Three Valleys Municipal Water District

1021 East Miramar Avenue

Claremont, California 91711-2052

Comprehensive Annual Financial Report

Fiscal Year Ended

June 30, 2017

The mission of Three Valleys Municipal Water District is to supplement and enhance local water supplies to meet our region's needs in a reliable and cost-effective manner.

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2017

Three Valleys Municipal Water District

1021 East Miramar Avenue
Claremont, CA 91711-2052

General Manager/Chief Engineer
Richard W. Hansen, P.E.

Prepared by the Finance Department of
Three Valleys Municipal
Water District

THREE VALLEYS MUNICIPAL WATER DISTRICT

Comprehensive Annual Financial Report
Fiscal Year Ending
June 30, 2017

TABLE OF CONTENTS

Page Number

INTRODUCTORY SECTION

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY SECTION

THREE VALLEYS MUNICIPAL WATER DISTRICT

Comprehensive Annual Financial Report
Fiscal Year Ending
June 30, 2017

TABLE OF CONTENTS

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INTRODUCTORY SECTION

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September 27, 2017

To the Honorable Board of Directors and Member Agencies:

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for Three Valleys Municipal Water District (TVMWD) for the fiscal year (FY) ended June 30, 2017. TVMWD staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB), worked collectively to prepare this financial report. TVMWD is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. We believe the data presented is accurate in all material respects. This report is designed in a manner that we believe is necessary to enhance your understanding of TVMWD's financial position and activities.

TVMWD derives its legal power from the Municipal Water District Act of 1911, including the powers of acquisition and construction of water and hydroelectric generating facilities; acquisition and disposal of property; purchase, production, treatment, distribution, and sale of water, wastewater, and storm waters; provision, generation, delivery and sale of hydroelectric power; levying and collection of taxes; issuance of general obligation and improvement bonds; acquisition of water rights; and right of eminent domain.

State law and TVMWD bylaws require an annual audit of financial statements by an independent certified public accountant. The accounting firm of Lance, Soll & Lunghard, LLP conducted TVMWD's annual audit. Their report, providing an unmodified opinion on TVMWD's financial statements, appears in the Financial Section.

Management's discussion and analysis immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. TVMWD's Management's discussion and analysis complements this letter of transmittal and should be read in conjunction with it.

Agency Profile

TVMWD is a special district formed by public election in 1950 and is the area's primary source of supplemental water covering the Pomona, Walnut and East San Gabriel Valleys. TVMWD is one of 26 member agencies of the Metropolitan Water District of Southern California (MWD) that is authorized to deliver wholesale water supplies from the Colorado River and Northern California. The region served by TVMWD spans over 133 square miles and serves 13 member agencies that in turn serve a population of over 500,000.

TVMWD's operations consist of a conventional surface water treatment plant (manned and operated 24 hours per day, 7 days per week, 365 days per year), a state certified laboratory, two groundwater wells, five hydroelectric generators rated at over 1.3 megawatts, residual solids removal, spreading pipelines, spreading grounds, pump stations, and transmission pipelines. Water is treated at the Miramar Treatment Plant and wholesaled to local agencies by way of several miles of pipeline. TVMWD receives a Tier 1 water supply allotment from MWD of 80,688 AFY.

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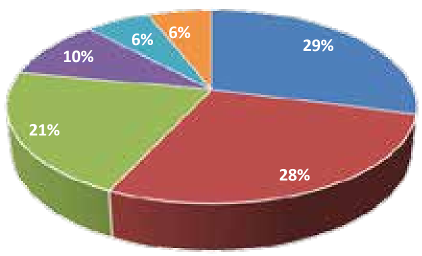
Telephone (909) 621-5568 • Fax (909) 625-5470 • http://www.threevalleys.com

TVMWD is governed by a Board of Directors elected by the registered voters residing within TVMWD's boundaries. The Board averages over 14 years of experience with TVMWD; this stability provides a tremendous benefit to TVMWD. The General Manager has over 40 years with TVMWD and has vast experience in the water industry.

Approximately 70% of TVMWD's treated water sales are wholesaled out of MWD's Weymouth Treatment Plant in La Verne. The remaining 30% is treated and sold out of TVMWD's Miramar Treatment Plant in Claremont to the following agencies:

Golden State Water Company (Claremont)	29%
City of La Verne	28%
Golden State Water Company (San Dimas)	21%
Walnut Valley Water District	10%
Rowland Water District	6%
City of Pomona	6%



Local Economy[1]

California enjoys a remarkable diverse economy and is a global leader in a number of innovative industries, including information technology, aerospace, entertainment and the biosciences. California hosts millions of visitors each year who support the state's tourism industry, while farmers and ranchers across the state provide food for nations around the world.

In 2016, California's economy grew at an estimated rate of 2.5%, faster than the nation as a whole which grew at 1.6%, but a slowdown from two prior years when growth raced along at 3.8%. California currently accounts for 13.6% of the nation's GDP, far more than any other state, and is expected to expand by 2.4% in 2017 and 2.6% in 2018, again outpacing the nation.

California's unemployment rate in 2016 averaged 5.4%, the lowest in nine years. It is expected to decline slowly over the next two years, reaching 5.0% in 2018 as we reach full employment. Over the course of 2016, nearly all major industry sectors in California added jobs.

Along with employment growth, California's residents have also experienced gains in personal income. Total real personal income in the state increased by 3.1% in 2016 to almost $1.8 trillion due to higher levels of employment and rising wages. Still, there are regions within the state where the labor markets continue to struggle with high unemployment and low growth.

Closer to home Los Angeles County's real GDP grew at 2.2% in 2016, a slowdown from the prior year when the economy grew by 3.6%. However, this year's growth was faster than the national rate of growth. Real GDP growth is expected to be 2.7% for the next two years, also outpacing the nation.

In 2016, the average unemployment rate in Los Angeles County reached 5.1%, the lowest unemployment rate since 2007 and less than half the peak rate of 12.5% reached in 2010. It is expected to decline slowly over the next two years, falling to 5.0% in 2017 and 4.9% in 2018 as the county reaches full employment.

Personal income in Los Angeles County has been rising, posting consecutive year-over-year increases since 2013. In 2015, personal income totaled $544.3 billion, is predicted to reach $557.4 billion in 2016, and is forecast to continue its growth pattern reaching $610.0 billion in 2018. In addition to total personal income, real per capita income has also been rising since 2013, reaching $48,840 in 2015, predicted at $48,790 in 2016, and forecast to increase to $51,610 in 2018.

1 Source: Los Angeles County Economic Development Corporation's 2017-2018 Economic Forecast and Industry Outlook

Industry Outlook

California experienced a wet winter with near-record snowpack which helped in the steady recovery from a five-year long drought. The improved statewide hydrologic conditions increased levels in water reservoirs and local groundwater basins.

In addition to unprecedented water conservation, the plentiful winter rain and snow allowed Governor Brown to end the drought state of emergency on April 7, 2017. At that time, he released a long-term plan to better prepare the state for future droughts and make conservation a way of life. Taking into consideration the successes and lessons learned from the five-year long drought, Governor Brown's plan establishes a framework for long-term efficient water use that reflects the state's diverse climate, landscape and demographic conditions. The plan seeks to move California from the temporary, emergency conservation measures in effect during the drought to a more durable approach that will ensure all communities improve water use efficiency and extend their water supplies.

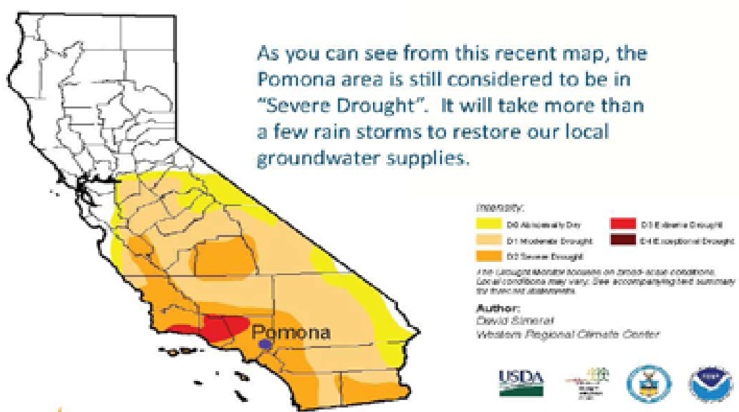
A month after Governor Brown declared an end to the statewide drought emergency, MWD's board approved a voluntary conservation approach termed "Water Supply Watch Condition". The board urged local agencies to continue water savings through voluntary conservation measures. The message MWD is conveying to the public is the drought emergency may be over but saving water is a lifelong habit. With the State Water Project allocation at 85%, MWD will maximize deliveries by putting as much as 1 million acre-feet of water in reserves this year to help restore regional reserve levels and continue saving for the future.

TVMWD supports MWD and our member agencies in exploring and developing water resources at a reasonable cost that prepare our region for the ongoing water challenges created by our uncertain drought and climate changes. TVMWD remains committed to supporting the ongoing conservations efforts and finding new sources of water through local projects. Preserving our water supplies for the future and in case of emergencies such as a catastrophic earthquake is at the forefront of TVMWD's goals.

U.S. Drought Monitor

California

January 31, 2017
(Released Thursday, Feb. 2, 2017)
Valid 7 a.m. EST



As you can see from this recent map, the Pomona area is still considered to be in "Severe Drought". It will take more than a few rain storms to restore our local groundwater supplies.

http://droughtmonitor.unl.edu/

DROUGHT...? NO DROUGHT....?

The State Water Resources Control Board (SWRCB) is asking that everyone continue to live the "waterwise lifestyle".

You have done an excellent job these last few years of conserving water. Your efforts have helped us weather a tough time. However, droughts create long-term impacts.

Locally, our groundwater basins have still not recovered. The recent rains have helped, but it will take much more to refill the basins. We also have to remember, that these rain and snowstorms may dry up at any time.

PLEASE keep up the good work and continue using water efficiently -- it must be a way of life in California.

THREE VALLEYS MWD

Three Valleys Municipal Water District's Areas Served:

Azusa, Boy Scouts of America-Firestone Reservation, California State Polytechnic University-Pomona, City of Industry, Claremont, Covina, Covina Irrigating Co., Diamond Bar, Glendora, Golden State Water Co., Hacienda Heights, La Puente, La Verne, Mount San Antonio College, Pomona, Pomona-Walnut-Rowland Joint Water Line Commission, Rowland Heights, Rowland Water District, San Dimas, Suburban Water Systems, Valencia Heights Water Co., Walnut, Walnut Valley Water District and West Covina

MAY FLOWERS....

In Southern California as much as 70% of water goes to outdoor use - primarily landscaping. Many plants do not need the substantial amounts of water provided, even if it's hot.

Overwatering can damage streets and sidewalks, encourage plant diseases, wash nutrients out of healthy soils and ultimately destroy plants. Even grass needs far less water than what we usually apply.

Visit ***www.bewaterwise.com*** to learn more about effective watering, AND water conservation rebates available in your area.

Landscaping accounts for up to 70% of residential water use.

THREE VALLEYS MWD

Three Valleys Municipal Water District's Areas Served:

Azusa, Boy Scouts of America-Firestone Reservation, California State Polytechnic University-Pomona, City of Industry, Claremont, Covina, Covina Irrigating Co., Diamond Bar, Glendora, Golden State Water Co., Hacienda Heights, La Puente, La Verne, Mount San Antonio College, Pomona, Pomona-Walnut-Rowland Joint Water Line Commission, Rowland Heights, Rowland Water District, San Dimas, Suburban Water Systems, Valencia Heights Water Co., Walnut, Walnut Valley Water District and West Covina

MAJOR INITIATIVES AND PROJECTS

TVMWD began, continued, or completed many projects and programs in FY 2016-2017. These included, but were not limited to:

Baseline Road Well Project (formerly TVMWD Well #3): After the preliminary design for this project was completed in early FY 2016-2017, TVMWD hit another snag during the subsequent environmental process phase. First, the project was delayed to allow Six Basins Watermaster to perform a technical analysis of the long-term regional effects of the proposed groundwater pumping. Subsequently, a neighboring property owner raised concerns regarding the project's impact on an existing well on his site. At that point, TVMWD elected to temporarily suspend the project until the neighbor's concerns could be adequately evaluated and resolved. Phase 1 (drilling) design work is essentially complete but any further work will be postponed. Meanwhile TVMWD decided to focus more effort to implement the Grand Avenue Well Project (see below).

Grand Avenue Well Project: With the delay of the Baseline Road Well Project, TVMWD began preliminary design work on another groundwater production well site located in Claremont. This project is situated on a small parcel in a cul-de-sac just north of the I-210 Freeway. TVMWD began preliminary design work in early 2017 and completed the preliminary design report for the well project in April 2017. Environmental work, final design, and initial construction will start next fiscal year.

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MAJOR INITIATIVES AND PROJECTS

Backwash Pond 3 Sump Pump: Design of the pump, piping, and electrical equipment was completed in August 2016, and subsequent installation of the facility was completed by November 2016. The sump pump enables more efficient and frequent cleaning of Pond 3 and will improve the overall flexibility of sludge management. Staff is working with the contractor to finalize performance issues.

Pipeline Inspection/Repairs: After the installation of several manways between 2013 and 2016 along the Miramar Transmission Pipeline, TVMWD immediately began utilizing the manways to inspect various reaches of the pipeline. During FY 2016-2017, two sections of the pipeline were visually inspected to assess its physical condition. One section along Baseline Road between Williams and Wheeler Avenues was inspected during a MWD shutdown that necessitated pumpback operations by TVMWD. During pumpback operations, the above-mentioned reach of pipe is not used, making it a convenient time to perform an inspection so as to minimize outages to service connections located along that stretch of pipeline.

MAJOR INITIATIVES AND PROJECTS

Leroy's (La Verne) Connection Improvements: The purpose of this project is to replace and realign the piping for this metered connection because of corrosion on the exposed pipe material and to improve access issues associated with the existing deep vault. Design of the connection was completed in late 2016 and readied for construction. Construction, however, was purposely deferred to the following summer (2017) to minimize conflicts with the adjacent Leroy-Haynes School by coinciding construction activities with the school's summer recess.

Williams/Fulton Hydroelectric Stations Improvements: With the expiration of the Southern California Edison (SCE) 30-year power purchase agreement for TVMWD's Williams and Fulton Hydroelectric Generating Facilities, TVMWD's consultant recommended that TVMWD maintain short-term QF (Qualifying Facilities) agreements to continue selling power from these two stations to SCE. The change in contracts and a subsequent analysis on the existing 30-year-old electrical equipment brought forth a recommendation that the equipment at both sites should be upgraded to current technology to improve safety and address future monitoring needs. Design of the new equipment was completed in May 2017 and actual installation and testing is scheduled for next fiscal year (2017-2018).

MAJOR INITIATIVES AND PROJECTS

Reservoir Effluent Pump Station: This proposed pump station will alter the means by which the office buildings at the Miramar site are being fed their potable water supply. By moving the source of this supply, the disinfection process can take advantage of detention time in the reservoirs to enhance the overall disinfection scheme. Furthermore, associated changes to the existing plant water pumping system will improve the flexibility in delivering water to the plant and irrigation systems. Design of this system began in early 2017. Final design and construction are expected to be completed by next fiscal year (2017-2018).

Solar Carports Project: TVMWD plans to replace existing carports and add new ones at the Miramar headquarters site. After initially assessing the feasibility and cost of placing photovoltaic (PV) systems on the proposed carports, TVMWD staff elected to forego such a system at this time but instead simply design a regular structural carport that could be retrofitted later with the solar panels. Planning and design was underway during most of FY 2016-2017 and final design was wrapping up near the end of the fiscal year. If approved by the board of directors, construction will take place during fiscal year 2017-2018.

Relevant Financial Policies

Internal Control Structure

TVMWD management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of TVMWD are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. TVMWD's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Financial Policies

Prior to June 30th each fiscal year, TVMWD adopts an annual appropriated budget for planning, control, and evaluation purposes. The budget includes proposed expenses and the means of financing them. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. The Board of Directors approve total budgeted appropriations and any significant amendments to the appropriations throughout the year. Formal budgetary integration is employed as a management control device during the year. The Board of Directors requires the preparation of an annual budget, but TVMWD is not legally required to report on the budget. Encumbrance accounting is used to account for commitments related to unperformed or incomplete contracts for construction and services. Consistent with the State of California Government Code, TVMWD annually adopts an investment policy that is intended to minimize credit and market risks while maintaining a competitive yield on its overall portfolio. TVMWD's cash management system is also designed to forecast revenues and expenditures accurately, and to invest surplus funds to the fullest extent possible. During FY 2016-2017, all funds were invested in accordance with this policy. These investments primarily consisted of United States Government Securities/Instrumentalities.

Long-Term Financial Planning

TVMWD's main expense is for treated and untreated water from MWD. Since MWD is forecasting rate increases in the future of 4% to 4.5%, TVMWD's rates are expected to mirror those increases. TVMWD's financial forecast is to continue leveraging costs so that TVMWD can offer water at a $5 discount below MWD for the foreseeable future.

TVMWD will continue to work towards providing a sustainable supply of water by making capital investments to enhance groundwater production capabilities during the next few years. TVMWD will utilize reserves and debt financing if necessary to pay for these projects with as little rate impact as possible. Not only will these projects improve reliability, they will also provide an avenue to decrease dependence upon MWD. Operating expenses would increase slightly with the additional infrastructure but the cost would be justifiable.

