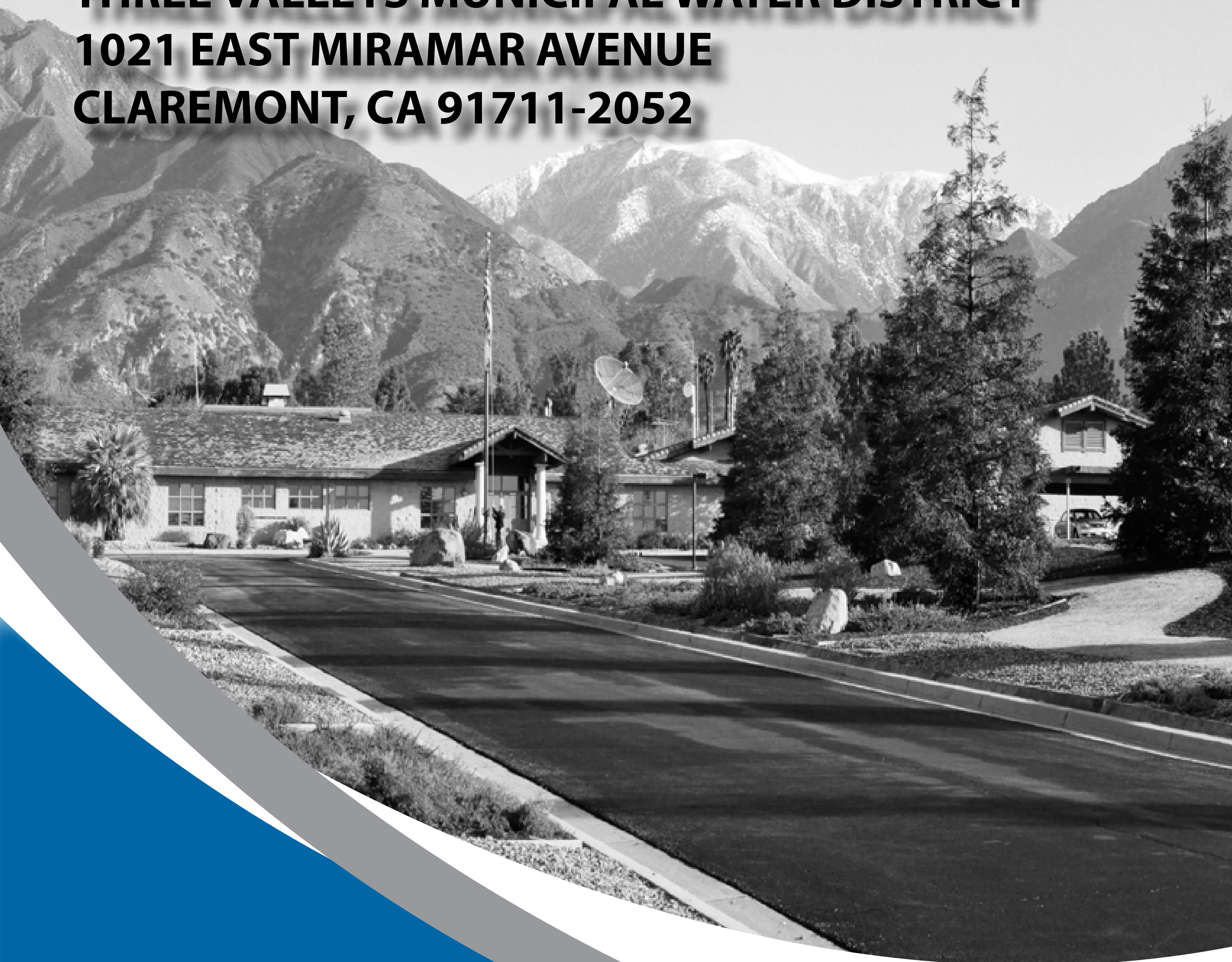
# THREE VALLEYS MUNICIPAL WATER DISTRICT
## 1021 EAST MIRAMAR AVENUE
## CLAREMONT, CA 91711-2052



# COMPREHENSIVE ANNUAL FINANCIAL REPORT
## FISCAL YEAR ENDED
## JUNE 30, 2018

***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, 2018**

## 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, 2018**

## TABLE OF CONTENTS

# THREE VALLEYS MUNICIPAL WATER DISTRICT

**Comprehensive Annual Financial Report**
**Fiscal Year Ending**
**June 30, 2018**

## TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

# INTRODUCTORY SECTION

**THIS PAGE INTENTIONALLY LEFT BLANK**

October 17, 2018

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, 2018. 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 retail member agencies that in turn serve a population of over 500,000.

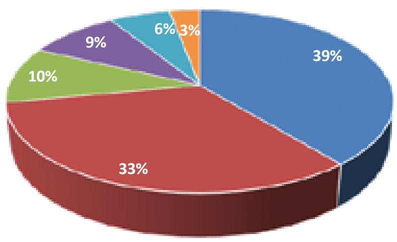
TVMWD's operations consist of a conventional surface water treatment plant (manned and operated 24 hours per day, 7 days per week, 365 days per year), a state certified laboratory, two groundwater wells, five hydroelectric generators rated at over 1.3 megawatts, residual solids removal, spreading pipelines, 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.

