency Fund that would fund the replacement of this asset in twenty years.
4. Review the funding requirements for capital equipment and other fixed asset replacement and recommend a prudent reserve policy for operations, capital replacement and emergencies.
5. Review current water utilization and determine if a large water use rate is necessary.
6. Provide a recommended policy requiring an annual increase to the rate structure, if necessary, that will recover projected revenue requirements for a ten-year period. Components of the base rates and volume charges should be clearly identified.
7. Review miscellaneous fees to assure they are reasonable and not outdated.
8. Review impact fee levels and methodology to address growth needs.
9. Provide a general discussion on current policies and trends related to payment options, deposit amounts, connections, disconnects, etc., in comparison to other Community Water Systems.

III. Project Information

General Information

The information detailed within this section was gathered by EisnerAmper.

Pendleton Water Association, Inc. is a water supply company located in Many, Louisiana. According to Pendleton, they provide services to customers in Sabine Parish.

Sabine parish is in the western part of Louisiana. Sabine parish was established in 1843. As of the 2022 Census population report, the populate of Sabine parish was approximately 21,985.

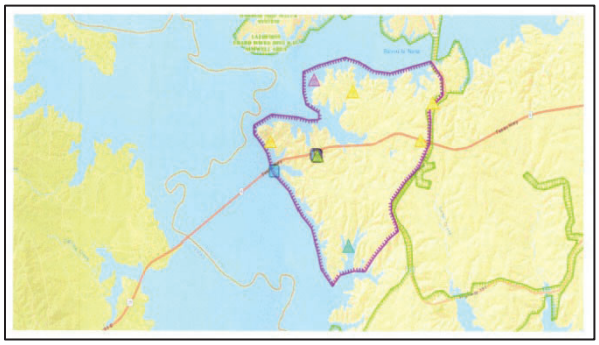

Image 1: Geographical Footprint provided by district.

Rates Per Ordinance

Per the *Rate Schedule Fees*, Pendleton adhered to a policy of user charges to calculate the monthly bills for customers of the Pendleton water system, as follows:

	Residential	Commercial
Minimum per Meter (Includes up to 1,000 gal)	**$44.00**	**$60.00**
Per thousand 1,001 and up gals.	**.00675**	**.00775**

The System's Most Important Asset

The most important assets, as per consultation with Pendleton, are the system's pumps and related equipment at each site. The Rate Study Forecast includes a reserve to fund these assets over a 20-year period.

Recommended Reserve Policy

As Pendleton does not currently have a Reserve Policy in place, EisnerAmper recommends Pendleton consider implementing one of the reserve policies below.

According to the Utility Management Committee of the Water Environment Federation ("WEF"), reserves play crucial roles in utilities and enterprise operations, with various types and uses identified. These reserves include:

General Operating Reserves: This category encompasses several sub-reserves such as contingency reserves, reserves for claims and losses, reserves for bad debt allowances, and reserves for employee benefits, retirement, and medical funds. General operating reserves are established by utilities to address both general and specific operating needs. They serve as a buffer for unforeseen fluctuations in expenses and revenues and can be tapped to supplement rate revenues if necessary to cover operating expenses. The size of a general operating reserve typically ranges from one to three months of operating costs. However, the actual amount may vary depending on the stability or predictability of revenues and expenses. For instance, utilities that receive revenues semiannually (e.g., from property taxes) may maintain reserves equivalent to six to nine months' worth of operating expenses, while those collecting monthly revenues might have reserves covering only two months of operations. Establishing these reserves can span from one year to several years, with subsequent annual additions being relatively small after the initial funding. Financial management organizations like the Government Finance Officers Association ("GFOA") and rating agencies such as Moody's and Standard & Poor's regularly provide guidance on best practices regarding the appropriate levels of operating reserves.

Emergency Capital Reserves: This category encompasses capital construction reserves, system replacement reserves, line replacement reserves, and disaster and emergency reserves. Emergency reserves are dedicated funds established to address unforeseen capital requirements and are designed to provide financial support in the event of unexpected failures within a utility system. Typically, the levels for these reserves can be determined based on a percentage of asset value, such as 1%, or they may be equivalent to the replacement cost of critical or significant portions of the infrastructure. Emergency capital reserves are primarily intended for emergency situations, such as natural disasters (e.g., earthquakes, tornadoes, hurricanes) or significant sewer line collapses.

Rate Stabilization Reserves: Occasionally, rate stabilization reserves are established by utilities to manage wide fluctuations in revenues, which may occur seasonally or annually. An example of this is during the rainy season when a utility may experience peaks in wet weather flows. These reserves serve to smooth out variations in cash flow. In instances where utilities set rates for multiyear periods, rate stabilization reserves can be utilized to accumulate surplus revenues during initial years and offset expected deficits in later years.