TVMWD's strategic plan includes maintaining a reserve of funds in accordance with TVMWD's Reserve Policy. The objective of reserve funds is:

- to balance short-term fluctuations in revenues/expenses without adopting unplanned significant rate increases that could severely impact ratepayers
- to provide a safety net in the event of an emergency
- to minimize external borrowing and interest expense
- to determine the most opportune time to issue debt when necessary

TVMWD's strategic plan also includes a reserve category for unfunded employee pension and OPEB liabilities. TVMWD has gone beyond what is required by establishing irrevocable trusts to accumulate and grow funds to pay these future obligations. A long-term plan for bringing down these liabilities will be established during the next budget/rate cycle.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Contact TVMWD

This CAFR is designed to provide a general overview of TVMWD's finances and to demonstrate TVMWD's accountability for the resources it receives. If you have any questions about this report or need additional information, please contact the Finance Department at (909) 621-5568.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TVMWD for its CAFR for the fiscal year ended June 30, 2016. This was the tenth consecutive year that TVMWD has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

TVMWD currently maintains the District of Distinction biannual accreditation by the Special District Leadership Foundation (SDLF) for its sound fiscal management policies and practices in district operations. The SDLF provides an independent audit review of the last three years of a district's operations to ensure prudent fiscal practices. This recognition is further proof of TVMWD's commitment towards developing a fiscally sound operation that is open and transparent.

Preparation of this report was accomplished by the combined efforts of TVMWD staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of TVMWD's customers. The contributions made by Esther Romero, Liz Cohn, and our auditors deserve special recognition. We would also like to thank and recognize the members of the Board of Directors for their continued support in the planning and implementation of TVMWD's fiscal policies.

Respectfully submitted,

Richard W. Hansen, P.E.
General Manager/Chief Engineer

James Linthicum, CPA
Chief Finance Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Three Valleys Municipal Water District, California

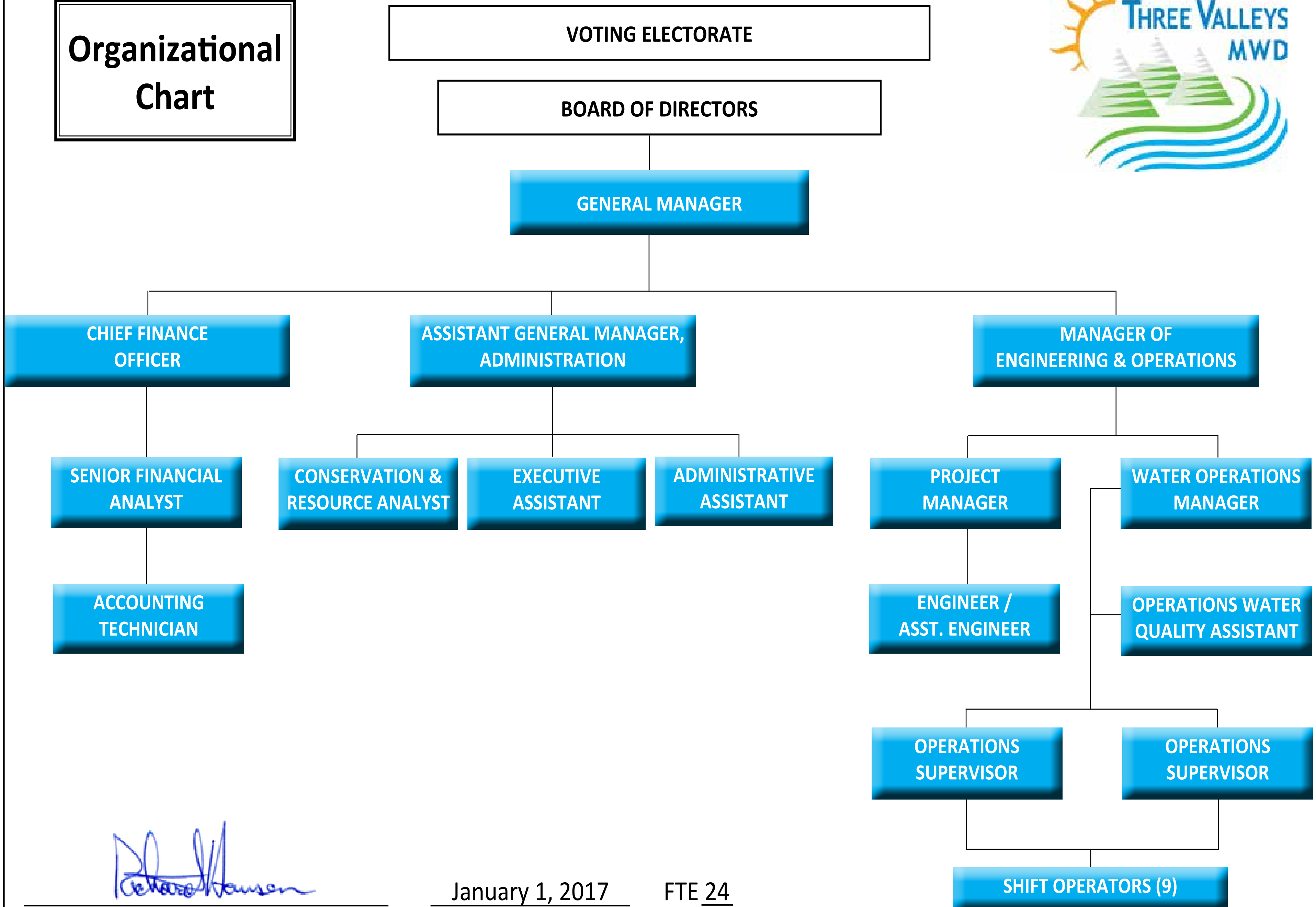
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

Organizational Chart

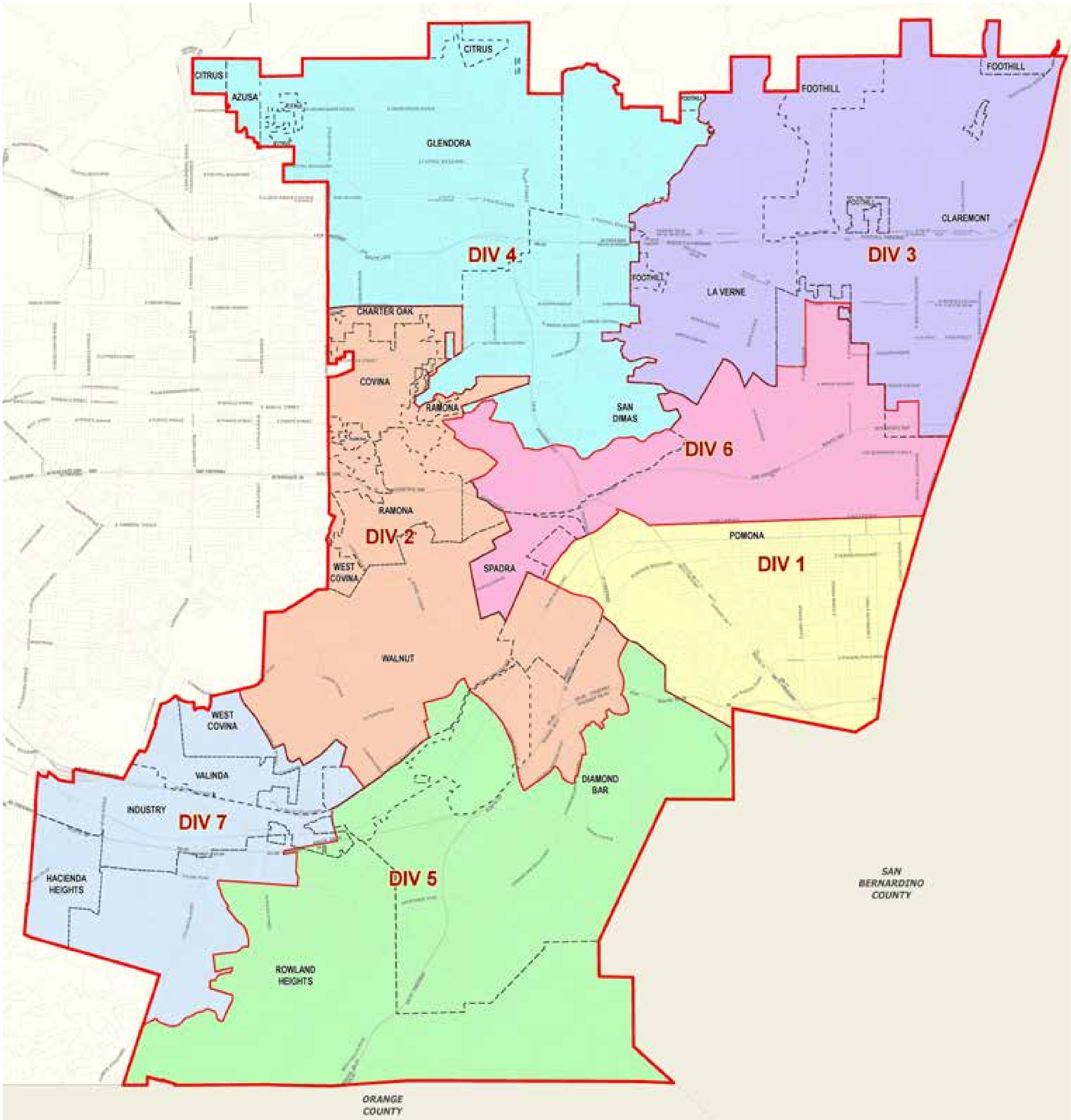


Richard Hansen, P.E.
General Manager

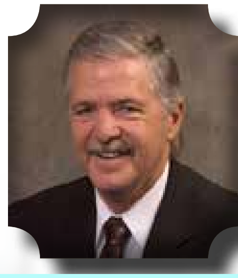
January 1, 2017
Date

FTE 24

Elective Subdivision Boundary Map



TVMWD Board of Directors

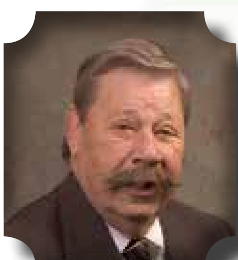


Director Bob Kuhn, President
Division 4
Glendora, San Dimas

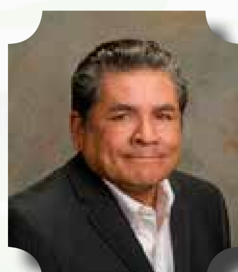
Director David De Jesus, Vice President
Division 2
Walnut, Covina, West Covina,
San Dimas

Director Brian Bowcock, Secretary
Division 3
Claremont, La Verne

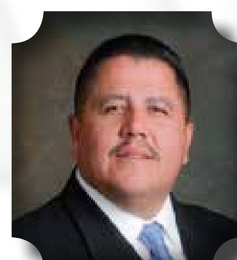
Director Joseph Ruzicka, Treasurer
Division 5
Diamond Bar, City of Industry, Rowland Heights



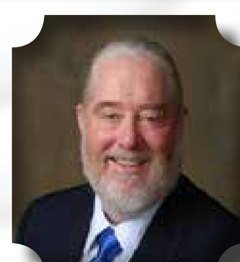
Director Dan Horan
Division 7
Rowland Heights, West Covina,
City of Industry, Hacienda Heights



Director John Mendoza
Division 6
Northern Pomona
December 2016 - Present



Director Carlos Goytia
Division 1
Southern Pomona



Director Fred Lantz
Division 6
Northern Pomona
July 2016 - December 2016

BOARD REPRESENTATION

(Revised at the December 7, 2016 Board Meeting)

NAME	REPRESENTING	POSITION
Bob Kuhn	Division IV	President
David De Jesus	Division II	Vice President
Brian Bowcock	Division III	Secretary
Joseph Ruzicka	Division V	Treasurer
Dan Horan	Division VII	Director
John Mendoza	Division VI	Director
Carlos Goytia	Division I	Director

2017 COMMITTEE/REPRESENTATION APPOINTMENTS

(Revised at the January 18, 2017 Board Meeting)

COMMITTEE/BOARD	REPRESENTATIVE	ALTERNATE
ACWA Region 8 Delegate	Director Horan	Director Bowcock
ACWA/JPIA Representative	Director Bowcock	Director Kuhn
Chino Basin Watermaster	Director Kuhn	Director De Jesus
Local Agency Formation Commission	Director Ruzicka	Director Kuhn
Main San Gabriel Basin Watermaster	Director Bowcock	Director Horan
MWD Board Representative	Director De Jesus	------
PWR Joint Water Line Commission	Director Horan	Director Goytia
Rowland Water District	Director Horan	Director Ruzicka
San Gabriel Basin WQA	Director Kuhn	Director Horan
San Gabriel Valley Council of Govt's	Director Goytia	Director Ruzicka
Six Basins Watermaster	Director Bowcock	Director Mendoza
Walnut Valley Water District	Director De Jesus	Director Ruzicka

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Three Valleys Municipal Water District
Claremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Three Valleys Municipal Water District, (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
Three Valleys Municipal Water District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Three Valleys Municipal Water District, as of June 30, 2017, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
September 27, 2017

This section of TVMWD's annual financial report presents our analysis of TVMWD's financial performance during the fiscal year ended on June 30, 2017. Please read it in conjunction with the basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Treated water sales revenue and the related water purchased increased in 2017. While sales increased approximately 10%, rates increased 5%.
- Accounts receivable and accounts payable increased by $800,000 and $1.4 million, respectively, as a result of higher demands for water during May and June.
- Investments increased by $900,000. Staff evaluated near-term cash flow needs and transferred $1,000,000 from checking to the investment portfolio.
- Capital assets decreased by $1 million as a result of $700,000 increase to construction in progress for various projects and a $1.7 million decrease to construction in progress due to completion of a few manways and Miramar Hydro's #2 & #3.
- TVMWD implemented GASB Statement 75 resulting in a change in how TVMWD's OPEB obligations are recognized. The asset/liability will be adjusted each year depending upon the funded status of TVMWD's OPEB obligations.
- Water use and connection capacity revenues and expenses decreased $550,000 due to a reduced RTS charge for FY 2016-2017 from MWD.
- Net pension liability increased $800,000 due to the latest CalPERS actuarial valuation of TVMWD's pension plan. Investment income was down significantly from what was expected. This is not immediately concerning since these investments are for the long-term and established to pay for long-term liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to TVMWD's basic financial statements, which are comprised of two components: Basic Financial Statements (pages 22-29) and Notes to the Basic Financial Statements (pages 30-43). This report also includes other supplementary information in addition to the basic financial statements.

Required Financial Statements

The financial statements of TVMWD report information about TVMWD using the accrual basis of accounting; accordingly, all of the current year's revenues and expenses are accounted for regardless of when the cash is received or paid. This accounting treatment is similar to the methods used by private sector companies and aids in answering the question of whether TVMWD, as a whole, has improved or deteriorated as a result of this year's activities.

The Statement of Net Position (pages 22-23) includes all of TVMWD's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of TVMWD and assessing the liquidity and financial flexibility of TVMWD.

The Statement of Revenues, Expenses and Changes in Net Position (page 25) includes all of the current year revenues and expenses. This statement measures the success of TVMWD's operations over the past year and can be used to determine whether TVMWD has successfully recovered all of its costs through user fees and other charges.

The Statement of Cash Flows (pages 26-27) reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. This statement demonstrates where the cash came from, how the cash was used, and how much the change in cash was during the fiscal year.

The Statement of Fiduciary Net Position (page 28) includes all of TVMWD's OPEB investments in resources (assets).

The Statement of Changes in Fiduciary Net Position (page 29) provides the basis for evaluating the changes in investments and contributions to the OPEB trust.

These statements are one of many different ways to measure TVMWD's financial health or financial position. Over time, increases or decreases in TVMWD's net position are one of the indicators of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in TVMWD's property tax base, investment income, grant opportunities, and other operational measures to help assess the overall financial health of TVMWD.

TABLE A-1
Condensed Statement of Net Position
Fiscal Years 2017 and 2016

	2017	2016	Dollar Change	Total Percent Change
Current and noncurrent assets				
Cash and cash equivalents	$ 5,068,989	$ 3,728,324	$ 1,340,665	36 %
Accounts receivable	10,262,352	9,443,380	818,972	9 %
Interest receivable	42,473	33,857	8,616	25 %
Interest receivable - *restricted*	14	-	14	0 %
Taxes receivable	58,118	64,327	(6,209)	(10) %
Grants receivable	-	123,112	(123,112)	(100) %
Other receivables	21,970	5,856	16,114	275 %
Loans receivable from employees	1,423	3,709	(2,286)	(62) %
Prepaid expenses and deposits	84,282	88,305	(4,023)	(5) %
Water storage inventory	785,788	917,167	(131,379)	(14) %
Investments	10,003,600	9,124,956	878,644	(10) %
Investments - *restricted*	338,082	-	338,082	0 %
Notes receivable	35,695	71,390	(35,695)	(50) %
Net OPEB asset	-	260,415	(260,415)	(100) %
Capital assets				
Depreciable assets	25,950,912	25,939,973	10,939	0 %
Nondepreciable assets	2,418,731	3,414,880	(996,149)	(29) %
Total Assets	$ 55,072,429	$ 53,219,651	$ 1,852,778	3 %
Deferred outflows of resources				
Deferred OPEB and pension related items	$ 1,036,113	$ 304,061	$ 732,052	241 %
Current liabilities				
Accounts payable	$ 10,028,882	$ 8,588,253	$ 1,440,629	17 %
Retention payable	18,780	24,556	(5,776)	(24) %
Accrued payroll	22,994	21,793	1,201	6 %
Accrued compensated absences	353,465	126,356	227,109	180 %
Unearned revenue	43,500	-	43,500	0 %
Long-term liabilities				
Accrued compensated absences	256,796	351,786	(94,990)	(27) %
Net OPEB liability	251,035	-	251,035	0 %
Net pension liability	2,953,009	2,145,000	808,009	38 %
Total Liabilities	$ 13,928,461	$ 11,257,744	$ 2,670,717	24 %
Deferred inflows of resources				
Deferred OPEB and pension related items	$ 279,916	$ 407,653	$ (127,737)	(31) %
Investment in capital assets	$ 28,369,643	$ 29,354,853	$ (985,210)	(3) %
Restricted for pensions	338,096	-	338,096	0 %
Unrestricted	13,192,426	12,503,462	688,964	6 %
Total Net Position	$ 41,900,165	$ 41,858,315	$ 41,850	0 %

As depicted in Table A-1, the following significant changes occurred during FY 2016-2017:

- Accounts receivable and accounts payable increased by $800,000 and $1.4 million, respectively, as a result of higher demands for water during May and June.
- Investments increased by $900,000. Staff evaluated near-term cash flow needs and transferred $1,000,000 from checking to the investment portfolio.
- Net pension liability increased $800,000 due to the latest CalPERS actuarial valuation of TVMWD's pension plan. Investment income was down significantly from what was expected. This is not immediately concerning since these investments are for the long-term and established to pay for long-term liabilities.