1021 E. Miramar Avenue • Claremont, California 91711-2052
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 15 years of experience with TVMWD; this stability provides a tremendous benefit to TVMWD. The General Manager has over 41 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) | 39% |
| City of La Verne | 33% |
| Golden State Water Company (San Dimas) | 10% |
| Walnut Valley Water District | 9% |
| Rowland Water District | 6% |
| City of Pomona | 3% |




## Local Economy[1]

The region that TVMWD serves is located in the eastern part of Los Angeles County. The county, a thriving and vibrant metropolis, is the most populous county in the United States with more than 10 million residents and a workforce of more than 5.1 million people. Los Angeles County remains one of the largest manufacturing centers in the nation, is a global gateway for trade and tourism, serves as the world's largest entertainment hub, and draws entrepreneurs and risk-takers from around the world.

In 2017, real GDP in Los Angeles County grew at 3.2%, an uptick from the prior year when the economy grew by 2.1%. Real GDP growth is expected to be 2.4% for 2018 and 2.2% for 2019, outpacing the nation in both years (2.3% and 2.1%, respectively).

In 2017, the average unemployment rate in Los Angeles County reached 4.6%, the lowest unemployment rate since 2000 and more than 63% below the post-recession peak rate of 12.5% reached in 2010. It is expected to decline slowly over the next two years, falling to 4.3% in 2018 and reaching 4.1% in 2019 as the county, similar to the state, starts to tick above full employment (approximately 5%).

Job growth has been positive since 2011, averaging 2.5% annually. This is expected to slow to 1.9% for the next two years as there are fewer jobs needed to be added and as the labor market tightens.

Personal income in Los Angeles County has been rising, posting consecutive year-over-year increases since 2013. In 2016, personal income totaled $563.9 billion and is predicted to reach $585.5 billion in 2017. It is forecasted that the personal income growth pattern will continue, reaching $619.7 billion in 2019.

[1] *Source: Los Angeles County Economic Development Corporation's 2018-2019 Economic Forecast and Industry Outlook*

## Industry Outlook

California continues to experience dramatic fluctuations in its hydrologic conditions with off-and-on dry or wet periods. These fluctuations can have an impact on the imported water supplies MWD receives from both the Colorado River Aqueduct (CRA) and the State Water Project (SWP).

The Department of Water Resources (DWR) allocates water from the SWP annually to each of the twenty-nine SWP contractors throughout the state. Last year's record rainfall led DWR to raise the SWP allocations from the initial 15% to 20% in January 2018. The late season rain and snow in March and April allowed DWR to increase the SWP allocations up to 30% in April 2018, and again up to 35% in May. While 35% is an improvement, the allocation is still relatively low leaving water districts with the difficult task of finding other sources of water to augment their supplies.

State Water Project Five Year Allocation History

| Year | Allocation | Acre-Feet |
|---|---|---|
| 2018 | 35% | 700,000 |
| 2017 | 85% | 1,700,000 |
| 2016 | 60% | 1,200,000 |
| 2015 | 20% | 400,000 |
| 2014 | 5% | 100,000 |

The CRA is the other major source of Southern California's imported water supply. MWD receives a base supply each calendar year which is comprised of two components, MWD's Basic Apportionment 550,000 acre-feet, and the established Colorado River supply programs 395,000 acre-feet for CY 2018. MWD's Basic Apportionment of water from the CRA will increase or decrease from year to year depending on the amount of water available after the higher priority agricultural users receive their allotment. As this calendar year progresses, MWD will have a better idea if adjustments will need to be made to their CRA base supply projections and plan for alternate water sources to meet demands. Another factor which can impact MWD's water supply from the CRA is the volume of water at Lake Mead. For CY 2018 and 2019, MWD projects the levels to be sufficient with a 0% likelihood of water shortages that would impact their CRA water supply. Unless the Colorado River Watershed experiences some wet winters and greater snowpack, MWD anticipates a 52% likelihood of a water shortage in Lake Mead for CY 2020 that will impact MWD's CRA supplies.

California's major reservoirs continue to be well above their historical averages but that could change at any time. Snowpack accumulation for the year is below average because warm temperatures brought more rain than snow in the Northern Sierra. This year's weather has been anything but normal currently trending back to dry conditions, so Californians must continue to embrace water conservation as a way of life.

Governor Brown, in his ongoing effort to make conservation a way of life in California, signed legislation on May 31, 2018, establishing statewide water efficiency goals to help the state better prepare for droughts and climate change. SB 606 and AB 1668 will require cities and water districts across the state to set permanent water conservation rules, even in non-drought years. Both bills provide guidelines for efficient water use and a framework for the implementation and oversight of the new standards which must be in place by 2020.

MWD continues with its commitment of water supply reliability and conservation. A historic decision for MWD was approval by their Board on July 10, 2018, to provide the additional funding needed for the full construction of the California WaterFix project. The Board authorized $10.8 billion for the project to modernize the state's aging water delivery system by building three new water intakes in the northern Delta and two tunnels to carry the water under the Delta to the existing aqueduct systems in the southern Delta that deliver water to cities and farms. This investment by MWD is part of ensuring Southern California has a reliable water supply in the age of climate change.