Bond Covenant Reserves: Bond covenant reserves are established to fulfill provisions outlined in a utility's bond resolutions, covenants, or ordinances. For revenue bond issues, these reserves commonly include an operations and maintenance ("O&M") reserve, similar to the general operating reserve mentioned earlier, as well as debt service reserves. The debt service reserve typically holds funds equivalent to one year's worth of principal and interest payments. These reserves are accessed only if there are insufficient revenues available to cover bond payments. The proceeds from a bond issue often contribute to funding the debt service reserve.

Insurance Reserves: This category of reserves can be used by utilities to cover unforeseen claims or anticipated future expenses. Instead of purchasing commercial insurance, some utilities opt for self-insurance for certain operational aspects. In these cases, a self-insurance reserve is established to cover potential claims. Additionally, insurance reserves may be allocated for employee benefits, such as deferred compensation or other benefit programs**.**

IV. Consumption Projections and Population Growth Estimates

As EisnerAmper forecasted the number of customers to decrease over the next ten years (744 customers in 2034, down from 892 in 2025), it is reasonable to conclude that Pendleton's current system could be impacted from the decrease in the number of customers using the system. Per AWWA best practices, using historical customer class average water use and/or revenues is an acceptable method for projecting revenues for population growth. *See Image 2 below.*

Period	Number of Customers	Percent Change
2025	892	NM
2026	874	-2.02%
2027	857	-2.02%
2028	840	-1.95%
2029	823	-1.98%
2030	807	-2.02%
2031	791	-1.94%
2032	775	-1.98%
2033	759	-2.02%
2034	744	-2.06%

Image 2: Pendleton's customer projection per the Rate Study Forecast Model

V. Recommended Rate Structure

Through the process of assessing the water rate structure, EisnerAmper intended to independently identify a rate structure designed to provide Pendleton with stable and continuous revenue that will allow the water system to continue to operate.

EisnerAmper utilized the following assumptions to develop their Forecasted Rate Study Model. See Schedule 1.0.

Assumptions Utilized within the Rate Study Forecast

Growth Rate Inputs

Consumer Price Inflation Rate

To forecast the CPI Rate over a ten-year period, EisnerAmper utilized the *Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U), 12-Month Percent Change, U.S. City Average, all items Less Food and Energy as of June 30*, which provided an inflation rate of 3.60%. As EisnerAmper finds 3.60% to be in the historic range of inflation rates, 3.60% was applied to all ten years in the forecast.

Customer Billings Assumptions

Residential Customer Appreciation (Depreciation) Rate

The residential customer appreciation or depreciation rate was estimated using the total average rate of change in population for Sabine Parish over the past 5 years. Annual estimates of the population were obtained from the U.S. Census Bureau, then a compounded annual growth rate was calculated using the population estimates from 2018 to 2022.

Average Residential Customer Usage (gal)

The average residential customer usage was calculated using the monthly total water consumption by each residential customer in the water system from the period of October 1, 2023-September 30, 2024, as provided by Pendleton.

Commercial Customer Appreciation (Depreciation) Rate

The commercial customer appreciation or depreciation rate was estimated using the total average rate of change in population for Sabine Parish over the past five years. Annual estimates of the population were obtained from the U.S. Census Bureau, then a compounded annual growth rate was calculated using the population estimates from 2018 to 2022.

Average Commercial Customer Usage (gal)

The average commercial customer usage was calculated using the monthly total water consumption by each non-residential customer in the water district from the period of October 1, 2023-September 30, 2024, as provided by Pendleton.

Operating Expense and Capital Expenditure Assumptions

Increase in Cost of Services Rendered

The cost of services rendered was forecasted using a growth rate established by an analysis of actual historical rates, fiscal year 2024 forecasted expenses, forecasted revenue, the expected inflation rate, and forecasted expense for water purchased.

Water Purchase Rate Annual Increase

The water purchase rate annual increase was based on the consumer price inflation rate discussed above. EisnerAmper forecasted the rates from December 2025 to December 2034 by utilizing the Bureau of Labor Statistics Report, Consumer Price Index for All Urban Consumers (CPI-U), 12-Month Percent Change, U.S. City Average, all items Less Food and Energy which provided an inflation rate of 3.60%.

Capital Expenditures

Capital expenditures were forecasted as a 'Major Asset Reserve' based on Critical Asset replacement costs. See *Schedule #2.4*.