TABLE A-2
Condensed Statements of Revenues, Expenses and Changes in Net Position
Fiscal Years 2017 and 2016

	2017	2016	Dollar Change	Total Percent Change
Operating revenues				
Water and hydroelectric sales	$ 58,867,655	$ 48,472,685	$ 10,394,970	21 %
Water use and connection capacity charges	6,173,593	6,914,533	(740,940)	(11) %
Nonoperating revenues				
Property tax revenue	2,266,019	2,091,254	174,765	8 %
Investment income	25,793	226,747	(200,954)	(89) %
Intergovernmental grant revenue	-	6,121	(6,121)	(100) %
Total Revenues	67,333,060	57,711,340	9,621,720	(17) %
Operating expenses				
Water purchases	52,807,504	43,514,064	9,293,440	21 %
Water use and connection capacity	5,490,812	6,323,886	(833,074)	(13) %
Water treatment and transmission	2,891,120	2,543,649	347,471	14 %
Administrative expenses	3,639,408	3,304,582	334,826	10 %
Depreciation	1,907,758	2,223,976	(316,218)	(14) %
Nonoperating expenses				
Intergovernmental grants expense	-	6,121	(6,121)	(100) %
Loss on sale/disposal of assets	88,421	40,173	48,248	120 %
Total Expenses	66,825,023	57,956,451	8,868,572	15 %
Net income (loss) before capital contributions	508,037	(245,111)	753,148	(307) %
Capital contributions	5,250	111,150	(105,900)	(95) %
Changes in net position	513,287	(133,961)	647,248	(483) %
Beginning net position, as previously reported	41,858,315	41,992,276	(133,961)	0 %
Prior period adjustment	(471,437)	-	(471,437)	0 %
Beginning net position, as restated	41,386,878	41,992,276	(605,398)	(1) %
Ending net position	$ 41,900,165	$ 41,858,315	$ 41,850	0 %

As depicted in Table A-2, the following significant changes occurred during FY 2016-2017:

- Treated water sales revenue and the related water purchased increased in 2017. While sales increased approximately 10%, rates increased 5% .
- Investment income decreased significantly due to changes in the investment market that caused unrealized losses in TVMWD's investment portfolio.
- Net position decreased by $471,437 primarily due to the prior period adjustment attributed to the implementation of GASB Statement No. 75.
- Capital contributions decreased due to the completion of the SASG Spreading Pipeline Extension.

TABLE A-3
Capital Assets
Fiscal Years 2017 and 2016

	2017	2016	Dollar Change	Total Percent Change
Nondepreciable Assets				
Land	$ 910,800	$ 894,554	$ 16,246	2 %
Water Share	301,000	301,000	-	0 %
Construction in Progress	1,206,931	2,219,326	(1,012,395)	(46) %
Total Nondepreciable Assets	2,418,731	3,414,880	(996,149)	(29) %
Depreciable Assets				
Building	6,984,946	6,984,946	-	0 %
Furniture, Fixtures, & Equipment	954,141	959,202	(5,061)	(1) %
Infrastructure	57,406,858	56,009,320	1,397,538	2 %
Land Improvements	1,257,839	1,257,839	-	0 %
District Vehicles	398,222	383,333	14,889	4 %
Total Depreciable Assets	67,002,006	65,594,640	1,407,366	2 %
Less Accumulated Depreciation	(41,051,094)	(39,654,667)	(1,396,427)	4 %
Net Depreciable Assets	25,950,912	25,939,973	10,939	0 %
Total Capital Assets, Net	$ 28,369,643	$ 29,354,853	$ (985,210)	(3) %

As depicted in Table A-3, the following significant changes occurred during FY 2016-2017:

- Capital assets decreased by $1 million as a result of $700,000 increase to construction in progress for various projects and a $1.7 million decrease to construction in progress due to completion of a few manways and Miramar Hydro's #2 & #3.
- Depreciable assets increased by $1.4 million due to the completion of the Manways Installation Project, the Plunger Valve Project and the Miramar Hydros #2 & #3 Project.
- More information about TVMWD's capital assets is presented in Note 4 of the Notes to the Basic Financial Statements.

THREE VALLEYS MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

ASSETS		
Current assets		
Cash and cash equivalents *(Note 3)*	$	5,068,989
Accounts receivable *(Note 1)*		10,262,352
Interest receivable		42,473
Interest receivable - restricted (Note 1)		14
Investments		1,719,114
Investments - restricted *(Note 1)*		338,082
Taxes receivable *(Note 1)*		58,118
Other receivables		21,970
Loans receivable from employees *(Note 1)*		1,423
Prepaid expenses *(Note 1)*		58,193
Deposits *(Note 1)*		18,906
Water storage inventory *(Note 1)*		785,788
Current portion of notes receivable *(Note 6)*		35,695
Total current assets		18,411,117
Noncurrent assets		
Advance dues deposit *(Note 1)*		7,183
Investments		8,284,486
Capital assets *(Note 4)*		
Depreciable assets, net		25,950,912
Nondepreciable assets		2,418,731
Total noncurrent assets		36,661,312
TOTAL ASSETS	$	55,072,429
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension related items		906,556
Deferred OPEB related items		129,557
Total deferred outflows of resources	$	1,036,113

See accompanying independent auditors' report and notes to the basic financial statements.

LIABILITIES		
Current liabilities		
Accounts payable	$	10,028,882
Retainage payable		18,780
Accrued payroll		22,994
Current portion of accrued compensated absences *(Note 1)*		353,465
Unearned revenue *(Note 1)*		43,500
Total current liabilities		10,467,621
Noncurrent liabilities		
Accrued compensated absences, net of current portion *(Note 1)*		256,796
Net OPEB liability *(Note 12)*		251,035
Net pension liability *(Note 10)*		2,953,009
Total noncurrent liabilities		3,460,840
TOTAL LIABILITIES	$	13,928,461
DEFERRED INFLOWS OF RESOURCES		
Deferred pension related items		279,916
Total deferred inflows of resources	$	279,916
NET POSITION		
Investment in capital assets		28,369,643
Restricted for pensions		338,096
Unrestricted		13,192,426
TOTAL NET POSITION	$	41,900,165

See accompanying independent auditors' report and notes to the basic financial statements.

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THREE VALLEYS MUNICIPAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

OPERATING REVENUES	
Water sales - MWD	$ 41,042,199
Water and hydroelectric sales - Miramar	17,825,456
Water use and connection capacity charges	6,173,593
Total operating revenues	65,041,248
OPERATING EXPENSES	
Water purchases - MWD	41,507,765
Water purchases - Miramar	11,299,739
Water use and connection capacity	5,490,812
Water treatment and transmission	2,891,120
Administrative expenses	3,639,408
Depreciation	1,907,758
Total operating expenses	66,736,602
OPERATING LOSS	(1,695,354)
NONOPERATING REVENUES (EXPENSES)	
Property tax revenue	2,266,019
Investment income	25,793
Loss on sale/disposal of assets	(88,421)
Net nonoperating revenues	2,203,391
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	508,037
CAPITAL CONTRIBUTIONS *(Note 1)*	5,250
CHANGES IN NET POSITION	513,287
NET POSITION:	
Beginning of year	41,858,315
Prior period adjustment *(Note 2)*	(471,437)
Beginning of year, as restated	41,386,878
NET POSITION AT END OF YEAR	$ 41,900,165

See accompanying independent auditors' report and notes to the basic financial statements.

THREE VALLEYS MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 64,504,152
Cash payments to suppliers of goods or services	(59,083,855)
Cash payments to employees for services	(4,182,273)
Net cash provided by operating activities	1,238,024
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from property taxes	2,272,229
Net cash provided by noncapital financing activities	2,272,229
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital contributions	5,250
Proceeds from sale of capital assets	2,786
Acquisitions of capital assets	(293,241)
Cost of construction in progress additions	(720,514)
Net cash used by capital and related financing activities	(1,005,719)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments in government securities	(4,182,324)
Proceeds from sales of investments in government securities	2,825,982
Investment income	156,778
Payments received on notes receivable	35,695
Net cash provided by investing activities	$ (1,163,869)

See accompanying independent auditors' report and notes to the basic financial statements.

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$	1,340,665
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,728,324
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	5,068,989
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	$	(1,695,354)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation		1,907,758
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		(818,972)
(Increase) decrease in grant receivable		123,112
(Increase) decrease in other receivables		(16,115)
(Increase) decrease in loans receivable from employees		2,286
(Increase) decrease in prepaid expenses		1,511
(Increase) decrease in deposits		719
(Increase) decrease in water storage inventory		131,379
(Increase) decrease in advance dues deposit		1,793
(Increase) decrease in net OPEB asset		260,415
Increase (decrease) in accounts payable		1,440,629
Increase (decrease) in accrued payroll		1,201
Increase (decrease) in accrued OPEB liability		251,035
Increase (decrease) in retention payable		(5,776)
Increase (decrease) in accrued compensated absences		132,120
Increase (decrease) in net pension liability and related items		(523,217)
Increase (decrease) in unearned revenue		43,500
Net cash provided by operating activities	$	1,238,024
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$	5,068,989
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Loss on sale/disposal of assets		(88,421)
Changes in fair value of investments		(139,616)

See accompanying independent auditors' report and notes to the basic financial statements.

THREE VALLEYS MUNICIPAL WATER DISTRICT
OTHER POST EMPLOYMENT BENEFITS PLAN TRUST
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

ASSETS:		
Mutual funds *(Note 12)*	$	832,820
Interest receivable *(Note 12)*		22
NET POSITION RESTRICTED FOR OPEB BENEFITS	$	832,842

See accompanying independent auditors' report and notes to the basic financial statements.

THREE VALLEYS MUNICIPAL WATER DISTRICT
OTHER POST EMPLOYMENT BENEFITS PLAN TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS:		
Employers' contributions	$	115,554
Investment Income:		
Interest and dividends		15,504
Net appreciation in fair value of investments		37,644
Less: investment expense		(807)
Net investment income		52,341
TOTAL ADDITIONS		167,895
DEDUCTIONS:		
Administrative expenses		(1,157)
TOTAL DEDUCTIONS		(1,157)
CHANGE IN NET POSITION		166,738
NET POSITION RESTRICTED FOR OPEB BENEFITS:		
BEGINNING OF YEAR, AS RESTATED		666,104
END OF YEAR	$	832,842

See accompanying independent auditors' report and notes to the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

TVMWD wholesales potable and non-potable water to its member agencies which include Golden State Water Company, serving Claremont and San Dimas; Rowland Water District; Walnut Valley Water District; the Boy Scouts of America; California State Polytechnic University, Pomona; Mount San Antonio College; Pomona-Walnut-Rowland Joint Water Line; Valencia Heights Water Company; Covina Irrigating Company; Suburban Water Systems; and the cities of Covina, Glendora, La Verne and Pomona. The majority of TVMWD's imported water supply is purchased from MWD.

Basis of Accounting and Financial Statement Presentation

TVMWD uses proprietary fund accounting which is similar to the principles applied to a business in the private sector. TVMWD utilizes the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange like transactions are recognized when the exchange takes place. The measurement focus is on determination of net income, net position and cash flows.

TVMWD's basic financial statements are presented in conformance with the provisions of GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments". GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.

The other post-employment benefits plan trust fiduciary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Substantially all of TVMWD's cash is invested in interest bearing accounts. TVMWD considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Restricted Investments and Interest Receivable

Amounts shown as restricted are associated with an irrevocable trust established to collect and invest additional funds for TVMWD's pension plan as explained in Note 10.

Accounts Receivable

TVMWD grants unsecured credit to its member agencies. Bad debts are accounted for by the reserve method, which establishes an allowance for doubtful accounts based upon historical losses and a review of past due accounts. All receivables are considered collectible as of June 30, 2017, thus no allowance is reflected on the statement of net position.

Property Taxes

Property tax in California is levied in accordance with Article 13A of the State Constitution at one % of county-wide assessed valuations. Taxes are collected by Los Angeles County for each fiscal year on taxable real and personal property which is situated within TVMWD as of the preceding January 1. For assessment and collection purposes, property is classified as either secured or unsecured. Taxes receivable at year-end are related to property taxes collected by Los Angeles County which have not been received by TVMWD as of June 30. All taxes receivable are considered collectible as of June 30, 2017, thus no allowance is reflected on the statement of net position.

Loans Receivable from Employees

TVMWD offers interest free loans to full-time employees for the initial purchase and/or upgrades for technology (computers, tablets, smart phones) eligible under the program. TVMWD deems all loans receivable to be collectible.

Prepaid Expenses and Deposits

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items or deposits in the financial statements.

Water Storage Inventory

TVMWD maintains storage of untreated water within Main San Gabriel Basin and Six Basins. This stored water is intended for future benefit of TVMWD and its member agencies. Payments made reflect costs applicable to future accounting periods and are recorded at cost as inventory in the financial statements. Cost is determined using the weighted average method.

	Six Basins		Main San Gabriel Basin	
	Acre Feet	Amount	Acre Feet	Amount
Beginning Balance at July 1, 2016	3,036	$ 917,167	-	$ -
Acquired	996	135,628	118	70,151
Used or Sold	(945)	(267,007)	(118)	(70,151)
Ending Balance at June 30, 2017	3,087	$ 785,788	-	$ -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any realized or unrealized gains or losses upon the liquidation or sale of investments.

Capital Assets

Capital assets purchased and/or constructed are capitalized at historical cost. TVMWD's capitalization policy dollar threshold is $5,000. Depreciation has been provided using the straight-line method over the following useful lives:

Category	Useful Life (years)
Building and Building Improvements	10-40
Infrastructure	5-40
Land Improvements	10-20
Furniture, Fixture and Equipment	3-20
Vehicles	5-10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

TVMWD's employees earn vacation, sick, compensatory and universal leave in varying amounts depending primarily on length of service. Accumulated vacation, compensatory and universal leave time is accrued at year-end to account for TVMWD's obligation to the employees for amounts owed. Sick leave can be accumulated without limit, however, sick leave can only be paid in the amount of 75% of unused sick leave in excess of 352 accumulated hours upon separation from TVMWD. Any unused sick leave is treated as additional service time in the calculation of the employee's retirement plan. The current portion of accrued compensated absences is based on a rolling 3-year annual average of leave cashed out by the employee.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Postemployment Benefits other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by PARS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net investment in capital assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - The restricted component of net position consists of constraints placed on assets used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Sometimes TVMWD will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is TVMWD's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Revenues and Expenses

As an enterprise (proprietary) fund, TVMWD classifies its revenues and expenses into the following classifications: operating revenues, operating expenses, nonoperating revenues and nonoperating expenses. Operating revenues and expenses are defined as revenues realized by TVMWD in exchange for providing its primary services for water treatment and transmission, hydroelectric sales and water use and connection capacity charges. Non-operating revenues are those derived from the investment of cash reserves and from entities other than customers and other ancillary sources. Non-operating expenses include those related to bond costs and amortization expenses.

Capital Contributions

Capital contributions are comprised of federal, state, and local grants and of project reimbursements from member agencies. The portion of the grants and reimbursements used for capital purposes are reflected as capital contributions in the statement of revenues, expenses and changes in net position. The funds are reimbursable contributions, whereas TVMWD first pays for the project and then the granting agency reimburses TVMWD for its eligible expenditures.

New Accounting Pronouncements

During the fiscal year ended June 30, 2017, TVMWD implemented the following GASB standards:

GASB Statement No. 74 - *Financial Reporting For Postemployment Benefit Plans Other than Pension Plans* - improves the usefulness of information about other postemployment benefits other than pensions or OPEB included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency.

GASB Statement No. 75 (Early Implementation) - *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions* - improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. This Statement replaces GASB 45 and GASB 57.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

TVMWD's financial statements have been updated to conform to newly adopted GASB Statement No. 75 "Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions". As a result of compliance with GASB Statement No. 75, TVMWD has restated net position by $471,437 to reflect the balance of net position as of June 30, 2016.

TVMWD's financial statements have been updated to conform to newly adopted GASB Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans". As a result of compliance with GASB Statement No. 74, TVMWD has added two statements: a statement of fiduciary net position and a statement of changes in fiduciary net position. TVMWD restated the net position by $666,104 to reflect the balance of net position as of June 30, 2016.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments are presented on the Statement of Net Position as follows as of June 30, 2017:

Type	Fair Value
Cash and cash equivalents	
Cash	$ 4,027,723
Money Market Funds	129,412
Local Agency Investment Fund	911,854
Total cash and cash equivalents	5,068,989
Investments	
Federal Agency Securities	4,243,160
US Treasury Notes	2,718,900
US Corporate Notes	2,482,651
Commercial Paper	338,834
Asset Backed Security	220,055
Mutual Funds	1,170,902
Total investments	11,174,502
Total cash and cash equivalent and investments	$ 16,243,491

Deposits

As of June 30, 2017, the carrying amount of TVMWD's cash deposits was $4,027,723 and the bank balances were $4,105,129. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in TVMWD's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure an agency's cash deposits by pledging government securities with a value of 110% of an agency's deposits. California law also allows institutions to secure agency deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

TVMWD's Treasurer may waive the collateral requirement for deposits that are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an Agent of Depository has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local government agency.

Investment in State Investment Pool

TVMWD is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of TVMWD's investment in this pool is reported in the accompanying financial statements at amounts based on TVMWD's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio.) The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investments

TVMWD contracts the services of an external investment manager to assist in the management of TVMWD's investment portfolio. The external manager is granted the discretion to purchase and sell investment securities in accordance with TVMWD's investment policy. For security purposes, physical custody of the securities is maintained by a separate banking institution.