As part of a broad effort to urge Southern Californians to continue to conserve water 365 days a year, the MWD Board approved a three-year contract on March 13, 2018 for the agency's culturally diverse, multimedia advertising and public outreach campaign to promote water conservation and water conservation rebate programs offered by MWD and its member agencies. The new campaign will help remind Southern Californians that the need for conservation is not solely based on weather but must become a permanent way of life.

California's climate uncertainties are ongoing and will continue to bring water supply issues and challenges throughout the state well into the future. TVMWD understands how critical water supply reliability and conservation efforts are and has taken an active role in addressing these issues. TVMWD expressed strong support to MWD for moving forward with the California WaterFix project which is critical to ensure the safety, reliability and affordability of our state's water supply and in turn our region. TVMWD continues to work with MWD and our member agencies at the local and regional level in finding alternate sources of water at a reasonable cost and assisting with their various conservation programs. 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.

# MAJOR INITIATIVES AND PROJECTS

TVMWD began, continued, or completed many projects and programs in FY 2017-2018. These included, but were not limited to:

***Williams/Fulton Hydroelectric Stations Improvements:*** In the early part of FY 2017-2018, TVMWD completed major upgrades at its Williams and Fulton Hydroelectric Generating Facilities. The improvements involved the replacement of outdated equipment with state-of-the art technology and instrumentation. The changes allowed the two stations to comply with new Southern California Edison (SCE) interconnection requirements and prepared them to be integrated into TVMWD's Supervisory Control and Data Acquisition (SCADA) System. The stations can now be remotely monitored and controlled and more fully automates operational changes to free up staff time.

***Leroy (La Verne) Connection Improvements:*** In the summer of 2017, TVMWD completed the realignment and upgrade of its Leroy connection. The improvements included a horizontal and vertical realignment of the metered connection to improve access to the buried vault that houses the meter equipment. The meter and associated valves were also replaced as were portions of the pipeline that had exhibited signs of corrosion. The overall change improved the location of the facility and helped to lessen the impact to the adjacent property owner.


1021 E. Miramar Avenue • Claremont, California 91711-2052
Telephone (909) 621-5568 • Fax (909) 625-5470 • http://www.threevalleys.com

# MAJOR INITIATIVES AND PROJECTS

***Pipeline Inspection/Repairs:*** During the latter part of FY 2017-2018, TVMWD completed its round of video inspections on the final reach of pipe on the Miramar Transmission Pipeline. The inspections revealed no major structural deficiencies along the pipeline and provides at least an initial assurance that the 30-plus-year-old pipe is in adequate condition. Within the next two to three years, TVMWD will schedule additional inspections of its entire pipeline using other non-destructive methods that may more readily reveal hidden structural issues.


***JWL Control Valve Installation:*** TVMWD began planning and preliminary design work in late FY 2017-2018 for this control valve installation. The new pressure/flow control device at the Joint Water Line (JWL) connection will serve to regulate flow in the pipeline between the Fulton Reservoir and the delivery point to the JWL. The ability to better control deliveries with such a valve can also help to utilize the Fulton Reservoir for potential improvements that could enhance water quality. The final design for the project is expected to be completed in early FY 2018-2019 and construction will follow thereafter.

# MAJOR INITIATIVES AND PROJECTS

***Reservoir Effluent Pump Station:*** The pipeline for this proposed pump station was installed in late FY 2017-2018. The project continues, however, it waits for the arrival of the pumping equipment that will be installed within the vault of the reservoir effluent at the Miramar site. The completion of this project is expected early in the next fiscal year and testing of it will take place soon thereafter. Through the alteration of the onsite potable water system by this project, TVMWD hopes to take advantage of reservoir detention time to enhance the disinfection process through the plant.

***Hydropneumatic Tank Replacement Project:*** Design work for the replacement of the hydropneumatic tank at the Miramar Plant was completed in FY 2017-2018, but construction is not scheduled until the next fiscal year. Variable speed pumps will be employed instead of the pressurized tank system, which feeds process water to the plant and onsite irrigation system. Over the past several years, the use of hydropneumatic tank systems has been met with reluctance by insurance agencies because of the potential results from a catastrophic failure. As these tanks age, that potential increases. Once the above Reservoir Effluent Pump Station Project is completed and fully tested, the need for the hydropneumatic tank to feed the potable water system will no longer exist, and the tank replacement project will get underway.

# MAJOR INITIATIVES AND PROJECTS

***Grand Avenue Well Project:*** During FY 2017-2018, TVMWD completed the Phase I (drilling) design and environmental compliance work for its Grand Avenue Well. By late fiscal year, the drilling of the well began and was scheduled to be completed by summer 2018. The second phase of the project, which will include pipeline design and construction, is expected to be completed in the next fiscal year.