Excess Funding for Capital Projects

The capital expenditure projects, to be funded through the Water Sector Grant, are constrained by the sum specified in the grant application. Any surplus beyond the allocated grant funds will not be factored into sustainability considerations. Consequently, the district must proactively explore alternative funding sources or consider implementing rate increases to address potential shortfalls. See *Schedule #2.4*.

Other Assumptions

Other Income (expenses)

Other income and expenses were forecasted using a 4-year historical average.

Investment Income

Investment income was included with Other Income (expenses) using a 4-year historical average.

Grant proceeds

Grant proceeds expected to be received from the Water Sector Program, which will fund expected future capital expenditures, are included in the rate study forecast; however, no other potential grants are forecasted as future grants cannot be consistently depended upon to fund projects or operating expenditures. See *Schedule #2.4*.

Rate Study Forecast Model Results

Through the Rate Study Forecast, EisnerAmper forecasted that Pendleton will not achieve a financial sustainability factor of 1.15 in year one (December 31, 2025). Per EisnerAmper's contract with the State of Louisiana, through an analysis of existing revenues compared to expenses, EisnerAmper independently verified that the required rates meet expenses, capital, and funding costs for future needs of the water system with a minimum sustainability factor of 1.15. For Pendleton to meet the minimum sustainability factor, they will have to increase their rates by 51% in year one of the grant. By implementing this rate increase, the district will maintain a sustainability factor of 1.15 or greater for one year. They will need to increase their rates again in 2026. *See Schedules 2.1 and 2.6*.

According to the AWWA, certain criteria are typically considered in setting rates and developing practical rate structures for a rural municipality. The items below are common areas considered when setting rates and developing practical rate structures for a rural municipality:

- Cost-Based Rate Making
    - The AWWA recommends that the municipality utilize a rate that ensures that the rate in effect will cover the actual cost of providing services.
- Revenue Generated by the Municipality
    - It is vital that the municipality generates enough revenues to effectively cover their costs and sustain its operations.
- Commonly Used Rate Structures for Rural Municipalities
    - Increasing Block Rates
        - As usage/consumption increases, the rate per unit will also increase.
    - Decreasing Block Rates
        - As usage/consumptions decreases, the rate per unit will also decrease.
    - Uniform/Fixed Rate
        - Everyone pays the same rate.

For Pendleton, all residential users pay the same rate, and all business users pay the same rate, with an adjustment made as needed. Per AWWA guidance, Pendleton utilizes a Uniform Rate Structure. As such, EisnerAmper concluded that Pendleton is currently utilizing a rate structure that complies with AWWA best practices. See rate table on page 6 for the rate structure as outlined by Pendleton's rate schedule.

For Pendleton to meet the minimum sustainability factor of 1.15 in year one (December 31, 2025), based on this rate study analysis, EisnerAmper recommends the rate structure mentioned above incorporate the following change:

Pendleton will need to increase their rates by 51% to meet the minimum required sustainability factor for year one (fiscal year 2025.) Such rate adjustments will not need to be applied equally across different customer classes.

Schedule 1.0:

Pendleton Water Association Inc.

Schedule #1.0

Drivers and Rate Inputs

Metric	Source	Basic Components as of Valuation Date: Per Source	Basic Components as of Valuation Date: Selected
Growth Rate Inputs			
Consumer Price Inflation Rate	The Bureau of Labor Statistics	3.60%	3.60%
Revenue Assumptions			
Residential Customer Appreciation (Depreciation) Rate	U.S. Census Bureau 5-year Avg. Change in Parish Population	-2.07%	-2.07%
Average Residential Customer Usage (gal)	Monthly Average Residential Usage in Billing Register	2,652.12	2,652.12
Commercial Customer Appreciation (Depreciation) Rate	U.S. Census Bureau 5-year Change in Parish Population	-2.07%	-2.07%
Average Commercial Customer Usage (gal)	Monthly Average Commercial Usage in Billing Register	11,830.69	11,830.69
Operating Expense and Capital Expenditure Assumptions			
Increase in cost of services rendered	Analysis of Operating Expenses and Expected Inflation Rate	3.60%	3.60%
Water Purchase Rate Annual Increase	Consumer Price Inflation Rate	3.60%	3.60%
Other Assumptions			
Other income (expenses)	4-Year Historical Average	11,574	11,574