TVMWD's investment policy limits certain concentrations of investments. It is empowered by the California Government Code 53601 to invest in a variety of securities. Investment options under the code include the following:

1) Direct obligations of the United States Government, its agencies, and instruments to which the full faith and credit of the United States government is pledged, or obligations to the payment of which the full faith and credit of the United States is pledged;

2) Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;

3) With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations;

4) Medium term notes (5 years or less) issued by corporations organized and operating with the United States or by depository institutions licensed by the United States or any state and operating within the United States;

5) Mutual funds investing in the securities and obligations authorized by TVMWD's investment policy and share in money market mutual funds;

6) County, municipal, or school district tax supported debt obligations; bond or revenue anticipation notes; money judgments; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district;

7) Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association;

8) Money market funds regulated by the Securities and Exchange Commission (SEC) in which investments consist of the investments mentioned in points 1, 2, 3, and 4 above.

THREE VALLEYS MUNICIPAL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Interest Rate Risk

TVMWD's investment policy limits investment maturities to five years or less as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2017, TVMWD had the following investment maturities:

		Investment Maturities (In Years)		
Investment Type	Fair Value	Less than 1	1 to 3	3 to 5
Money Market Funds	$ 129,412	$ 129,412	$ -	$ -
Federal Agency Securities	4,243,160	439,393	1,639,159	2,164,608
US Treasury Notes	2,718,900	-	1,190,059	1,528,841
US Corporate Notes	2,482,651	928,988	1,030,674	522,989
Commercial Paper	338,834	338,834	-	-
Asset Backed Security	220,055	11,899	208,156	-
Mutual Funds	1,170,902	1,170,902	-	-
Local Agency Investment Fund	911,854	911,854	-	-
Total	$12,215,768	$3,931,282	$4,068,048	$4,216,438

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO's).

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by NRSROs. It is TVMWD's policy to limit its investments in these investment types to rated "A" or better issued by NRSROs, including raters S&P's and Moody's Investors Service. As of June 30, 2017, TVMWD's credit risks, expressed on a %age basis, were as follows:

Credit Quality Distribution for Securities With Credit Exposure as a %age of Total Investments

Investment Type	Moody's Credit Rating	S&P's Credit Rating	% of Investment with Interest Rate Risk
Federal Agency Securities	Aaa	AA+	34.74%
US Treasury Notes	Aaa	AA+	22.26%
US Corporate Notes	A1	AA-	20.32%
Commercial Paper	A1	A+	2.77%
Asset Backed Security	Aaa	AAA	1.80%
Money Market Fund	Aaa	AAA	1.06%
Mutual Funds	Aaa	AAA	9.59%
Local Agency Investment Fund	Not rated	Not rated	7.46%
Total			**100.00%**

Fair Value Measurements

TVMWD categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TVMWD has the following recurring fair value measurements as of June 30, 2017:

Investments by Fair Value Level	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
Federal Agency Securities	$ 4,243,160	$ -	$ 4,243,160	$ -
US Treasury Notes	2,718,900	-	2,718,890	-
US Corporate Notes	2,482,651	-	2,482,651	-
Commercial Paper	338,834	-	338,834	-
Asset Backed Security	220.055	-	220,055	-
Mutual Funds	1,170,902	-	1,170,902	-
Local Agency Investment Fund	911,854	-	911,854	-
Totals	12,086,356	$ -	$12,086,356	$ -
Investments Measured at Amortized Cost				
Money Market Fund	129,412			
Total Investments	$12,215,768			

Securities and mutual funds are classified in Level 1 of the fair value hierarchy are valued using priced quoted in active markets for those securities and mutual funds. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques.

Concentration of Credit Risk

TVMWD's policy is that assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. According to GASB 40, there is potential concentration of credit risk if more than 5 % of the entity's investments are with any one issuer. The following investments are considered exposed to concentration of credit risk as shown in the Credit Quality Distribution for Securities Table:

- Federal National Mortgage Association
- Federal Home Loan Mortgage Corporation
- Federal Home Loan Bank
- Government of United States

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside agency. TVMWD's policy is to diversify its investments by security type and institution. As of June 30, 2017, none of TVMWD's deposits or investments were exposed to custodial credit risk.

NOTE 4 – CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2017 is as follows:

	Beginning Balance 06/30/2016	Additions	Retirements*	Transfers	Ending Balance 06/30/2017
Capital assets, not being depreciated:					
Land	$ 894,554	$ -	$ -	$ 16,246	910,800
Water Share	301,000	-	-	-	301,000
Construction in progress	2,219,326	720,514	-	(1,732,909)	1,206,931
Total capital assets, not being	3,414,880	720,514	-	(1,716,663)	2,418,731
Capital assets, being depreciated:					
Building and Building Improvement	6,984,946	-	-	-	6,984,946
Furniture, Fixtures, and Equipment	959,202	29,215	(34,276)	-	954,141
Infrastructure	56,009,320	232,824	(551,949)	1,716,663	57,406,858
Land Improvements	1,257,839	-	-	-	1,257,839
Vehicles	383,333	31,202	(16,313)	-	398,222
Total capital assets, being depreciated	65,594,640	293,241	(602,538)	1,716,663	67,002,006
Less accumulated depreciation for:					
Building and Building Improvement	6,483,596	111,511	-	-	6,595,107
Furniture, Fixture and Equipment	756,456	53,771	(33,471)	-	776,756
Infrastructure	31,252,403	1,592,380	(461,547)	-	32,383,236
Land Improvement	909,973	115,405	-	-	1,025,378
Vehicles	252,239	34,691	(16,313)	-	270,617
Total accumulated depreciation	39,654,667	1,907,758	(511,331)	-	41,051,094
Total capital assets, being depreciated,	25,939,973	(1,614,517)	(91,207)	1,716,663	25,950,912
Total capital assets, net	$ 29,354,853	$ (894,003)	$ 91,207	$ -	28,369,643

*Replacement of the east sleeve valve, meter connections and laboratory equipment.

Depreciation expense for the year totaled $1,907,758.

THREE VALLEYS MUNICIPAL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 – GRANTS RECEIVABLE

Grants receivable are comprised of receivables from federal, state and local grants. At times TVMWD also serves as administrator for various grants for member agencies or associated agencies. Grant funds received by TVMWD are subject to optional audits by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grant. Management of TVMWD believes that such disallowances, if any, would not be significant.

NOTE 6 – NOTES RECEIVABLE

TVMWD provided GSWC, formerly known as Southern California Water Company, a capital improvement loan for a pipeline project at a rate of 2% above the published rate paid on funds on deposit with LAIF. The loan had a balance as of June 30, 2017 of $35,695 and is being collected over a twenty year period ending in 2018.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation

TVMWD is subject to claims and litigation from outside parties in the ordinary course of operations. After consultation with legal counsel, TVMWD believes the ultimate outcome of such matters, if any, will not materially affect its financial conditions.

Grant Awards

Grant funds received by TVMWD are subject to optional audits by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grant. Management of TVMWD believes that such disallowances, if any, would not be significant.

Operating Leases

TVMWD leases office equipment under non-cancelable leases. Total costs for such leases were $21,171 for the year ended June 30, 2017. The future minimum lease payments are as follows:

Year Ending June 30	Amount
2018	18,757
2019	18,757
2020	18,757
2021	18,757
2022	$ 18,757
Total	**$ 93,785**

Contracts

TVMWD usually has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems and other TVMWD activities. The financing of such contracts is provided primarily from TVMWD encumbered reserves. TVMWD has committed to approximately $916,659 of open contracts as of June 30, 2017.

The following material construction commitments existed at June 30, 2017:

Project Name	Contract Amount	Expenditures to date as of June 30, 2017	Remaining Commitment
TVMWD Well #3	450,000	154,017	295,983
TVMWD Grand Ave. Well	432,000	45,071	386,929
TVMWD Breakroom Renovation	440,761	397,866	42,895
Leroy's Meter Connection	136,030	-	136,030
Effluent Pump Station	49,866	32,685	17,181
Fulton & Williams Hydroelectric Generating Stations	35,000	33,801	1,199
Miramar Hydro Pump, Bearing & Shaft Repair	39,334	11,240	28,094
Evaluation & Feasibility of Utilizing Existing Pipeline	30,000	21,652	8,348

NOTE 8 – POOLED ARRANGEMENTS

TVMWD is a member of the ACWA/JPIA, a risk-pooling, self-insurance authority, created under provisions of California Government Code Sections 6500 et seq. The purpose of ACWA/JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Members of ACWA/JPIA share the costs of professional risk management, claims administration and excess insurance. TVMWD participates in the property, liability, and worker's compensation programs of ACWA/JPIA as follows:

Property Loss: Insured up to replacement value with a $25,000 deductible for buildings, personal property, fixed equipment and catastrophic coverage. The deductible on mobile equipment is $2,500. The deductible on vehicles is $2,500. The deductibles for boiler and machinery equipment vary based on property type. The pooled layer is up to $100,000 per occurrence and excess insurance coverage has been purchased up to $150 million.

General Liability: The pooled layer is up to $5 million per occurrence and excess insurance coverage has been purchased up to $60 million.

Workers Compensation: The pooled layer is up to $2 million per occurrence and excess insurance coverage has been purchased for $2 million to statutory employer's liability.

Settlements have not exceeded insurance coverage in each of the past three fiscal years.

NOTE 9 – RELATED PARTY TRANSACTIONS

TVMWD wholesales potable and non-potable water to its member agencies, one of which is Covina Irrigating Company (CIC). CIC is a wholesale water supplier that provides water to the City of Covina, City of Glendora, Golden State Water Company, Suburban Water Systems, Valencia Heights Water Company and Valley County Water District. The President/CEO of CIC is David De Jesus. Mr. De Jesus is also a voter elected member of the Board of Directors for TVMWD.

Beginning in November 2015 (for the first time ever) and continuing through the rest of the fiscal year, TVMWD sold water to CIC. The amount of water sold to CIC for FY 2016-2017 was 2,615 acre feet. These sales occurred in the same manner as would occur with any TVMWD member agency. TVMWD expects sales to CIC to continue in the future.

TVMWD's rates are set annually for the calendar year and approved by the TVMWD Board of Directors. The rate charged to CIC is the same rate charged to any TVMWD member agency. The rate for 2016 was $594 per acre foot and the rate for 2017 was $674 per acre foot. The pipeline used to deliver water to CIC is owned by San Gabriel Valley Municipal Water District (SGVMWD). SGVMWD charges a fee of $5 per acre foot, so TVMWD (and ultimately CIC) was also responsible for this fee. For FY 2016-2017, total water sales revenue from CIC was $1,687,105.

TVMWD allows its member agencies approximately 45 days to pay for monthly water purchases. As such, TVMWD had a receivable outstanding at June 30, 2017 from CIC for June 2017 water sales of $270,921. This receivable, due August 24, 2017, was paid by CIC on July 20, 2017.

NOTE 10 – PENSION PLANS

Plan Descriptions

All qualified permanent, probationary and part-time vested employees are eligible to participate in TVMWD's miscellaneous employee pension plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). TVMWD sponsors a plan with two tiers: Tier 1, 2% @ 55 for employees hired on or prior to December 31, 2012 or employees hired after January 1, 2013 who are considered classic CalPERS members and Tier 2, 2% @ 62 for employees hired on or after January 1, 2013. Benefit provisions under the Plan are established by State statute and TVMWD resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website (www.calpers.ca.gov).

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (or 52 for members hired on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The Post-Retirement Death Benefit is a one-time payment made to a retiree's designated survivor or estate upon the retiree's death. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1959 Survivor Benefit (level 4) if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for the plan are applied as specified by the California Public Employees' Retirement Law (PERL).

NOTE 10 – PENSION PLANS (continued)

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
Hire date	Prior to 12/31/12 or hired after 1/1/13 who are considered classic	On or after 1/1/13
Benefit Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contributions rates	7%	6.25%
Required employer contributions rates	12.162%	6.23%

Contributions

Section 20814(c) of the California PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (the measurement date), the active employee's contribution rates for Tier 1, 2% @ 55 and Tier 2, 2% @ 62 are 6.896% and 6.533% respectively, of annual pay and the average employer's contribution rates for Tier 1, 2% @ 55 and Tier 2, 2% @ 62 are 8.512% and 6.237% respectively, of annual payroll. Employer contributions rates may change if plan contracts are amended.

For the year ended June 30, 2017, the contributions recognized as reductions to net pension liability for the Plan were as follows:

Contributions - employer	$286,627
Contributions - employee (paid by employer)	$ 0

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources

As of June 30, 2017, TVMWD reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Total Net Pension Liability	$2,953,009

TVMWD established an irrevocable trust through PARS in an effort to reduce the pension liability and to stabilize pension costs. The trust will enable TVMWD to meet future contribution requirements to CalPERS. As of June 30, 2017 the market value of all assets held in the trust amounted to $338,100, which in essence reduces the net pension liability above.

TVMWD's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. TVMWD's proportion of the net pension liability was based on a projection of TVMWD's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. TVMWD's proportionate share of the net pension liability for the Plan as of June 30, 2016 was as follows:

Proportion - June 30, 2016	0.0009532

For the year ended June 30, 2017, TVMWD recognized pension expense of $401,990. At June 30, 2017, TVMWD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$324,213	$ 0
Differences between actual and expected experience	10,242	(2,346)
Changes in assumptions	0	(96,902)
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	67,761	(89,057)
Difference between actual and proportionate share	0	(91,611)
Net differences between projected and actual earnings on plan investments	504,340	0
Total	$906,556	$(279,916)

NOTE 10 – PENSION PLANS (continued)

The $324,213 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2017	(41,280)
2018	(9,449)
2019	222,526
2020	130,630
Total	$302,427

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2016 total pension liability were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	varies by entry age and service
Investment Rate of Return	7.5%[1]
Mortality	[2]
Post Retirement Benefit Increase	2.75%

[1] Net of pension plan investment expenses, including inflation

[2] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2012, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.50%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

NOTE 10 – PENSION PLANS (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one %.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

	Current Target Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55)%	(1.05)%

[1]An expected inflation of 2.50% used for this period
[2]An expected inflation of 3.00% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount

The following presents TVMWD's proportionate share of the net pension liability for the Plan, calculated using the discount rate for each tier, as well as what the TVMWD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

Net Pension Liability		
Discount Rate-1% 6.65%	Current Discount Rate 7.65%	Discount Rate+1% 8.65%
$ 4,800,628	$ 2,953,009	$ 1,426,045

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

Payable to the Pension Plan

At June 30, 2017, TVMWD reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 11 – DEFERRED COMPENSATION PLANS

457 Deferred Compensation Savings Plan

TVMWD participates in two 457 Deferred Compensation Programs (Programs) administered by Lincoln Financial Services and CalPERS. Both plans qualify as defined contribution pension plans. The purpose is to provide deferred compensation for employees that elect to participate in the Programs. Generally, eligible employees may voluntarily defer receipt of a portion of their salary until termination, retirement, death or unforeseen emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. TVMWD matches employee contributions up to $4,800 per year. The plan is authorized and may be amended by the Board of Directors.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, TVMWD is in compliance with this legislation. Therefore, these assets are not the legal property of TVMWD and are not subject to claims of TVMWD's general creditors. Market value of all plan assets held in trust by the two TVMWD plans amounted to $5,952,642 at June 30, 2017.

NOTE 11 – DEFERRED COMPENSATION PLANS (continued)

TVMWD has implemented GASB Statement 32, Accounting for Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since TVMWD has little administrative involvement and does not perform the investing function of this plan, the assets and related liabilities are not shown on the statement of net position.

401(a) Defined Contribution Plan

TVMWD participates in a 401(a) plan (a defined contribution plan), administered by Lincoln Financial Services. The purpose of this plan is to provide an additional option for employees who fully contribute to the 457 Plan. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. The plan is authorized and may be amended by the Board of Directors.

Accordingly, TVMWD is in compliance with this legislation. Therefore, these assets are not the legal property of TVMWD and are not subject to claims of TVMWD's general creditors. Market value of all plan assets held in trust by TVMWD plan amounted to $160,319 at June 30, 2017.

TVMWD has implemented GASB Statement 32, Accounting for Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since TVMWD has little administrative involvement and does not perform the investing function of this plan, the assets and related liabilities are not shown on the statement of net position.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS

OPEB

Plan Description

Plan administration. TVMWD administers the Retiree Benefits Plan—a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all TVMWD permanent full-time employees.

Management of the TVMWD Retiree Benefits Plan is vested in the Board of Directors (the Board), which consists of seven members elected by the registered voters residing within TVMWD's boundaries.

Plan membership

At June 30, 2017, TVMWD Retiree Benefits Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	6
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	23
Total	29

Benefits

TVMWD offers continued medical coverage to employees who retire from TVMWD at age 50 or older with a minimum of 10 years of service. The retired employee may continue medical coverage through either their own personal medical insurance or ACWA/JPIA. For eligible retirees hired prior to January 1, 2005, TVMWD provides 50% (plus an additional 10% for each additional year of service at retirement in excess of 10 years – not to exceed 100%) of the lesser of $355 per month or the cost for single medical coverage. For eligible retirees hired on or after January 1, 2005 with 10 years of TVMWD service, TVMWD provides 50% (plus an additional 5% for each additional year of service at retirement in excess of 10 years – not to exceed 100%) of the lesser of $355 per month or the cost for single medical coverage. For employees retiring on or after January 1, 2015, the monthly benefits cap has been increased from $355 to $600. Employees retiring on or after January 1, 2015 may cover dependents, but the retiree must pay the entire additional premiums. Retirees must pay the portion of the coverage, if any not covered by their benefits. This plan is authorized and may be amended by the Board of Directors.

Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to pre-fund benefits as determined annually by the Board. Plan members are not required to contribute to the plan. Any additional amounts for pre-funding are deposited into an irrevocable trust from which funds can only be used to pay for retiree medical coverage. Separate financial statements for the irrevocable trust may be obtained by writing to PARS at 4350 Von Karman Ave., Suite 100 Newport Beach, CA 92660-2043 or by visiting the PARS website at www.pars.org. For the year ended June 30, 2017, TVMWD's average contribution rate was 1.55% of covered-employee payroll.