## 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 2017-2018, 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 3% to 4.1%, 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 $10 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, 2017. This was the eleventh 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**

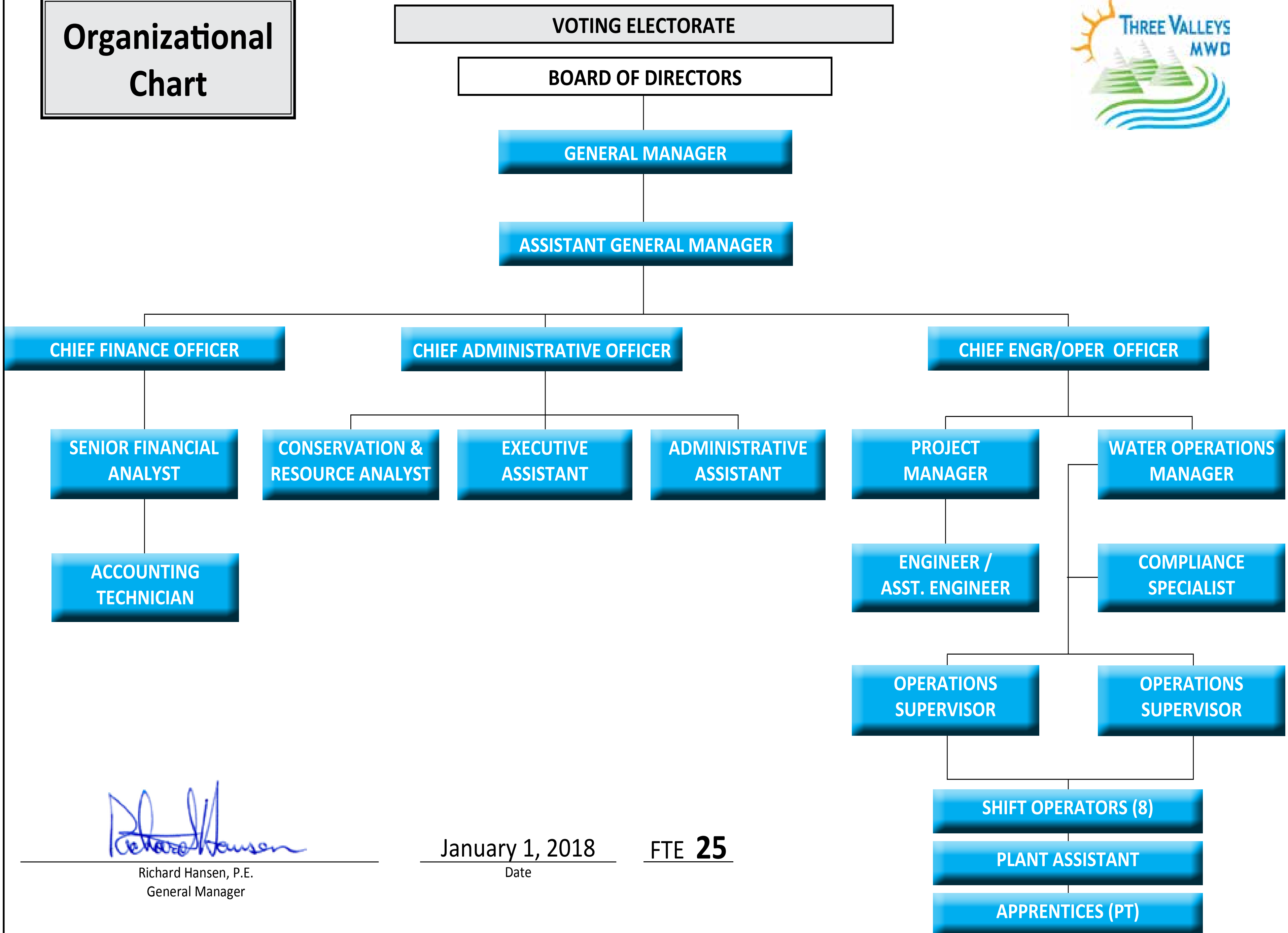
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2017**