Schedule 1.1

Pendleton Water Association Inc. — Schedule #1.1

Reported Income Statements

	Actual			Annualized	Common Size (%)			
	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Operating Revenues:								
Water Sales	$ 483,575.58	$ 535,865.60	$ 717,894.65	$ 728,368.91	98.38%	98.72%	98.09%	97.66%
Late Fees and Penalties	$ 5,126.24	$ 4,866.86	$ 13,641.45	$ 17,053.39	1.04%	0.90%	1.86%	2.29%
Service Fee Income	$ 875.00	$ -	$ -	$ -	0.18%	0.00%	0.00%	0.00%
Other Income	$ 1,800.00	$ 1,950.00	$ -	$ 150.00	0.37%	0.36%	0.00%	0.02%
Interest Income	$ 148.33	$ 113.11	$ 329.94	$ 243.40	0.03%	0.02%	0.05%	0.03%
Total Operating Revenues	$ 491,525.15	$ 542,795.57	$ 731,866.04	$ 745,815.70	100.00%	100.00%	100.00%	100.00%
Operating Expenses:								
Purchase - Raw Water	$ 13,509.07	$ 14,046.57	$ 13,989.48	$ 12,622.67	2.75%	2.59%	1.91%	1.69%
Bank Fees	$ 297.26	$ 442.77	$ 189.84	$ 459.20	0.06%	0.08%	0.03%	0.06%
Contract (Sub) Labor	$ -	$ 10,246.25	$ 244.34	$ 9,075.00	0.00%	1.89%	0.03%	1.22%
Chemicals	$ 33,999.21	$ 57,709.60	$ 65,725.31	$ 66,994.06	6.92%	10.63%	8.98%	8.98%
Lab Test on Water	$ 135.00	$ -	$ -	$ -	0.03%	0.00%	0.00%	0.00%
Safe Drinking Water Fees	$ 10,801.50	$ 11,115.00	$ 7,344.45	$ 9,914.15	2.20%	2.05%	1.00%	1.33%
Repair & Maintenance	$ 7,762.96	$ 4,043.66	$ 20,412.07	$ 38,763.45	1.58%	0.74%	2.79%	5.20%
Repair & Maint. - DistSyst. Labor	$ 52,842.30	$ 54,291.85	$ 76,408.46	$ 91,806.23	10.75%	10.00%	10.44%	12.31%
Repair & Maint. - DistSyst. Material	$ -	$ 52,901.06	$ 35,281.00	$ 40,946.28	0.00%	9.75%	4.82%	5.49%
Small Tools and Supplies	$ 2,554.32	$ 5,698.86	$ 22,146.77	$ 15,977.73	0.52%	1.05%	3.03%	2.14%
Telephones	$ 31,705.16	$ 16,654.67	$ 10,956.82	$ 11,175.65	6.45%	3.07%	1.50%	1.50%
Salaries	$ 105,287.28	$ 109,476.58	$ 145,999.92	$ 178,871.19	21.42%	20.17%	19.95%	23.98%
Employee Benefits	$ 24,111.28	$ 31,603.13	$ 36,644.81	$ 48,743.02	4.91%	5.82%	5.01%	6.54%
Fuel & Oil	$ 4,367.33	$ 6,099.66	$ 5,891.14	$ 4,232.45	0.89%	1.12%	0.80%	0.57%
Certification/Licenses/Permit	$ -	$ 120.00	$ -	$ 352.50	0.00%	0.02%	0.00%	0.05%
Dues & Subscriptions	$ 2,210.42	$ 828.75	$ 4,587.91	$ 9,987.13	0.45%	0.15%	0.63%	1.34%
Insurance	$ 17,855.56	$ 20,012.94	$ 26,650.52	$ 17,593.96	3.63%	3.69%	3.64%	2.36%
Legal and Accounting	$ 10,266.31	$ 4,203.69	$ 9,060.00	$ 9,885.00	2.09%	0.77%	1.24%	1.33%
Meals & Entertainment	$ 70.35	$ 192.56	$ 262.63	$ 271.54	0.01%	0.04%	0.04%	0.04%
Office Expense	$ 3,581.07	$ 2,633.37	$ 10,041.67	$ 15,230.62	0.73%	0.49%	1.37%	2.04%
Outside Services	$ 28,601.70	$ 22,341.20	$ 13,480.35	$ 25,780.25	5.82%	4.12%	1.84%	3.46%
Payroll Taxes	$ 8,201.27	$ 8,563.15	$ 11,364.70	$ 13,338.05	1.67%	1.58%	1.55%	1.79%
Postage	$ 9,860.19	$ 7,745.81	$ 6,597.91	$ 1,600.00	2.01%	1.43%	0.90%	0.21%
Travel	$ 1,561.76	$ -	$ 1,286.27	$ 962.05	0.32%	0.00%	0.18%	0.13%
Training	$ 765.04	$ -	$ 1,097.77	$ 852.50	0.16%	0.00%	0.15%	0.11%
Interest Expense	$ -	$ -	$ -	$ -	0.00%	0.00%	0.00%	0.00%
Utilities	$ 33,988.00	$ 37,386.18	$ 34,391.66	$ 33,390.64	6.91%	6.89%	4.70%	4.48%
Miscellaneous	$ 8.00	$ 170.12	$ -	$ 18,001.00	0.00%	0.03%	0.00%	2.41%
Total Operating Expenses	$ 404,342.34	$ 478,527.43	$ 560,055.80	$ 676,826.32	82.26%	88.16%	76.52%	90.75%
Net Operating Income (Loss)	$ 87,182.81	$ 64,268.14	$ 171,810.24	$ 68,989.38	17.74%	11.84%	23.48%	9.25%