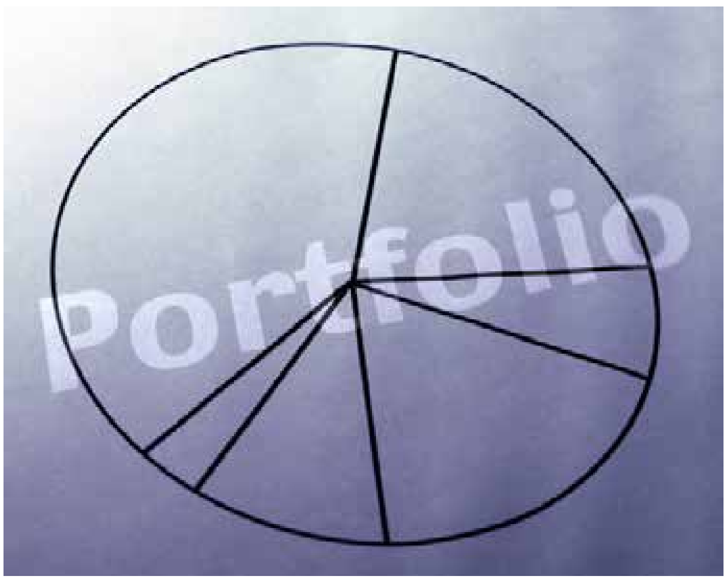
Investments

TVMWD's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Mutual Funds-Equity	50%
Mutual Funds-Fixed Income	45%
Cash and Equivalents	5%
Total	**100%**



Rate of return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The components of the Net OPEB Liability at June 30, 2017 were as follows:

Total OPEB Liability	$ 1,083,877
Plan fiduciary net position	(832,842)
TVMWD's net OPEB Liability	$ 251,035
Plan fiduciary net position as a percentage of the total OPEB liability	77%

Deferred outflows and inflows of resources related to OPEB as of June 30, 2017 were:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	0	0
Changes in assumptions	129,363	0
Net differences between projected and actual earnings on OPEB investments	194	0
Total	$129,557	$0

Amounts reported as deferred outflows and inflows will be recognized in OPEB expense as follows:

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2018	14,422
2019	14,422
2020	14,422
2021	14,424
2022	14,374
Thereafter	57,493
Total	$129,557

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2015. Update procedures were used to roll forward the total OPEB liability to June 30, 2017. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.15%, net of OPEB plan investment expense, including inflation. At 6-30-2016 the rate was 7.28%
Healthcare cost trend rates	6.5% for 2017, 6% for 2018, 5.5% for 2019, 5% for 2020 and all later years

Mortality rates were taken from the 2014 CalPERS OPEB Assumptions Model.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return of 6.15% on OPEB plan investments was calculated the following way:

1. The expected return of each asset class is determined through a combination of historical rates of returns, valuation projections. and economic expectations. Expected rates of return are provided by Wilshire Associates Incorporated and HighMark proprietary research. Expected rates of return are developed and annually reviewed by HighMark's Asset Allocation Committee.

2. With thirty year forecasts for U.S. Treasuries, Wilshire's ten year forecast for U.S. Treasuries is used as the assumed return for the first ten years of the thirty year period. Over the following twenty years (years 11-thirty) U.S Treasuries are assumed to return a historical long run (1926-2014) risk premium over inflation. The resulting combination of the assumed return on U.S. Government bonds over the two periods becomes HighMark's thirty year forecast. All other taxable fixed income asset classes are derived from the expected return on U.S. Treasuries plus a credit or term premium consistent with those of the ten year forecasts.

3. With thirty year forecasts for global equity, Wilshire's ten year forecast for global equity is used as the assumed return for the first ten years of the thirty year period. Over the following twenty years (years 11-30) global equities are assumed to return historical long run (1926-2014) risk premiums over cash. The return on cash over this period is derived from the ten and thirty year cash assumptions. The resulting combination of the assumed global equity returns over the two periods becomes HighMark's thirty year forecast.

4. Returns reflect the reinvestment of dividends, interests, and other distributions.

5. An expected return is than calculated by weighting the returns for each asset class according to the exposure as determined by HighMark's current strategic allocation.

Discount rate

The discount rate used to measure the total OPEB liability was 6.15%. The projection of cash flows used to determine the discount rate assumed that TVMWD's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of TVMWD, as well as what TVMWD's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (5.15%) or 1% point higher (7.15%) than the current discount rate:

Net OPEB Liability		
1% Decrease 5.15%	Discount Rate 6.15%	1% Increase 7.15%
$ 408,733	$ 251,035	$ 122,248

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of TVMWD, as well as what TVMWD's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.5% decreasing to 4.0%) or 1% point higher (7.5% decreasing to 6.0%) than the current healthcare cost trend rates:

Net OPEB Liability		
1% Decrease (5.5% decreasing to 4.0%)	Healthcare cost Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
$ 176,397	$ 251,035	$ 316,119

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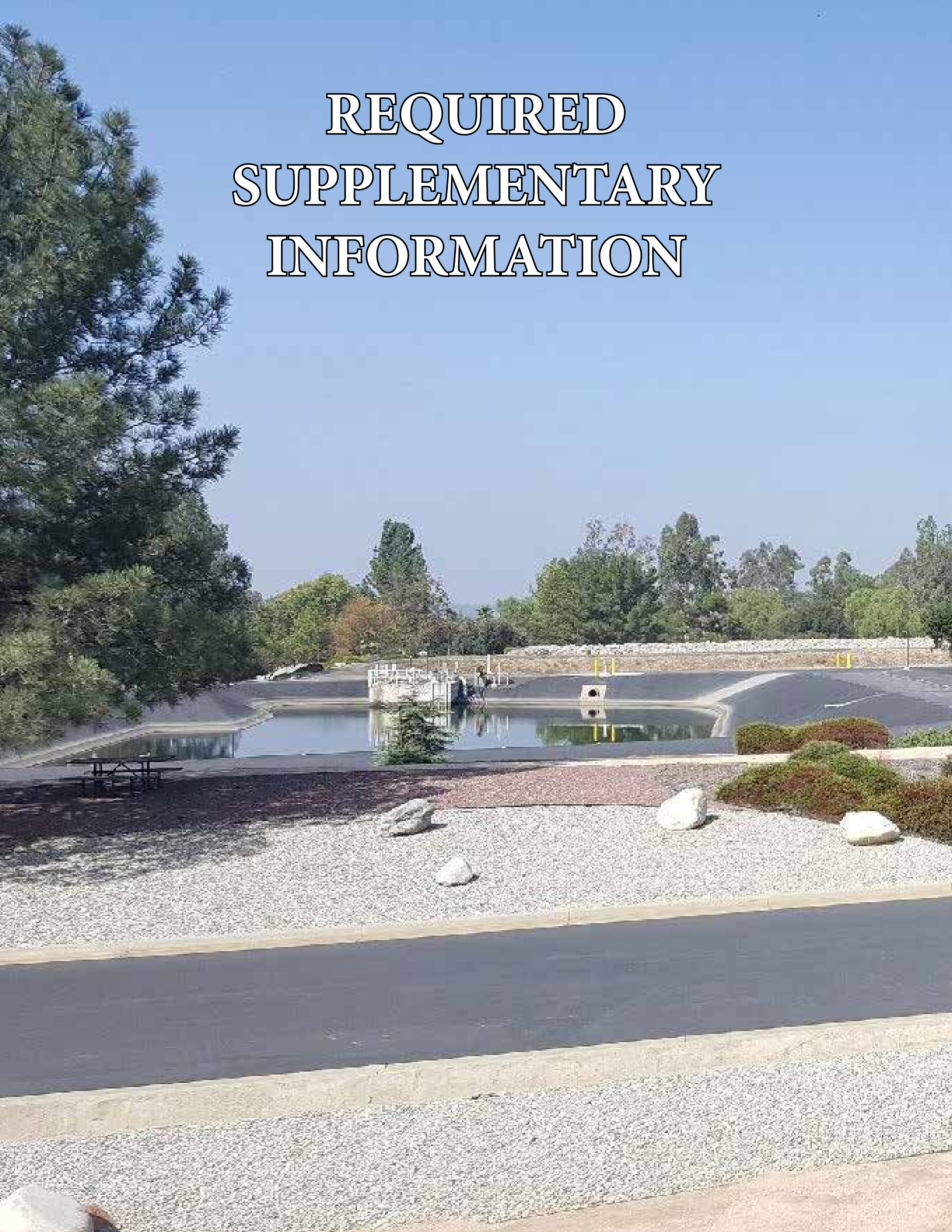
REQUIRED SUPPLEMENTARY INFORMATION



SCHEDULE 1

Three Valleys Municipal Water District
Miscellaneous Cost-Sharing Pension Plan
Schedule of the Plan's Proportionate Share of the Net Pension Liability
As of June 30, For The Last Ten Fiscal Years [1]

FY	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered-Emplyee Payroll	Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
2017	0.09532%	$ 2,953,009	$ 2,539,815	116.27%	75.87%
2016	0.07819%	$ 2,145,000	$ 2,419,392	88.66%	79.82%
2015	0.03310%	$ 2,059,901	$ 2,400,313	85.82%	78.40%

Notes to Schedule:
Benefit Changes: None.

Changes of Assumptions: None.

[1] Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only three years are shown.

NOTE: Accounting standard require presentation of 10 years of information. However the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

SOURCE: CalPERS GASB 68 Accounting Valuation Report

SCHEDULE 2

Three Valleys Municipal Water District
Miscellaneous Cost-Sharing Pension Plan
Schedule of the Plan Contributions - California Public Employees Retirement Plan
For the Year Ended June 30, 2017

FY	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contribution as a Percentage of Covered-Employee Payroll	Valuation date
2017	$ 324,213	$ (324,213)	$ -	$ 2,539,815	12.765%	6/30/2015
2016	$ 286,627	$ (286,627)	$ -	$ 2,419,392	11.847%	6/30/2014
2015	$ 272,007	$ (272,007)	$ -	$ 2,400,313	11.332%	6/30/2013

Note to Schedule:

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	varies by entry age and service
Investment rate of return	7.50%
Retirement age	50-63 for 2% @ 55 and 52-67 for 2% @ 62
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

NOTE: Accounting standard require presentation of 10 years of information. However the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

SOURCE: CalPERS GASB 68 Accounting Valuation Report

SCHEDULE 3

Three Valleys Municipal Water District
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2017

		FISCAL YEAR 2017
Total OPEB Liability		
Service cost	$	22,989
Interest		63,032
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		143,737
Benefit payments		(23,007)
Net changes in total OPEB liability		206,751
Total OPEB liability - beginning	$	877,126
Total OPEB liability - ending (a)	$	1,083,877
Plan fiduciary net position		
Contributions-employer	$	138,561
Net investment income		52,341
Benefit payments		(23,007)
Administrative expense		(1,157)
Net changes in plan fiduciary net position		166,738
Plan fiduciary net position-beginning		666,104
Plan fiduciary net position-ending (b)	$	832,842
Net OPEB liability	$	251,035
Plan fiduciary net position as a percentage of the total OPEB liability		77%
Covered-employee payroll	$	2,539,815
TVMWD's net OPEB liability as a percentage of covered-employee payroll		9.88%

Note: Accounting standard require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

SOURCE: OPEB Actuarial Valuation

SCHEDULE 4

Three Valleys Municipal Water District
Schedule of Contributions - OPEB
For the Year Ended June 30, 2017

FY	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contribution as a Percentage of Covered-Employee Payroll	Valuation date
2017	$ 39,410	$ (39,410)	$ -	$ 2,539,815	1.55%	7/1/2015

Note to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	23 years
Asset valuation method	Fair value
Inflation	2.75%
Healthcare cost trend rates	6.5% for 2017, 6% for 2018, 5.5% for 2019, 5% for 2020 and all later years
Salary increases	3.00% per year
Investment rate of return	6.15%, net of OPEB plan investment expense, including inflation. (At 6-30-2016, 7.28%)
Retirement age	Probabilities of retirement at different ages are taken from the 2014 CalPERS OPEB Assumptions Model
Mortality	Mortality rates were taken from the 2014 CalPERS OPEB Assumptions Model

SOURCE: OPEB July 1, 2015 Acturarial Valuation Report

SCHEDULE 5

Three Valleys Muncipal Water District
Schedule of Investment Returns - OPEB Trust
Last Ten Fiscal Years

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	7.94%

Note: Accounting standard require presentation of 10 years of information. However, the information in this sc required to be presented retroactively. Years will be added to this schedule as future data becomes available.

SOURCE: TVMWD - Finance Department


STATISTICAL SECTION

This part of TVMWD's CAFR presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements says about TVMWD's overall financial health.

Contents

Financial Trends
These schedules contain trend information to help the reader understand how TVMWD's financial performance and well-being have changed over time.

Revenue Capacity
These schedules contain information to help the reader assess the factors affecting TVMWD's ability to generate revenues.

Debt Capacity
These schedules present information to help the reader assess the affordability of TVMWD's current levels of outstanding debt and TVMWD's ability to issue additional debt in the future.

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which TVMWD's financial activities take place and to help make comparisons over time and with other agencies.

Operating Information
These schedules contain information about TVMWD's operations and resources to help the reader understand how TVMWD's financial information relates to the services TVMWD provides and the activities it performs.

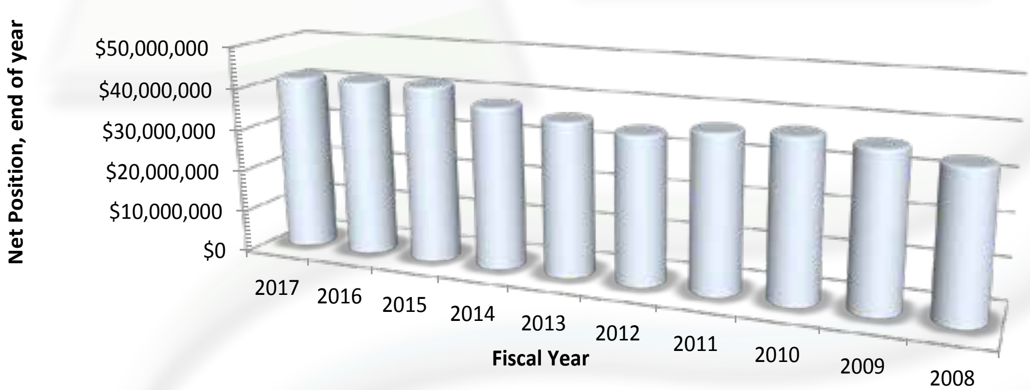
SCHEDULE 1

Three Valleys Municipal Water District

Changes in Net Position

Last Ten Fiscal Years

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenues (see Schedule 3)	$ 65,041,248	$ 55,387,218	$ 58,657,568	$ 66,759,939	$ 59,240,205	$ 50,665,608	$ 48,780,881	$ 42,547,611	$ 44,607,527	$ 42,351,366
Operating expenses (see Schedule 4)	66,736,601	57,910,157	61,091,237	68,546,823	60,088,682	53,638,803	51,179,455	43,935,929	45,397,036	41,165,430
Total operating income (loss)	(1,695,353)	(2,522,939)	(2,433,669)	(1,786,884)	(848,477)	(2,973,195)	(2,398,574)	(1,388,318)	(789,509)	1,185,936
Nonoperating revenues (expenses)										
Property tax revenue	2,266,019	2,091,254	2,014,754	1,886,998	1,958,128	1,783,167	1,636,394	1,674,451	1,792,410	1,548,863
Sublease income	-	-	5,775,000	821,303	832,593	832,946	844,434	838,412	914,446	1,008,893
Investment income	25,793	226,747	136,976	236,128	72,974	311,222	352,529	656,200	945,448	1,488,814
Intergovernmental grants revenue	-	6,121	46,924	115,962	-	-	-	-	-	-
Intergovernmental grants expense	-	(6,121)	(46,924)	(115,962)	-	-	-	-	-	-
Interest expense	-	-	-	(29,787)	(221,353)	(327,853)	(398,839)	(460,411)	(598,486)	(733,833)
Amortization of deferred bond costs/refunding	-	-	-	(195,647)	(183,225)	(221,097)	(221,096)	(221,096)	(221,096)	(221,096)
Reimbursements revenue	-	-	-	-	-	-	33,945	56,093	135,418	37,069
Gain (loss) on sale of assets	(88,421)	(40,173)	(12,109)	(104,254)	(3,297)	(2,339)	-	-	7,953	3,009
Other non-operating revenues (expenses)	-	-	-	-	-	-	-	-	-	(4,191)
Total nonoperating revenues (expenses)	2,203,391	2,277,828	7,914,621	2,614,741	2,455,820	2,376,046	2,247,367	2,543,649	2,976,093	3,127,528
Net income before capital contributions and change in accounting principle	508,038	(245,111)	5,480,952	827,857	1,607,343	(597,149)	(151,207)	1,155,331	2,186,584	4,313,464
Capital contributions	5,250	111,150	618,666	1,742,423	-	-	-	-	32,018	1,384,041
Change in net position	513,288	(133,961)	6,099,618	2,570,280	1,607,343	(597,149)	(151,207)	1,155,331	2,218,602	5,697,505
Net Position, beginning of year	41,858,315	41,992,276	38,463,002	36,506,223	34,949,375	36,894,832	37,581,089	36,425,758	34,207,156	28,974,258
Prior period adjustment	(471,437) [9]	-	(2,570,344) [8]	(613,501) [7]	(50,495) [6]	(1,348,308) [5]	(535,050) [4]	-	-	(464,607) [3]
Net Position, end of year, as restated (see Schedule 2)	**$ 41,900,166**	**$ 41,858,315**	**$ 41,992,276**	**$ 38,463,002**	**$ 36,506,223**	**$ 34,949,375**	**$ 36,894,832**	**$ 37,581,089**	**$ 36,425,758**	**$ 34,207,156**



[3] Prior Period Adjustment related to construction in progress, property tax revenues, bond insurance costs, and investment interest.
[4] Prior Period Adjustment related to disposal of capital assets.
[5] Prior Period Adjustment related to removal of prepaid pension asset.
[6] Prior Period Adjustment related to change in accounting principle.
[7] Prior Period Adjustment related to removal of MWD assets.
[8] Prior Period Adjustment related to GASB 68.
[9] Prior Period Adjustment related to GASB 75.