Christopher P. Morrill

Executive Director/CEO

# Organizational Chart

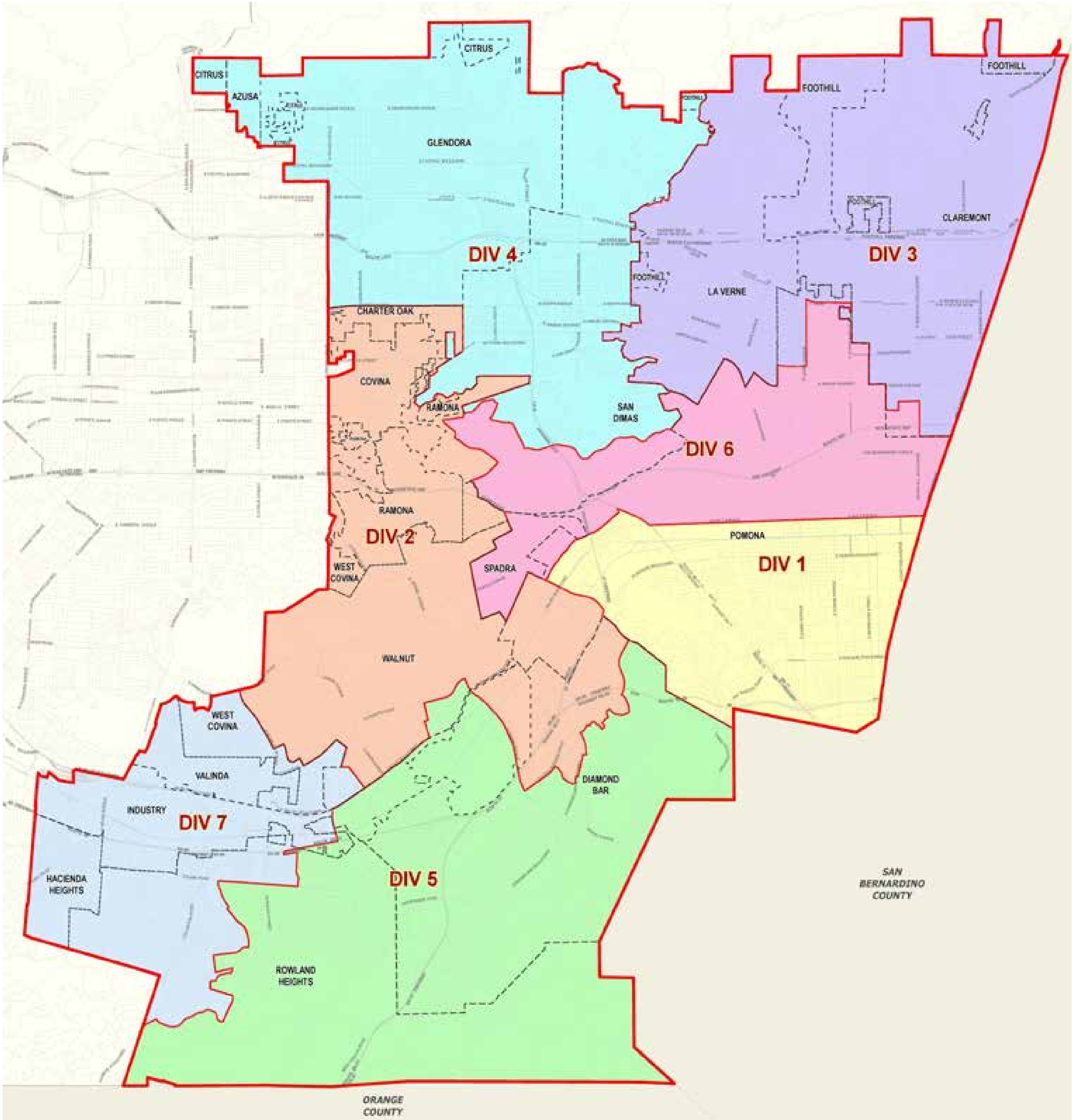



Richard Hansen, P.E.
General Manager

January 1, 2018
Date

FTE **25**

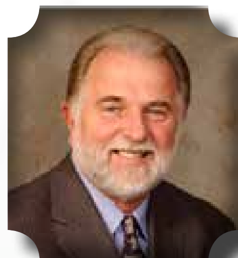
# Elective Subdivision Boundary Map



# TVMWD Board of Directors

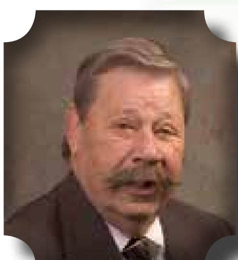
**Director Bob Kuhn, President**
**Division 4**
Glendora, San Dimas

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

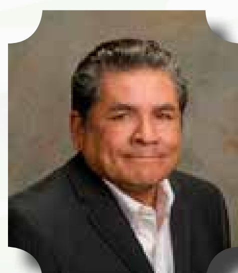


**Director Brian Bowcock, Secretary**
**Division 3**
Claremont, La Verne

**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

**Director Carlos Goytia**
**Division 1**
Southern Pomona

THREE VALLEYS MWD

# BOARD REPRESENTATION

**(Revised at the December 6, 2017 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 |

# 2018 COMMITTEE/REPRESENTATION APPOINTMENTS

**(Revised at the January 17, 2018 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 |
| City of Pomona Council Meetings | Director Mendoza | Director Goytia |
| 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

CPAs AND ADVISORS

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 Three Valleys Municipal Water District, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***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 and 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 District'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
Claremont, California

***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, 2018, 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 October 17, 2018 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
October 17, 2018

This section of TVMWD's annual financial report presents our analysis of TVMWD's financial performance during the fiscal year ended on June 30, 2018. Please read it in conjunction with the basic financial statements that follow this section.

## FINANCIAL HIGHLIGHTS

- Water Storage Inventory increased by $2.6 million from the prior year due to $2.8 million of water purchased in the Main San Gabriel Basin for sales anticipated later in the calendar year and a decrease of $200,000 to replenish groundwater stored in Six Basins.
- Capital assets increased by $1.2 million as a result of $700,000 increase to land for groundwater production and the completion of the following projects: The Miramar, Fulton and Williams Switchboards, the Administration Building Renovation and the Leroy's Connection.
- Net pension liability increased $600,000 due to the latest CalPERS actuarial valuation of TVMWD's pension plan. While the changes of assumption increased significantly as a result of CalPERS reducing the discount rate from 7.65% to 7.15%, the investment income was slightly greater than anticipated.