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Schedule 2.1:

Pendleton Water Association Inc. — Schedule #2.1

Financial Forecast

	Driver / Schedule Reference	Budgeted	Forecasted									
		12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034
Cash Flows from Operating Activities												
Customer Billings	Schedule #2.2	$ 728,369	$ 957,668	$ 938,855	$ 920,540	$ 902,224	$ 884,407	$ 867,087	$ 849,767	$ 832,447	$ 815,625	$ 800,494
Payments to suppliers and employees	Schedule #2.3	(676,826)	(701,192)	(726,435)	(752,587)	(779,680)	(807,748)	(836,827)	(866,953)	(898,163)	(930,497)	(963,995)
Total Cash Flows from Operating Activities		51,543	256,476	212,420	167,953	122,545	76,658	30,260	(17,186)	(65,716)	(114,872)	(163,501)
Cash Flows from Noncapital Financing Activities												
Other income (expenses)	11,574	17,447	11,574	11,574	11,574	11,574	11,574	11,574	11,574	11,574	11,574	11,574
Transfers from (to) other funds	0	-	-	-	-	-	-	-	-	-	-	-
Cash received from (paid to) other funds	0	-	-	-	-	-	-	-	-	-	-	-
Total Cash Flows from Noncapital Financing Activities		17,447	11,574	11,574	11,574	11,574	11,574	11,574	11,574	11,574	11,574	11,574
Cash Flows from Capital and Related Financing Activities												
Capital expenditures	Schedule #2.4	-	(45,396)	(45,396)	(45,396)	(45,396)	(45,396)	(45,396)	(45,396)	(45,396)	(45,396)	(45,396)
Asset Reserve		-	-	-	-	-	-	-	-	-	-	-
Grant proceeds	0	-	-	-	-	-	-	-	-	-	-	-
Bond proceeds	0	-	-	-	-	-	-	-	-	-	-	-
Bond principal payments	Schedule #2.5	(22,831)	(81,162)	(86,775)	(15,706)	(5,217)	(5,471)	(5,736)	(6,015)	(6,307)	(6,613)	(6,934)
Interest expense and fiscal charge	Schedule #2.5	(5,915)	(13,585)	(7,965)	(3,115)	(2,604)	(2,351)	(2,085)	(1,806)	(1,514)	(1,208)	(887)
Total Cash Flows from Capital and Related Financing Activities		(28,746)	(140,142)	(140,135)	(64,217)	(53,217)	(53,217)	(53,217)	(53,217)	(53,217)	(53,217)	(53,217)
Net Increase (Decrease) in Cash and Cash Equivalents		$ 40,243	$ 127,909	$ 83,860	$ 115,311	$ 80,902	$ 35,016	$ (11,383)	$ (58,829)	$ (107,359)	$ (156,515)	$ (205,144)
Total Receipts		745,816	969,243	950,430	932,114	913,799	895,981	878,661	861,341	844,021	827,199	812,068
Total Expenditures		705,572	841,334	866,570	816,804	832,897	860,965	890,044	920,170	951,380	983,714	1,017,212
Sustainability Factor		1.06	1.15	1.10	1.14	1.10	1.04	0.99	0.94	0.89	0.84	0.80

Schedule 2.2:

Pendleton Water Association Inc. — **Schedule #2.2**

Customer Billings Forecast

		USD ($)									
		12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034
Beginning Residential Customers		835	818	802	786	770	755	740	725	710	696
Additions (Deductions)	-2.07%	(17)	(16)	(16)	(16)	(15)	(15)	(15)	(15)	(14)	(14)
Ending Residential Customers		818	802	786	770	755	740	725	710	696	682
Base Rate		$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44	$ 66.44
Volumetric Rate ($/kgal)		$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Base Charges		$ 658,951.92	$ 645,796.80	$ 633,040.32	$ 620,283.84	$ 607,926.00	$ 595,966.80	$ 584,007.60	$ 572,048.40	$ 560,487.84	$ 549,325.92
Volumetric Charges	2,652.12	$ 163,857.61	$ 160,586.41	$ 157,414.33	$ 154,242.25	$ 151,169.30	$ 148,195.48	$ 145,221.66	$ 142,247.84	$ 139,373.14	$ 136,597.57
Total Residential Charges		$ 822,809.53	$ 806,383.21	$ 790,454.65	$ 774,526.09	$ 759,095.30	$ 744,162.28	$ 729,229.26	$ 714,296.24	$ 699,860.98	$ 685,923.49
Average Monthly Residential Bill		82.96	82.96	82.96	82.96	82.96	82.96	82.96	82.96	82.96	82.96
Beginning Commercial Customers		57	56	55	54	53	52	51	50	49	48
Additions (Deductions)	-2.07%	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	-
Ending Commercial Customers		56	55	54	53	52	51	50	49	48	48
Base Rate		$ 90.60	$ 90.60	$ 90.60	$ 90.60	$ 90.60	$ 90.60	$ 90.60	$ 90.60	$ 90.60	$ 90.60
Volumetric Rate ($/kgal)		$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Base Charges		$ 61,426.80	$ 60,339.60	$ 59,252.40	$ 58,165.20	$ 57,078.00	$ 55,990.80	$ 54,903.60	$ 53,816.40	$ 52,729.20	$ 52,185.60
Volumetric Charges	11,830.69	$ 73,432.10	$ 72,132.42	$ 70,832.74	$ 69,533.05	$ 68,233.37	$ 66,933.69	$ 65,634.00	$ 64,334.32	$ 63,034.64	$ 62,384.80
Total Commercial Charges		$ 134,858.90	$ 132,472.02	$ 130,085.14	$ 127,698.25	$ 125,311.37	$ 122,924.49	$ 120,537.60	$ 118,150.72	$ 115,763.84	$ 114,570.40
Average Monthly Commercial Bill		198.91	198.91	198.91	198.91	198.91	198.91	198.91	198.91	198.91	198.91
Total Charges		$ 957,668.43	$ 938,855.23	$ 920,539.79	$ 902,224.35	$ 884,406.67	$ 867,086.77	$ 849,766.86	$ 832,446.96	$ 815,624.82	$ 800,493.89

Schedule 2.3:

Pendleton Water Association Inc. — **Schedule #2.3**

Operating Expense Forecast

	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034
Operating Revenues:											
Water Sales	$ 728,368.91	$ 957,668.43	$ 938,855.23	$ 920,539.79	$ 902,224.35	$ 884,406.67	$ 867,086.77	$ 849,766.86	$ 832,446.96	$ 815,624.82	$ 800,493.89
Late Fees and Penalties	17,053.39	-	-	-	-	-	-	-	-	-	-
Service Fee Income	-	-	-	-	-	-	-	-	-	-	-
Other Income	150.00	11,574.43	11,574.43	11,574.43	11,574.43	11,574.43	11,574.43	11,574.43	11,574.43	11,574.43	11,574.43
Interest Income	243.40	-	-	-	-	-	-	-	-	-	-
Total Operating Revenues	$ 728,368.91	$ 969,242.86	$ 950,429.66	$ 932,114.22	$ 913,798.78	$ 895,981.10	$ 878,661.20	$ 861,341.29	$ 844,021.39	$ 827,199.25	$ 812,068.32
Cost of Services Rendered											
Purchase - Raw Water	12,622.67	13,077.09	13,547.86	14,035.58	14,540.87	15,064.34	15,606.65	16,168.49	16,750.56	17,353.58	17,978.31
Bank Fees	459.20	475.73	492.86	510.60	528.98	548.03	567.75	588.19	609.37	631.31	654.03
Contract (Sub) Labor	9,075.00	9,401.70	9,740.16	10,090.81	10,454.08	10,830.42	11,220.32	11,624.25	12,042.72	12,476.26	12,925.41
Chemicals	66,994.06	69,405.85	71,904.46	74,493.02	77,174.77	79,953.06	82,831.37	85,813.30	88,902.58	92,103.07	95,418.78
Lab Test on Water	-	-	-	-	-	-	-	-	-	-	-
Safe Drinking Water Fees	9,914.15	10,271.06	10,640.82	11,023.89	11,420.75	11,831.89	12,257.84	12,699.12	13,156.29	13,629.92	14,120.60
Repair & Maintenance	38,763.45	40,158.93	41,604.66	43,102.42	44,654.11	46,261.66	47,927.08	49,652.45	51,439.94	53,291.78	55,210.28
Repair & Maint. - DistSyst. Labor	91,806.23	95,111.25	98,535.26	102,082.53	105,757.50	109,564.77	113,509.10	117,595.43	121,828.86	126,214.70	130,758.43
Repair & Maint. - DistSyst. Material	40,946.28	42,420.35	43,947.48	45,529.59	47,168.65	48,866.72	50,625.93	52,448.46	54,336.60	56,292.72	58,319.26
Small Tools and Supplies	15,977.73	16,552.93	17,148.83	17,766.19	18,405.77	19,068.38	19,754.84	20,466.02	21,202.80	21,966.10	22,756.88
Telephones	11,175.65	11,577.97	11,994.78	12,426.59	12,873.95	13,337.41	13,817.56	14,314.99	14,830.33	15,364.22	15,917.33
Salaries	178,871.19	185,310.55	191,981.73	198,893.08	206,053.23	213,471.14	221,156.10	229,117.72	237,365.96	245,911.14	254,763.94
Employee Benefits	48,743.02	50,497.77	52,315.69	54,199.05	56,150.22	58,171.63	60,265.81	62,435.37	64,683.05	67,011.64	69,424.06
Fuel & Oil	4,232.45	4,384.82	4,542.67	4,706.21	4,875.63	5,051.15	5,233.00	5,421.38	5,616.55	5,818.75	6,028.22
Certification/Licenses/Permit	352.50	365.19	378.34	391.96	406.07	420.69	435.83	451.52	467.78	484.62	502.06
Dues & Subscriptions	9,987.13	10,346.67	10,719.15	11,105.04	11,504.82	11,918.99	12,348.07	12,792.61	13,253.14	13,730.25	14,224.54
Insurance	17,593.96	18,227.34	18,883.53	19,563.33	20,267.61	20,997.25	21,753.15	22,536.26	23,347.57	24,188.08	25,058.85
Legal and Accounting	9,885.00	10,240.86	10,609.53	10,991.47	11,387.17	11,797.11	12,221.80	12,661.79	13,117.61	13,589.84	14,079.08
Meals & Entertainment	271.54	281.32	291.44	301.93	312.80	324.07	335.73	347.82	360.34	373.31	386.75
Office Expense	15,230.62	15,778.92	16,346.96	16,935.45	17,545.13	18,176.76	18,831.12	19,509.04	20,211.36	20,938.97	21,692.78
Outside Services	25,780.25	26,708.34	27,669.84	28,665.95	29,697.93	30,767.05	31,874.67	33,022.16	34,210.95	35,442.55	36,718.48
Payroll Taxes	13,338.05	13,818.22	14,315.68	14,831.04	15,364.96	15,918.10	16,491.15	17,084.83	17,699.88	18,337.08	18,997.21
Postage	1,600.00	1,657.60	1,717.27	1,779.10	1,843.14	1,909.50	1,978.24	2,049.45	2,123.23	2,199.67	2,278.86
Travel	962.05	996.68	1,032.56	1,069.74	1,108.25	1,148.14	1,189.48	1,232.30	1,276.66	1,322.62	1,370.24
Training	852.50	883.19	914.98	947.92	982.05	1,017.40	1,054.03	1,091.97	1,131.29	1,172.01	1,214.20
Interest Expense	-	-	-	-	-	-	-	-	-	-	-
Utilities	33,390.64	34,592.70	35,838.04	37,128.21	38,464.83	39,849.56	41,284.14	42,770.37	44,310.11	45,905.27	47,557.86
Miscellaneous	18,001.00	18,649.04	19,320.40	20,015.94	20,736.51	21,483.02	22,256.41	23,057.64	23,887.72	24,747.68	25,638.59
Total Cost of Services Rendered	$ 676,826.32	$ 701,192.07	$ 726,434.98	$ 752,586.64	$ 779,679.76	$ 807,748.23	$ 836,827.17	$ 866,952.95	$ 898,163	$ 930,497	$ 963,995

OpEx CAGR **3.60%**

Schedule 2.4:

Pendleton Water Association Inc. — **Schedule #2.4**

Capital Expenditure Forecast

Asset Description	Grant Funded	Cost	Grant Funding	Match Amount	USD ($) 12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034
Pendleton Water Improvement	Yes	$ 1,770,000	$ 1,770,000		-	-	-	-	-	-	-	-	-	-
Critical Asset Reserve: (Max. 20 Years to Replacement)														
Water distribution system	No	$ 677,139		$ 677,139	33,857	33,857	33,857	33,857	33,857	33,857	33,857	33,857	33,857	33,857
Elevated tank controls	No	$ 4,300		$ 4,300	215	215	215	215	215	215	215	215	215	215
Pumps	No	$ 28,000		$ 28,000	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Trash pump	No	$ 2,500		$ 2,500	125	125	125	125	125	125	125	125	125	125
Lake pump	No	$ 1,500		$ 1,500	75	75	75	75	75	75	75	75	75	75
Raw water intake pump system	No	$ 4,220		$ 4,220	211	211	211	211	211	211	211	211	211	211
Water plant filteration system	No	$ 80,360		$ 80,360	4,018	4,018	4,018	4,018	4,018	4,018	4,018	4,018	4,018	4,018
Pump & motor	No	$ 12,020		$ 12,020	601	601	601	601	601	601	601	601	601	601
707kw natural gas generator	No	$ 22,800		$ 22,800	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140
Nomad computer & componets	No	$ 3,700		$ 3,700	185	185	185	185	185	185	185	185	185	185
Elevated tank rise pipe	No	$ 19,000		$ 19,000	950	950	950	950	950	950	950	950	950	950
Electrical box	No	$ 5,300		$ 5,300	265	265	265	265	265	265	265	265	265	265
Chlorine/wall/surge pressure	No	$ 4,875		$ 4,875	244	244	244	244	244	244	244	244	244	244
Valves & controls	No	$ 7,100		$ 7,100	355	355	355	355	355	355	355	355	355	355
Grating for filtration system	No	$ 1,100		$ 1,100	55	55	55	55	55	55	55	55	55	55
Air compressor & structure	No	$ 19,600		$ 19,600	980	980	980	980	980	980	980	980	980	980
1hp motor	No	$ 3,100		$ 3,100	155	155	155	155	155	155	155	155	155	155
Booster pump	No	$ 10,000		$ 10,000	500	500	500	500	500	500	500	500	500	500
Bare Compressor	No	$ 1,300		$ 1,300	65	65	65	65	65	65	65	65	65	65
Total Capital Expenditures					$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396
Funded by Capital Contributions					$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Excess Capital Expenditures over Grant Funding					$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396	$ 45,396
Excess Grant Funding					$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Schedule 2.5:

Pendleton Water Association Inc. — **Schedule #2.5**

Debt Repayment Schedule

	Period Ending									
	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034
Loan Amortization Schedule #1										
Principal Amt	19,428.59	20,380.74	-	-	-	-	-	-	-	-
Interest Amt	1,496.29	537.15	-	-	-	-	-	-	-	-
Payment Amt	20,924.88	20,917.89	-	-	-	-	-	-	-	-
Loan Amortization Schedule #2										
Principal Amt	4,525.81	4,745.53	4,975.91	5,217.48	5,470.78	5,736.38	6,014.86	6,306.87	6,613.06	6,934.11
Interest Amt	3,295.49	3,075.77	2,845.38	2,603.81	2,350.52	2,084.92	1,806.43	1,514.42	1,208.24	887.19
Payment Amt	7,821.30	7,821.30	7,821.30	7,821.30	7,821.30	7,821.30	7,821.30	7,821.30	7,821.30	7,821.30
Loan Amortization Schedule #3										
Principal Amt	57,207.24	61,648.39	10,730.34							
Interest Amt	8,792.76	4,351.61	269.66							
Payment Amt	66,000.00	66,000.00	11,000.00							
Total Principal	$ 81,161.64	$ 86,774.66	$ 15,706.25	$ 5,217.48	$ 5,470.78	$ 5,736.38	$ 6,014.86	$ 6,306.87	$ 6,613.06	$ 6,934.11
Total Interest	$ 13,584.54	$ 7,964.53	$ 3,115.05	$ 2,603.81	$ 2,350.52	$ 2,084.92	$ 1,806.43	$ 1,514.42	$ 1,208.24	$ 887.19

Schedule 2.6:

Pendleton Water Association Inc. — Schedule #2.6

Rate Schedule

Total First Year Rate Increase: 51.00%

Rate as of August 2024:	Customer Billings			
	Residential		Commercial	
	Base	Volumetric	Base	Volumetric
	Up to 1,000 gals.	*Per 1,001 and up gals.*	*Up to 1,000 gals.*	*Per 1,001 and up gals.*
Current Rate	44.00	0.00675	60.00	0.00775

	Forecasted Rates									
	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034
Residential										
Base	66.44	66.44	66.44	66.44	66.44	66.44	66.44	66.44	66.44	66.44
Volumetric	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Commercial										
Base	90.60	90.60	90.60	90.60	90.60	90.60	90.60	90.60	90.60	90.60
Volumetric	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01