NOTE: Revenues and expenses in prior years may be reclassified to conform to current year presentation.

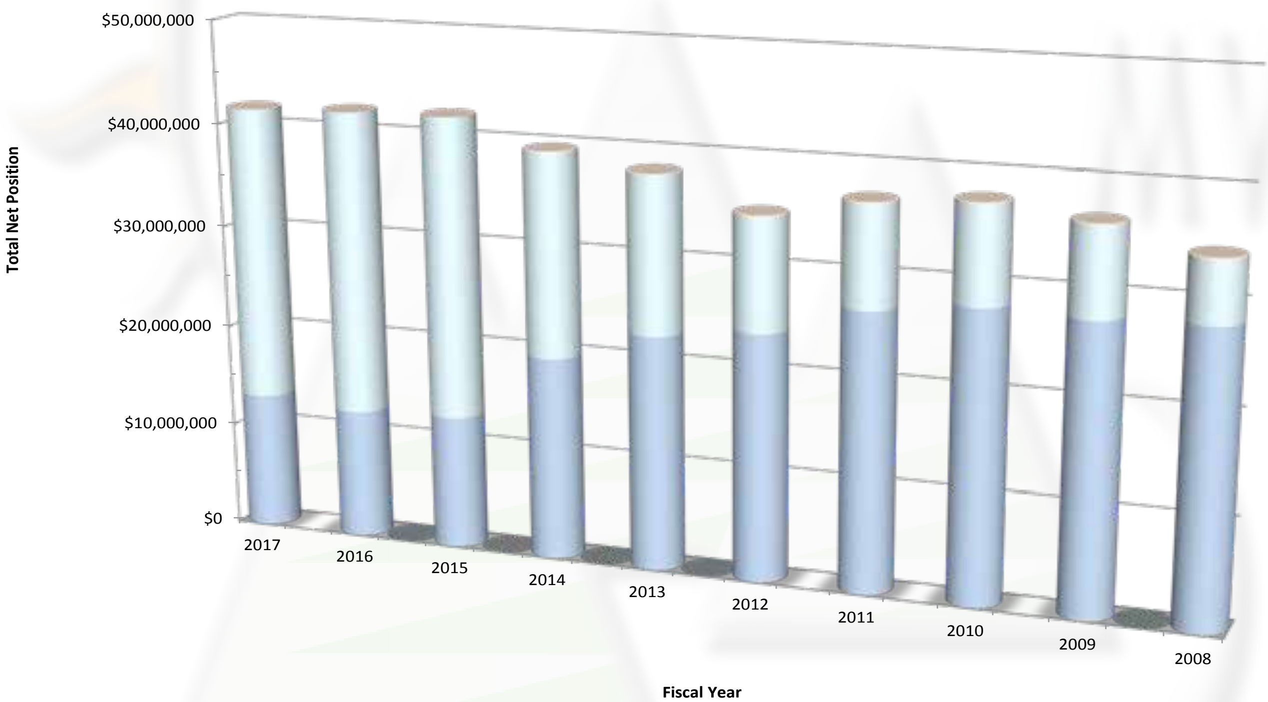
SOURCE: TVMWD - Finance Department

SCHEDULE 2

Three Valleys Muncipal Water District

Changes in Net Position and Components of Net Position
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	**$ 28,369,643**	**$ 29,354,853** [1]	**$ 29,078,712** [1]	**$ 19,483,706** [1]	**$ 15,073,992** [1]	**$ 10,791,926**	**$ 9,747,308**	**$ 9,288,517**	**$ 8,406,471** [1]	**$ 5,796,735**
Restricted for debt service	**-**	**-**	**-**	**225,000**	**227,163**	**227,203**	**226,165**	**226,153**	**229,572**	**227,964**
Restricted for pensions	**338,096**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Unrestricted	**13,192,426**	**12,503,462**	**12,913,564**	**19,714,296**	**22,761,916**	**23,930,246**	**26,921,359**	**28,066,419**	**27,789,715**	**28,182,457**
Total Net Position	**$ 41,900,165**	**$ 41,858,315**	**$ 41,992,276**	**$ 39,423,002**	**$ 38,063,071**	**$ 34,949,375**	**$ 36,894,832**	**$ 37,581,089**	**$ 36,425,758**	**$ 34,207,156**



[1] Increase due to significant increase in capital assets and construction in progress during fiscal year.

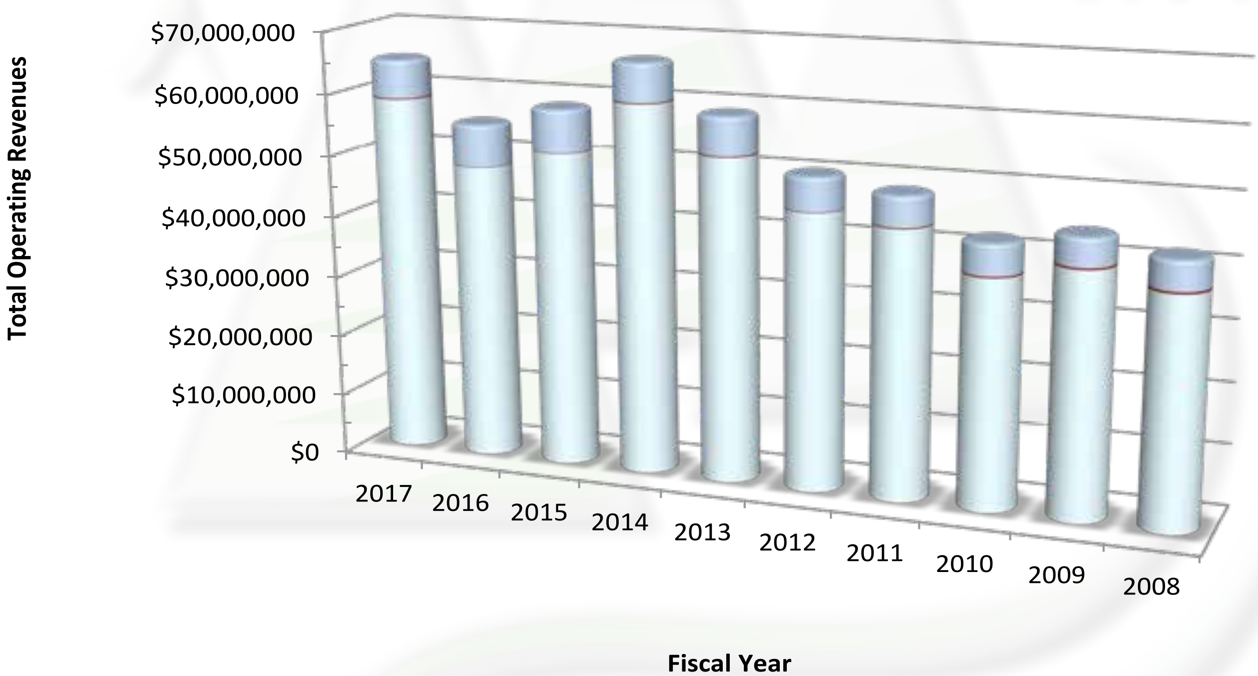
NOTE: Revenues and expenses in prior years may be reclassified to conform to current year presentation.

SOURCE: TVMWD - Finance Department

SCHEDULE 3

Three Valleys Muncipal Water District
Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Water Sales[1]	Hydroelectric Sales	Water Use and Connection Charges	Total Operating Revenues
2017	$ 58,662,799	$ 204,856	$ 6,173,593	**$ 65,041,248**
2016	48,374,543	98,142	6,914,533	**55,387,218**
2015	51,527,963	122,614	7,006,991	**58,657,568**
2014	60,281,711	190,561	6,287,667	**66,759,939**
2013	52,729,124	196,465	6,314,616	**59,240,204**
2012	45,097,918	117,593	5,450,097	**50,665,608**
2011	43,658,124	203,608	4,919,149	**48,780,881**
2010	37,256,856	281,703	5,009,053	**42,547,612**
2009	39,678,826	332,772	4,595,929	**44,607,527**
2008	37,092,944	380,632	4,877,790	**42,351,366**



[1] Water sales will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

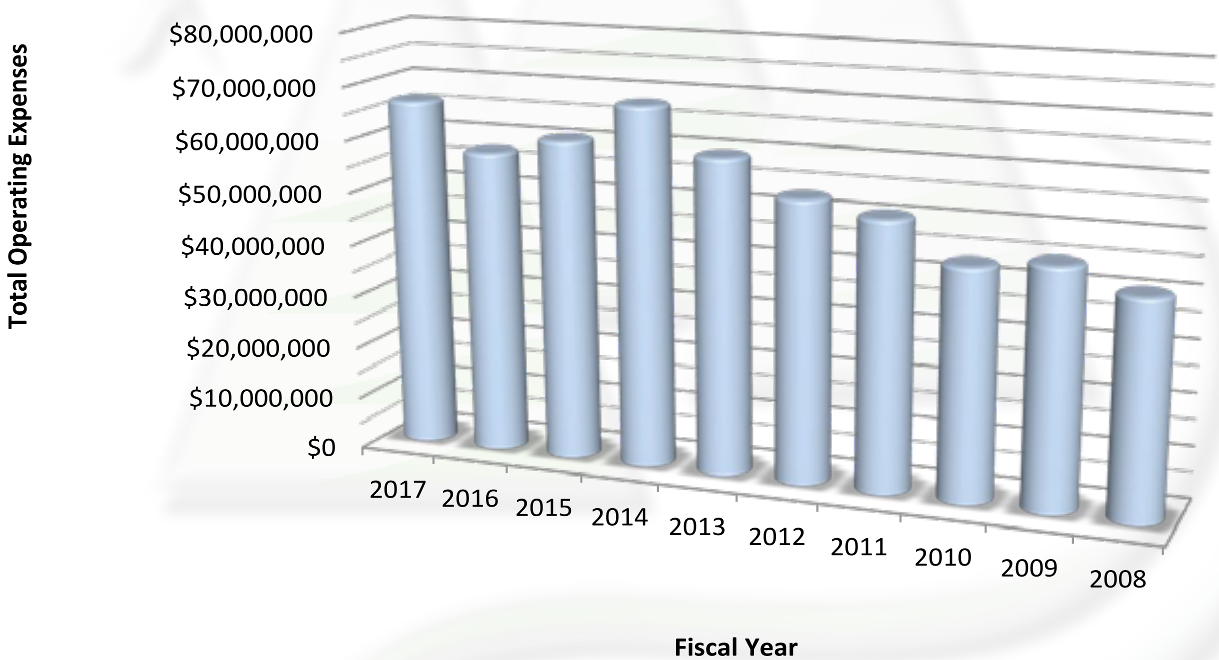
NOTE: Revenues and expenses in prior years may be reclassified to conform to current year presentation.

SOURCE: TVMWD - Finance Department

SCHEDULE 4

Three Valleys Municipal Water District
Operating Expenses by Activity
Last Ten Fiscal Years

Fiscal Year	Water Purchases[1]	Water Treatment and Distribution	Water Use and Connection	General and Administration	Depreciation	Total Operating Expenses
2017	$ 52,807,504	$ 2,891,120	$ 5,490,812	$ 3,639,408	$ 1,907,758	**$ 66,736,602**
2016	43,514,064	2,543,649	6,323,886	3,304,582	2,223,976	**57,910,157**
2015	46,955,630	2,711,483	6,182,531	3,210,144	2,031,448	**61,091,237**
2014	55,401,389	2,648,714	5,254,027	3,347,977	1,894,716	**68,546,823**
2013	47,625,454	2,402,677	4,863,177	3,206,754	1,990,620	**60,088,682**
2012	41,371,120	2,316,509	4,645,695	3,377,341	1,928,138	**53,638,802**
2011	39,809,995	2,173,056	4,136,576	3,171,603	1,888,225	**51,179,455**
2010	33,442,860	2,084,430	3,512,201	3,021,927	1,874,511	**43,935,929**
2009	35,221,976	2,215,845	3,022,880	2,895,877	2,040,459	**45,397,037**
2008	31,808,635	2,119,292	2,949,672	2,693,030	1,594,801	**41,165,430**



[1] Water purchases will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

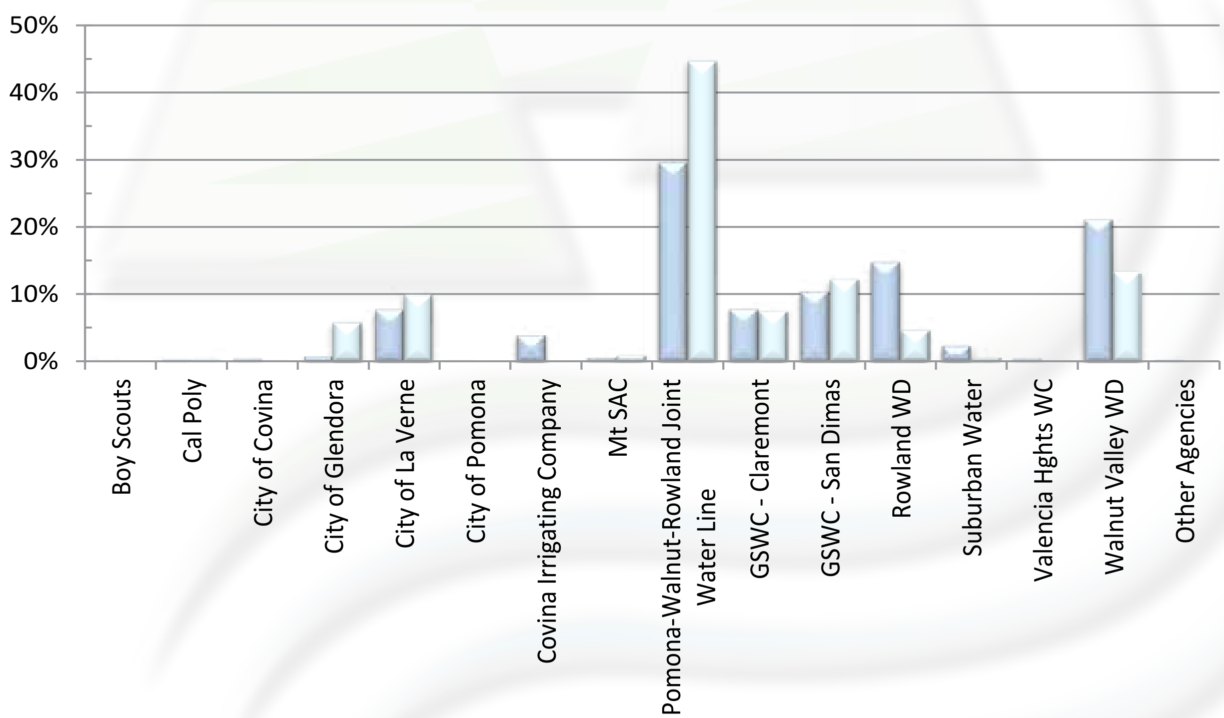
NOTE: Revenues and expenses in prior years may be reclassified to conform to current year presentation.

SOURCE: TVMWD - Finance Department

SCHEDULE 5

Three Valleys Municipal Water District
Prinicpal Water Customers Changes in Past Ten Years
Current Fiscal Year and Nine Years Ago

Member Agency	Acre Feet Sold FY 2017	Percentage of total	Acre Feet Sold FY 2008	Percentage of total
Boy Scouts of America - Firestone Reservation	20	**0.03%**	21	**0.03%**
California State Polytechnic University, Pomona	161	**0.24%**	158	**0.22%**
City of Covina	198	**0.29%**	63	**0.09%**
City of Glendora	500	**0.74%**	4,139	**5.84%**
City of La Verne	5,220	**7.72%**	7,049	**9.96%**
City of Pomona	21	**0.03%**	-	**0.00%**
Covina Irrigating Company	2,615	**3.87%**	-	**0.00%**
Mt. San Antonio College	304	**0.45%**	618	**0.87%**
Pomona-Walnut-Rowland Joint Water Line	20,028	**29.63%**	31,681	**44.72%**
Golden State Water Company - Claremont	5,261	**7.78%**	5,267	**7.43%**
Golden State Water Company - San Dimas	7,043	**10.42%**	8,661	**12.22%**
Rowland Water District	10,008	**14.80%**	3,288	**4.64%**
Suburban Water Systems	1,559	**2.31%**	375	**0.53%**
Valencia Heights Water Company	256	**0.38%**	38	**0.05%**
Walnut Valley Water District	14,291	**21.14%**	9,492	**13.40%**
Other Agencies	118	**0.17%**	-	**0.00%**
	67,604	**100.00%**	70,850	**100.00%**