## 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 2018 and 2017**

| | 2018 | 2017 | Dollar Change | Total Percent Change |
|---|---|---|---|---|
| **Current and noncurrent assets** | | | | |
| Cash and cash equivalents | $ 1,803,767 | $ 5,068,989 | $ (3,265,222) | (64) % |
| Accounts receivable | 9,915,140 | 10,262,352 | (347,212) | (3) % |
| Interest receivable | 53,721 | 42,473 | 11,248 | 26 % |
| Interest receivable - *restricted* | 151 | 14 | 137 | 979 % |
| Taxes receivable | 135,536 | 58,118 | 77,418 | 133 % |
| Other receivables | 30,448 | 21,970 | 8,478 | 39 % |
| Loans receivable from employees | 4,290 | 1,423 | 2,867 | 201 % |
| Prepaid expenses and deposits | 104,286 | 84,282 | 20,004 | 24 % |
| Water storage inventory | 3,368,550 | 785,788 | 2,582,762 | 329 % |
| Investments | 10,015,648 | 10,003,600 | 12,048 | 0 % |
| Investments - *restricted* | 340,950 | 338,082 | 2,868 | 1 % |
| Notes receivable | - | 35,695 | (35,695) | (100) % |
| **Capital assets** | | | | |
| Depreciable assets | 26,304,496 | 25,950,912 | 353,584 | 1 % |
| Nondepreciable assets | 3,253,881 | 2,418,731 | 835,150 | 35 % |
| **Total Assets** | $ 55,330,864 | $ 55,072,429 | $ 258,435 | 0 % |
| **Deferred outflows of resources** | | | | |
| Deferred OPEB and pension related items | $ 1,608,652 | $ 1,036,113 | $ 572,539 | 55 % |
| **Current liabilities** | | | | |
| Accounts payable | $ 9,785,036 | $ 10,028,882 | $ (243,846) | (2) % |
| Retention payable | 41,610 | 18,780 | 22,830 | 122 % |
| Accrued payroll | 189,876 | 22,994 | 166,882 | 726 % |
| Accrued compensated absences | 102,015 | 353,465 | (251,450) | (71) % |
| Unearned revenue | - | 43,500 | (43,500) | (100) % |
| **Long-term liabilities** | | | | |
| Accrued compensated absences | 339,703 | 256,796 | 82,907 | 32 % |
| Net OPEB liability | 517,532 | 251,035 | 266,497 | 106 % |
| Net pension liability | 3,518,869 | 2,953,009 | 565,860 | 19 % |
| **Total Liabilities** | $ 14,494,641 | $ 13,928,461 | $ 566,180 | 4 % |
| **Deferred inflows of resources** | | | | |
| Deferred OPEB and pension related items | $ 309,337 | $ 279,916 | $ 29,421 | 11 % |
| **Investment in capital assets** | $ 29,558,377 | $ 28,369,643 | $ 1,188,734 | 4 % |
| **Restricted for pensions** | 341,101 | 338,096 | 3,005 | 1 % |
| **Unrestricted** | 12,236,060 | 13,192,426 | (956,366) | (7) % |
| **Total Net Position** | $ 42,135,538 | $ 41,900,165 | $ 235,373 | 1 % |

As depicted in Table A-1, the following significant changes occurred during FY 2017-2018:

- Water Storage Inventory increased by $2.6 million from the prior year due to $2.8 million of water purchased in the Main San Gabriel Basin for sales anticipated later in the calendar year and a decrease of $200,000 to replenish groundwater stored in Six Basins.
- Net pension liability increased $600,000 due to the latest CalPERS actuarial valuation of TVMWD's pension plan. While the changes of assumption increased significantly as a result of CalPERS reducing the discount rate from 7.65% to 7.15%, the investment income was slightly greater than anticipated.

**TABLE A-2**
**Condensed Statements of Revenues, Expenses and Changes in Net Position**
**Fiscal Years 2018 and 2017**

| | 2018 | 2017 | Dollar Change | Total Percent Change |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Water and hydroelectric sales | $ 58,752,407 | $ 58,867,655 | $ (115,248) | 0 % |
| Water use and connection capacity charges | 5,499,472 | 6,173,593 | (674,121) | (11) % |
| **Nonoperating revenues** | | | | |
| Property tax revenue | 2,291,505 | 2,266,019 | 25,486 | 1 % |
| Investment income | 3,089 | 25,793 | (22,704) | (88) % |
| **Total Revenues** | 66,546,473 | 67,333,060 | (786,587) | (1) % |
| | | | | |
| **Operating expenses** | | | | |
| Water purchases | 52,987,129 | 52,807,504 | 179,625 | 0 % |
| Water use and connection capacity | 4,887,541 | 5,490,812 | (603,271) | (11) % |
| Water treatment and transmission | 2,891,079 | 2,891,120 | (41) | 0 % |
| Administrative expenses | 3,928,897 | 3,639,408 | 289,489 | 8 % |
| Depreciation | 1,578,054 | 1,907,758 | (329,704) | (17) % |
| **Nonoperating expenses** | | | | |
| Loss on sale/disposal of assets | 40,400 | 88,421 | (48,021) | (54) % |
| **Total Expenses** | 66,313,100 | 66,825,023 | (511,923) | (1) % |
| **Net income (loss) before capital contributions** | 233,373 | 508,037 | (274,664) | (44) % |
| **Capital contributions** | 2,000 | 5,250 | (3,250) | (62) % |
| **Changes in net position** | 235,373 | 513,287 | (277,914) | (44) % |
| | | | | |
| **Beginning net position, as previously reported** | 41,900,165 | 41,858,315 | 41,850 | 0 % |
| **Prior period adjustment** | - | (471,437) | 471,437 | (100) % |
| **Beginning net position, as restated** | 41,900,165 | 41,386,878 | 513,287 | 1 % |
| **Ending net position** | $ 42,135,538 | $ 41,900,165 | $ 235,373 | 1 % |