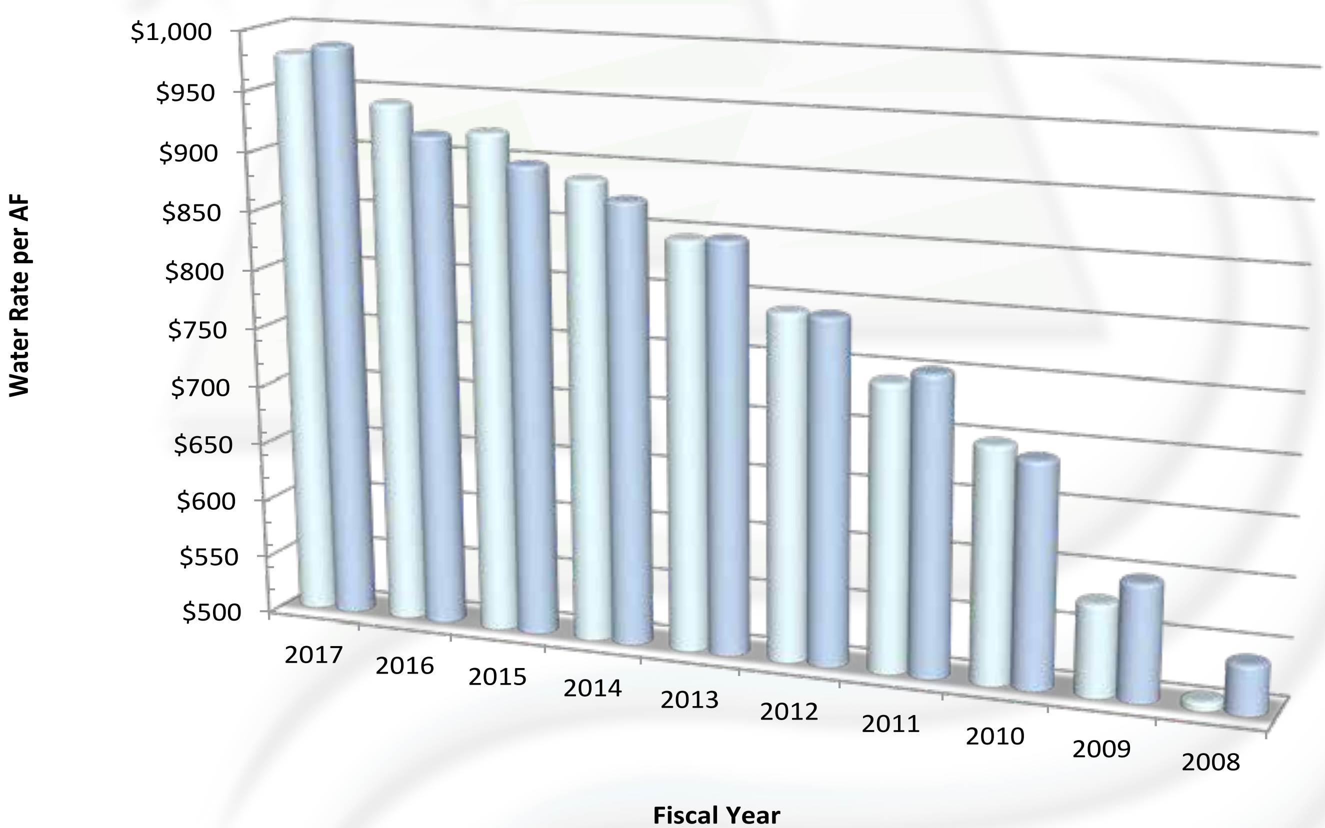


SOURCE: TVMWD - Finance Department

SCHEDULE 6

Three Valleys Muncipal Water District
Water Rates for MWD and TVMWD Water Sold
Last Ten Calendar Years

Calendar Year	MWD Water Rate	TVMWD Water Rate
2017	$ 979	$ 987
2016	942	918
2015	923	899
2014	890	875
2013	847	849
2012	794	793
2011	744	754
2010	701	692
2009	579	600
2008	508	543



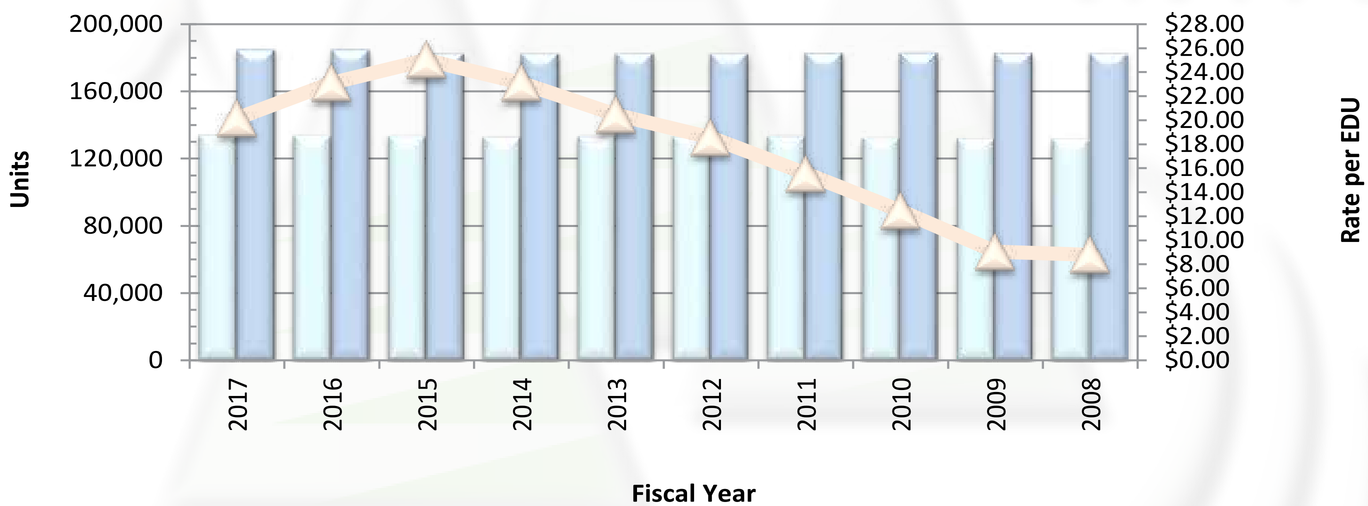
Note: All amounts are per acre foot.

SOURCE: TVMWD - Finance Department

SCHEDULE 7

Three Valleys Municipal Water District
Property Tax Rates per Equivalent Dwelling Unit (EDU)
Last Ten Fiscal Years

Fiscal Year	Parcels[1]	EDUs[2]	Rate per EDU
2017	133,986	185,153.00	$20.16
2016	133,949	185,144.00	$23.09
2015	133,653	182,768.00	$25.02
2014	132,918	182,732.00	$23.11
2013	133,421	182,902.00	$20.46
2012	133,406	182,893.00	$18.54
2011	133,428	183,118.00	$15.55
2010	132,594	183,324.66	$12.45
2009	132,041	183,236.00	$9.04
2008	131,723	183,046.25	$8.79 [3]



[1] All parcels in service area including residential, commercial, vacant and industrial. Excluded parcels are public streets, right-of-ways, easements and public property.

[2] EDUs are assigned to each parcel in proportion to the estimated benefit it receives from the availability of water service. A Single Family Residential parcel, the basic unit for calculating the Assessment, is defined as 1.0 EDU. Other land uses are assigned proportional EDUs.

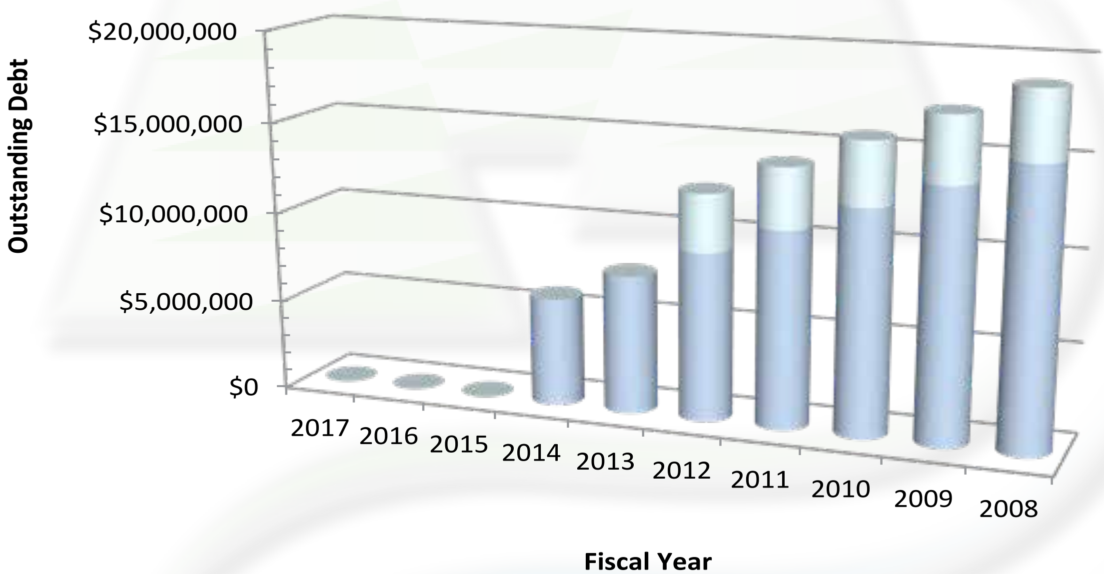
[3] MWD imposed a Readiness to Serve (RTS) charge on TVMWD to pay for capital improvements at MWD. TVMWD adopted a Standby Charge to pass the RTS charge through, at cost, to property owners within its service area. In the years prior to FY 06/07, the Standby Charge rate per EDU remained unchanged, even though the District did not collect the full amount of its RTS obligation. In FY 06/07, TVMWD raised the rate per EDU to capture the entire cost of the RTS charge, and eliminated a monthly charge it had imposed on member agencies for the difference.

SOURCE: TVMWD - Finance Department

SCHEDULE 8

Three Valleys Muncipal Water District
Ratio of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	Certificates of Participation	Installment Sales Agreement	Per Capita	Outstanding Debt as a Share of Personal Income
2017	$ -	$ -	$ -	0.00%
2016	-	-	-	0.00%
2015	-	-	-	0.00%
2014	6,000,000	-	11.81	0.02%
2013	7,654,353	-	15.11	0.03%
2012	9,266,129	3,167,070	24.61	0.05%
2011	10,817,903	3,306,356	28.04	0.06%
2010	12,324,678	3,438,978	31.38	0.07%
2009	13,761,453	3,565,257	34.44	0.08%
2008	15,153,228	3,685,501	37.39	0.09%



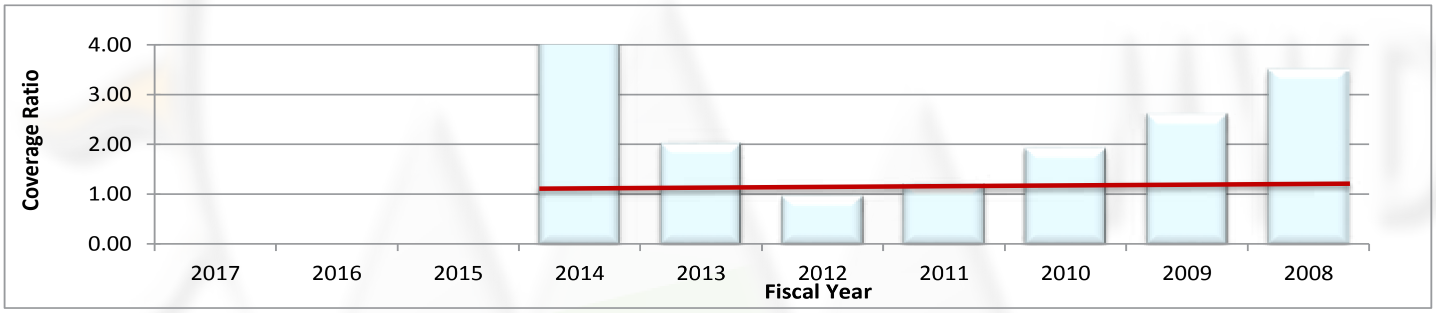
SOURCE: TVMWD - Finance Department

SCHEDULE 9

Three Valleys Municipal Water District
Debt Coverage
Last Ten Fiscal Years

2003 COP

Fiscal Year	Revenues[1]	Expenses[2]	Net Available Revenue	Debt Service		Total	Coverage Ratio[3]
				Principal	Interest		
2017	$ 67,243,154	$ 64,828,844	$2,414,310	$ -	$ -	$ -	0.00
2016	57,668,990	55,692,302	$1,976,687	-	-	-	0.00
2015	66,619,113	59,059,789	$7,559,323	-	-	-	0.00
2014	69,716,076	66,652,107	$3,063,969	-	29,787	29,787	102.86
2013	62,100,603	58,098,062	$4,002,541	1,850,000	104,599	1,954,599	2.05
2012	53,590,604	51,710,665	$1,879,939	1,735,000	166,310	1,901,310	0.99
2011	51,648,183	49,291,230	$2,356,953	1,690,000	228,903	1,918,903	1.23
2010	45,772,767	42,061,418	$3,711,349	1,620,000	285,699	1,905,699	1.95
2009	48,413,233	43,366,607	$5,046,626	1,575,000	340,725	1,915,725	2.63
2008	46,433,823	39,570,629	$6,863,194	1,515,000	424,950	1,939,950	3.54



Fiscal Year	Unencumbered Cash and Cash Equivalents	Debt Service		Total	Coverage Ratio[3]
		Principal	Interest		
2017	5,068,989	$ -	$ -	$ -	**0.00**
2016	3,728,324	-	-	-	**0.00**
2015	2,315,773	-	-	-	**0.00**
2014	3,509,585	-	-	-	**0.00**
2013	2,643,326	146,289	156,269	302,558	**8.74**
2012	3,937,407	139,286	161,543	300,829	**13.09**
2011	7,356,510	132,622	169,936	302,558	**24.31**
2010	9,072,259	126,279	174,712	300,991	**30.14**
2009	10,609,613	120,244	182,314	302,558	**35.07**

[1] Revenues include operating and non-operating revenues less GSWC interest payments.

[2] Expenses include operating and non-operating expenses less depreciation, amortization and interest.

[3] Bond covenant debt coverage ratio of 1.15 is now 0 because debt has been fully repaid.

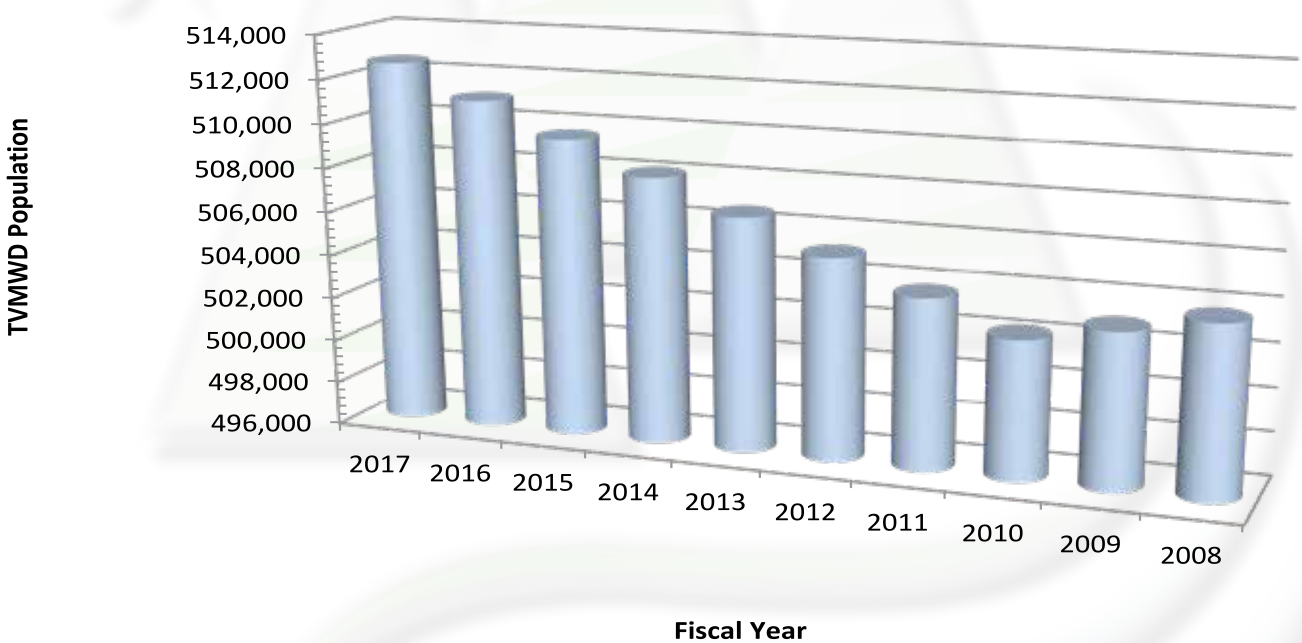
NOTE: Revenues and expenses in prior years may be reclassified to conform to current year presentation.

SOURCE: TVMWD - Finance Department

SCHEDULE 10

Three Valleys Municipal Water District
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	TVMWD Population Estimate [1]	County of Los Angeles			
		Unemployment Rate	Population	Personal Income (in thousands)	Personal Income per Capita
2017	512,607	5.0%	10,300,000	587,755,000	57,168
2016	511,129	5.1%	10,253,500	545,100,000	54,577
2015	509,655	6.7%	10,192,400	521,900,000	53,521
2014	508,186	8.2%	10,123,700	499,200,000	50,730
2013	506,721	9.7%	10,056,400	478,400,000	48,140
2012	505,260	10.9%	9,946,900	475,900,000	48,818
2011	503,803	12.2%	9,902,600	441,700,000	45,969
2010	502,351	12.5%	9,839,400	418,000,000	42,540
2009	503,077	11.6%	9,805,200	408,300,000	41,714
2008	503,804	7.6%	9,796,800	424,800,000	43,633



[1] Population estimate is based on TVMWD's population report for year 2010; the estimate is a percentage of the increase projected for the County of Los Angeles.

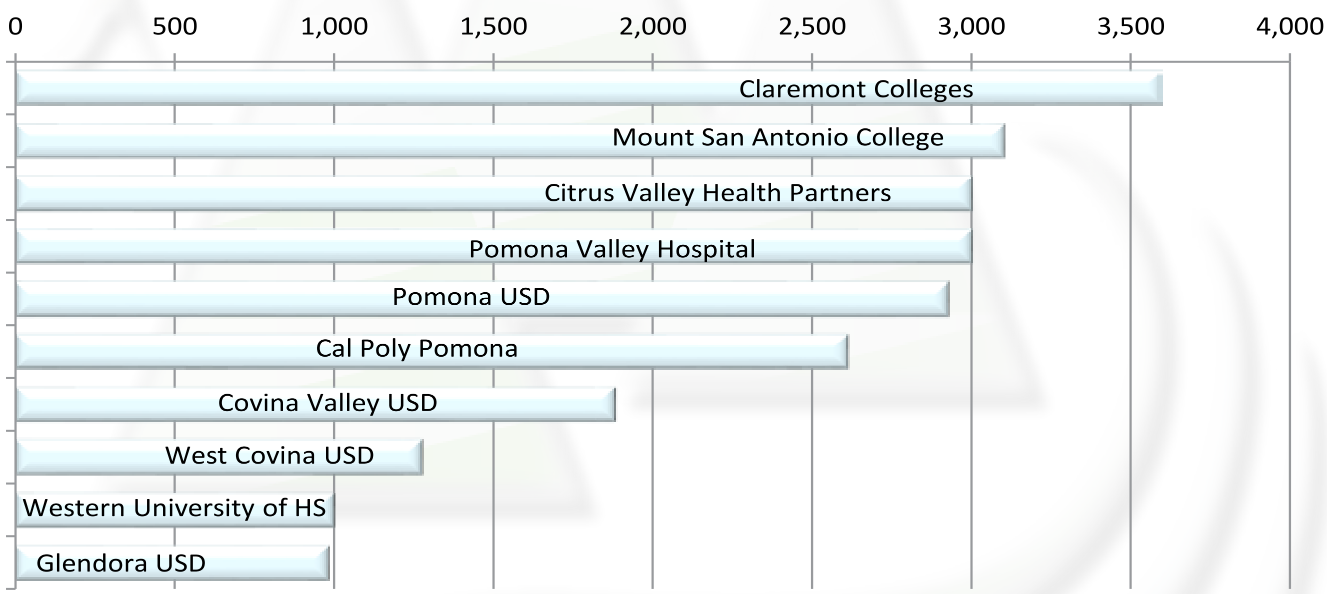
NOTE: Certain economic indicators such as unemployment rate and personal income are not calculated separately for TVMWD. Therefore, TVMWD has chosen to use the County of Los Angeles data, which is representative of the conditions and experiences of TVMWD.

SOURCES: LAEDC 2017-2018 Economic Forecast and Indutry Outlook

SCHEDULE 11

Three Valleys Municipal Water District
Principal Employers
Calendar Year 2017

Rank	Employer	Number of Employees	Percentage of Total Employment
1	Claremont Colleges	3,600	1.8%
2	Mount San Antonio College	3,103	1.6%
3	Citrus Valley Health Partners	3,000	1.5%
4	Pomona Valley Hospital	3,000	1.5%
5	Pomona Unified School District	2,926	1.5%
6	Cal State Polytechnic University Pomona	2,612	1.3%
7	Covina Valley Unified School District	1,882	1.0%
8	West Covina Unified School District	1,277	0.7%
9	Western University of Health Sciences	1,002	0.5%
10	Glendora Unified School District	984	0.5%



NOTE: Principal Employers data for the fiscal year ended nine years prior is not available.

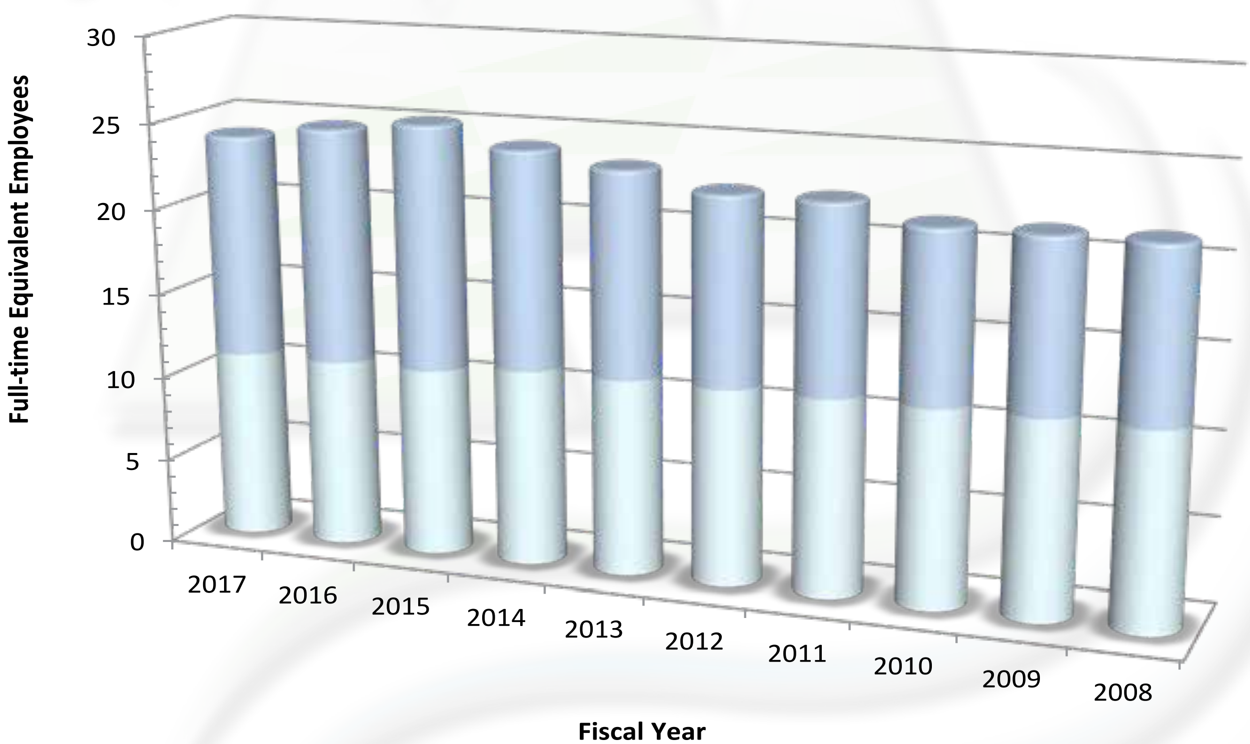
NOTE: The percentage of total employment is based on an estimate of 195,000 jobs in TVMWD's area.

SOURCE: City websites served by TVMWD

SCHEDULE 12

Three Valleys Muncipal Water District
Personnel Trends
Last Ten Fiscal Years

Fiscal Year	Full-time Equivalent Employees by Department		
	Administration	Operations	TOTAL
2017	11.00	13.00	24.00
2016	11.00	13.75	24.75
2015	11.00	14.33	25.33
2014	11.50	12.75	24.25
2013	11.50	12.00	23.50
2012	11.50	11.00	22.50
2011	11.50	11.00	22.50
2010	11.50	10.00	21.50
2009	11.50	10.00	21.50
2008	11.50	10.00	21.50

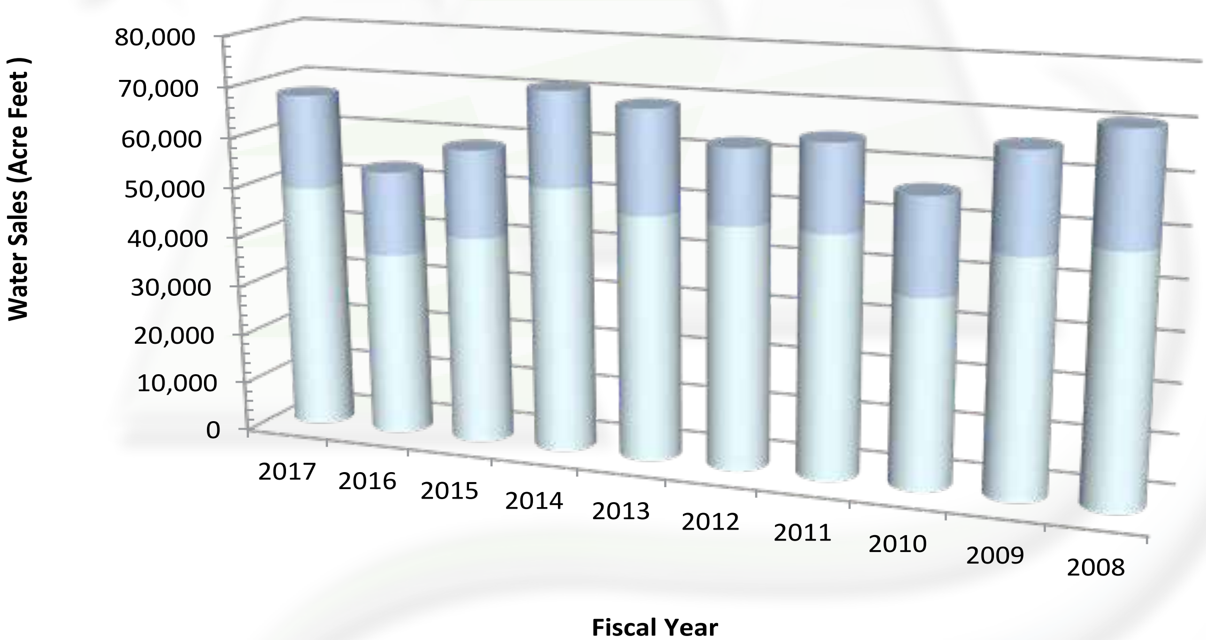


SOURCE: TVMWD - Finance Department

SCHEDULE 13

Three Valleys Muncipal Water District
Water Sales in Acre Feet
Last Ten Fiscal Years

Fiscal Year	Total MWD acre feet sold	Total Miramar acre feet sold	Total acre feet sold
2017	49,013	18,591	67,604
2016	36,739	16,710	53,449
2015	41,512	17,458	58,970
2014	52,718	18,791	71,509
2013	48,659	20,508	69,167
2012	47,985	14,870	62,855
2011	47,952	17,096	65,048
2010	37,487	18,980	56,467
2009	46,596	19,419	66,015
2008	48,982	21,868	70,850



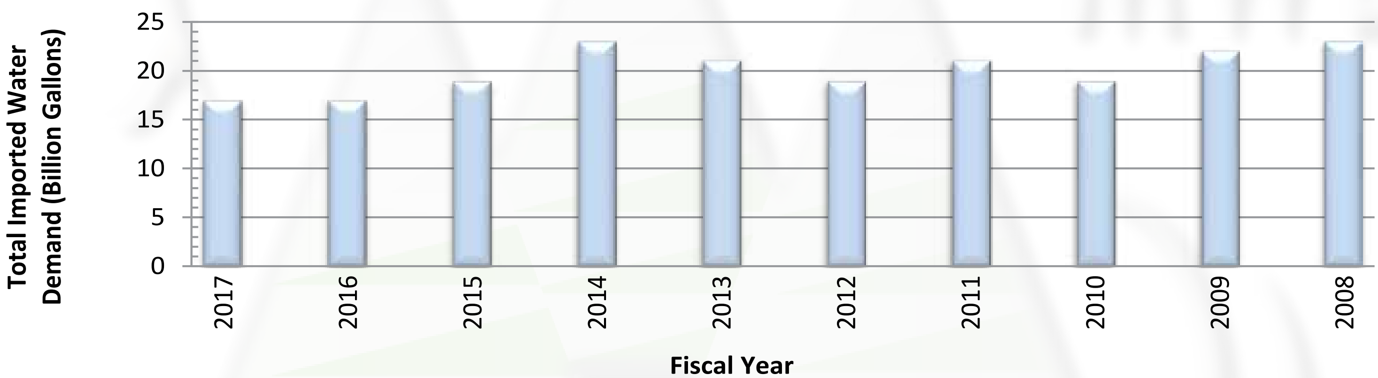
Note: Water Sales will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

SOURCE: TVMWD - Finance Department

SCHEDULE 14

Three Valleys Muncipal Water District
Miscellaneous Operating Statistics
Last Ten Fiscal Years

	FISCAL YEAR									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
TVMWD's SERVICE AREA:										
Number of member agencies	13	13	13	13	13	13	13	13	13	13
Number of cities/communities	16	16	16	16	16	16	16	16	16	16
Approximate Area (in square miles)	133	133	133	133	133	133	133	133	133	133
Number of connections (imported)	20	20	20	20	20	20	20	20	20	20
Peak system capacity (imported)										
Cubic feet per second	500	500	500	500	500	500	500	500	500	500
Million gallons per day	320	320	320	320	320	320	320	320	320	320
Billion gallons	49	49	49	49	49	49	49	49	49	49
Imported (Acre-feet)	51,660	51,660	57,116	70,061	64,858	59,471	64,193	55,737	66,015	70,850
Imported (billion gallons)	**17**	**17**	**19**	**23**	**21**	**19**	**21**	**19**	**22**	**23**
Local (groundwater, recycled) (Acre-feet)	40,629	46,033	52,935	66,484	55,957	55,643	57,301	52,426	43,260	49,200
Local (groundwater, recycled) (billion gallons)	13	15	17	22	18	18	19	17	14	16
Total water demand	92,289	97,693	110,051	136,545	120,815	115,114	121,494	108,163	109,275	120,050



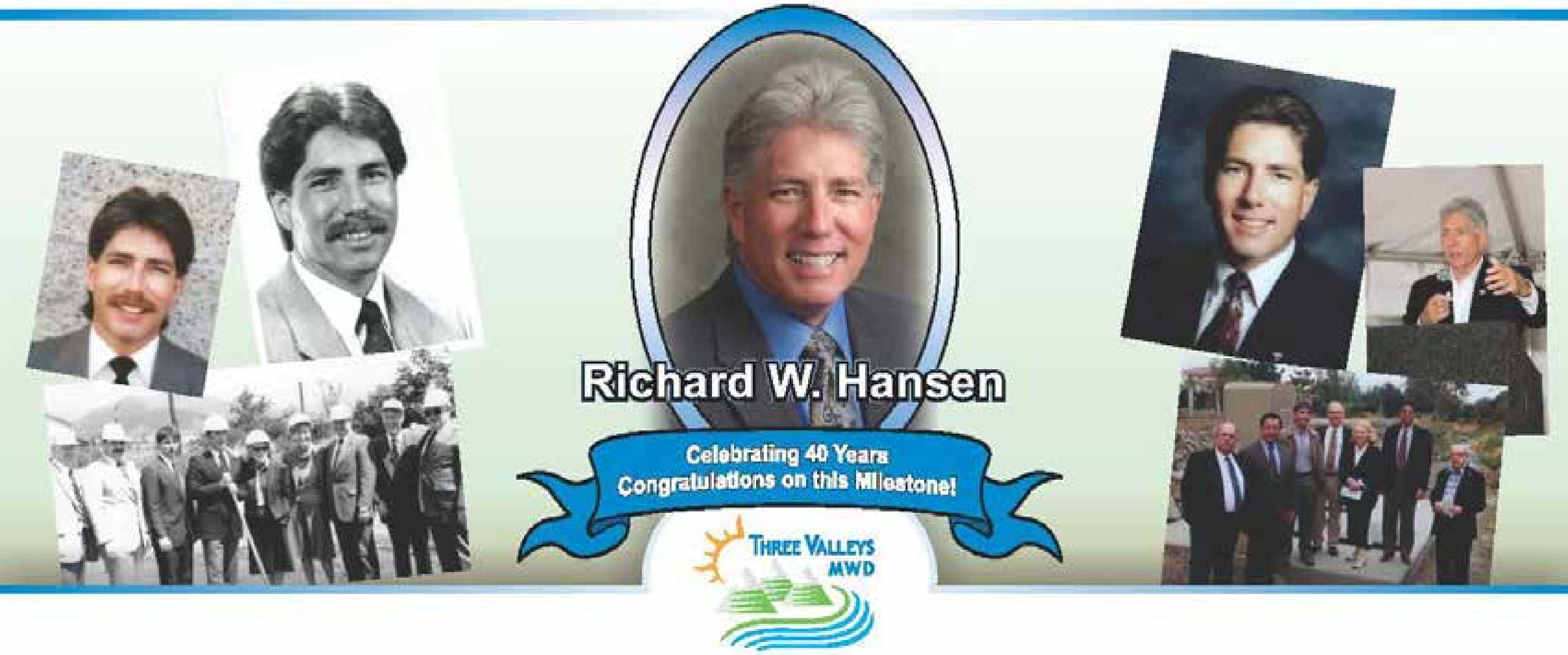
	FISCAL YEAR									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
MIRAMAR WATER AND HYDROELECTRIC FACILITIES:										
Length of pipeline (in miles)	10	10	10	10	10	10	10	10	10	10
Annual production (Acre-feet)	18,510	16,710	17,458	18,791	20,508	14,870	17,096	18,980	19,419	21,868
Annual production (billion gallons)	6	5	6	6	7	5	6	7	7	6
Number of connections	13	13	12	12	12	12	12	12	12	12
Hydroelectric Facilities										
Number of generating stations	5	5	3	3	3	3	3	3	3	3

SOURCE: TVMWD - Finance Department

ACRONYMS AND ABBREVIATIONS

- ACWA/JPIA – Association of California Water Agencies /Joint Power Insurance Authority
- AF – Acre-Feet
- AFY – Acre-Feet per Year
- BFP – Belt Filter Press
- CAFR – Comprehensive Annual Financial Report
- CalPERS – California Public Employees Retirement System
- CDR – Conceptual Design Report
- CERBT – California Employer's Retiree Benefit Trust
- cfs – Cubic feet per second
- DWR – Department of Water Resources
- EDU – Equivalent Dwelling Unit
- FY – Fiscal Year
- GASB – Governmental Accounting Standards Board
- GFOA – Government Finance Officers Association
- GSWC – Golden State Water Company
- JWL – Joint Water Line
- LACDPW – Los Angeles County Department of Public Works
- LAEDC – Los Angeles County Economic Development Corporation
- LAIF – Local Agency Investment Fund
- MTP – Miramar Transmission Pipeline
- MWD – Metropolitan Water District of Southern California
- NRSROs – Nationally Recognized Statistical Rating Organizations
- OPEB – Other Post-Employment Benefits
- PLC – Programmable Logic Controller
- PMP – Project Management Plan
- RTS – Readiness-to-Serve
- S&P – Standard & Poor's
- SASG – San Antonio Spreading Grounds
- SCADA – Supervisory Control and Data Acquisition
- SCE – Southern California Edison
- SDLF – Special District Leadership Foundation
- TVMWD – Three Valleys Municipal Water District
- WVWD – Walnut Valley Water District

THREE VALLEYS MWD


Richard W. Hansen
Celebrating 40 Years
Congratulations on this Milestone!
THREE VALLEYS
MWD

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