**TABLE A-3**
**Capital Assets**
**Fiscal Years 2018 and 2017**

| | 2018 | 2017 | Dollar Change | Total Percent Change |
|---|---|---|---|---|
| **Nondepreciable Assets** | | | | |
| Land | $ 1,633,704 | $ 910,800 | $ 722,904 | 79 % |
| Water Share | 301,000 | 301,000 | - | 0 % |
| Construction in Progress | 1,319,177 | 1,206,931 | 112,246 | 9 % |
| **Total Nondepreciable Assets** | 3,253,881 | 2,418,731 | 835,150 | 35 % |
| **Depreciable Assets** | | | | |
| Building | 7,521,416 | 6,984,946 | 536,470 | 8 % |
| Furniture, Fixtures, & Equipment | 954,141 | 954,141 | - | 0 % |
| Infrastructure | 56,669,340 | 57,406,858 | (737,518) | (1) % |
| Land Improvements | 1,257,839 | 1,257,839 | - | 0 % |
| District Vehicles | 414,648 | 398,222 | 16,426 | 4 % |
| **Total Depreciable Assets** | 66,817,384 | 67,002,006 | (184,622) | 0 % |
| **Less Accumulated Depreciation** | (40,512,888) | (41,051,094) | 538,206 | (1) % |
| **Net Depreciable Assets** | 26,304,496 | 25,950,912 | 353,584 | 1 % |
| **Total Capital Assets, Net** | $ 29,558,377 | $ 28,369,643 | $ 1,188,734 | 4 % |

As depicted in Table A-3, the following significant changes occurred during FY 2017-2018:

- Capital assets increased by $1.2 million as a result of $700,000 increase to land for groundwater production and the completion of the following projects: The Miramar, Fulton and Williams Switchboards, the Administration Building Renovation and the Leroy's Connection.
- More information about TVMWD's capital assets is presented in Note 3 of the Notes to the Basic Financial Statements.

**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**STATEMENT OF NET POSITION**
**June 30, 2018**

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents *(Note 2)* | $ | 1,803,767 |
| Accounts receivable *(Note 1)* | | 9,915,140 |
| Interest receivable | | 53,721 |
| Interest receivable - restricted (Note 1) | | 151 |
| Investments | | 1,902,139 |
| Investments - restricted *(Note 1)* | | 340,950 |
| Taxes receivable *(Note 1)* | | 135,536 |
| Other receivables | | 30,448 |
| Loans receivable from employees *(Note 1)* | | 4,290 |
| Prepaid expenses *(Note 1)* | | 72,781 |
| Deposits *(Note 1)* | | 22,529 |
| Water storage inventory *(Note 1)* | | 3,368,550 |
| Total current assets | | 17,650,002 |
| **Noncurrent assets** | | |
| Advance dues deposit *(Note 1)* | | 8,976 |
| Investments | | 8,113,509 |
| Capital assets *(Note 3)* | | |
| Depreciable assets, net | | 26,304,496 |
| Nondepreciable assets | | 3,253,881 |
| Total noncurrent assets | | 37,680,862 |
| **TOTAL ASSETS** | $ | 55,330,864 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred pension related items *(Note 7)* | | 1,263,801 |
| Deferred OPEB related items *(Note 9)* | | 344,851 |
| Total deferred outflows of resources | $ | 1,608,652 |

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

**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**STATEMENT OF NET POSITION (continued)**
**June 30, 2018**

| | | |
|---|---|---|
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable | $ | 9,785,036 |
| Retainage payable | | 41,610 |
| Accrued payroll | | 189,876 |
| Current portion of accrued compensated absences *(Note 1)* | | 102,015 |
| Total current liabilities | | 10,118,537 |
| **Noncurrent liabilities** | | |
| Accrued compensated absences, net of current portion *(Note 1)* | | 339,703 |
| Net OPEB liability *(Note 9)* | | 517,532 |
| Net pension liability *(Note 7)* | | 3,518,869 |
| Total noncurrent liabilities | | 4,376,104 |
| **TOTAL LIABILITIES** | $ | 14,494,641 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred pension related items *(Note 7)* | | 309,337 |
| Total deferred inflows of resources | $ | 309,337 |
| **NET POSITION** | | |
| Investment in capital assets | | 29,558,377 |
| Restricted for pensions | | 341,101 |
| Unrestricted | | 12,236,060 |
| **TOTAL NET POSITION** | $ | 42,135,538 |

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**For the Year Ended June 30, 2018**

| | |
|---|---|
| **OPERATING REVENUES** | |
| Water sales - MWD | $ 42,578,270 |
| Water and hydroelectric sales - Miramar | 16,174,137 |
| Water use and connection capacity charges | 5,499,472 |
| Total operating revenues | 64,251,879 |
| **OPERATING EXPENSES** | |
| Water purchases - MWD | 42,721,136 |
| Water purchases - Miramar | 10,265,993 |
| Water use and connection capacity | 4,887,541 |
| Water treatment and distribution | 2,891,079 |
| Administrative expenses | 3,928,897 |
| Depreciation | 1,578,054 |
| Total operating expenses | 66,272,700 |
| **OPERATING LOSS** | (2,020,821) |
| **NONOPERATING REVENUES (EXPENSES)** | |
| Property tax revenue | 2,291,505 |
| Investment income | 3,089 |
| Loss on sale/disposal of assets | (40,400) |
| Net nonoperating revenues | 2,254,194 |
| **NET INCOME BEFORE CAPITAL CONTRIBUTIONS** | 233,373 |
| **CAPITAL CONTRIBUTIONS** *(Note 1)* | 2,000 |
| **CHANGES IN NET POSITION** | 235,373 |
| **NET POSITION:** | |
| Beginning of year | 41,900,165 |
| **NET POSITION AT END OF YEAR** | $ 42,135,538 |

*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, 2018**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash received from customers | $ 61,964,350 |
| Cash payments to suppliers of goods or services | (60,364,918) |
| Cash payments to employees for services | (4,286,038) |
| Net cash provided by operating activities | (2,686,606) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Proceeds from property taxes | 2,214,087 |
| Net cash provided by noncapital financing activities | 2,214,087 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Proceeds from capital contributions | 2,000 |
| Proceeds from sale of capital assets | 1,672 |
| Acquisitions of capital assets | (1,810,999) |
| Cost of construction in progress additions | (997,861) |
| Net cash used by capital and related financing activities | (2,805,188) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Purchases of investments in government securities | (4,203,455) |
| Proceeds from sales of investments in government securities | 4,004,477 |
| Investment income | 175,768 |
| Payments received on notes receivable | 35,695 |
| Net cash provided by investing activities | $ 12,485 |

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

**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**STATEMENT OF CASH FLOWS (continued)**
**For the Year Ended June 30, 2018**

| | | |
|---|---|---|
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | $ | (3,265,222) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | 5,068,989 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $ | 1,803,767 |
| | | |
| **RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Income from operations | $ | (2,020,821) |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | | 1,578,054 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | | 347,212 |
| (Increase) decrease in other receivables | | (8,478) |
| (Increase) decrease in loans receivable from employees | | (2,867) |
| (Increase) decrease in prepaid expenses | | (14,588) |
| (Increase) decrease in deposits | | (3,623) |
| (Increase) decrease in water storage inventory | | (2,582,763) |
| (Increase) decrease in advance dues deposit | | (1,793) |
| Increase (decrease) in accounts payable | | (243,846) |
| Increase (decrease) in accrued payroll | | 166,882 |
| Increase (decrease) in accrued OPEB liability | | 266,497 |
| Increase (decrease) in retention payable | | 22,830 |
| Increase (decrease) in accrued compensated absences | | (168,543) |
| Increase (decrease) in net pension liability and related items | | 22,741 |
| Increase (decrease) in unearned revenue | | (43,500) |
| Net cash provided by operating activities | $ | (2,686,606) |
| | | |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION** | | |
| Cash and cash equivalents | $ | 1,803,767 |
| | | |
| **NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:** | | |
| Loss on sale/disposal of assets | | (40,400) |
| Changes in fair value of investments | | (184,063) |

*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**
**JUNE 30, 2018**

| | | |
|---|---|---|
| **ASSETS:** | | |
| Mutual funds *(Note 9)* | $ | 874,608 |
| Interest receivable *(Note 9)* | | 1,107 |
| **TOTAL ASSETS** | $ | 875,715 |
| | | |
| **NET POSITION RESTRICTED FOR OPEB BENEFITS** | | |
| Restricted for OPEB benefits | $ | 875,715 |
| **TOTAL NET POSITION RESTRICTED FOR OPEB BENEFITS** | $ | 875,715 |

*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, 2018**

| | | |
|---|---|---|
| **ADDITIONS:** | | |
| Employers' contributions | $ | - |
| Investment Income: | | |
| Interest and dividends | | 19,085 |
| Net appreciation in fair value of investments | | 28,864 |
| Less: investment expense | | (2,918) |
| Net investment income | | 45,031 |
| TOTAL ADDITIONS | | 45,031 |
| **DEDUCTIONS:** | | |
| Administrative expenses | | (2,158) |
| TOTAL DEDUCTIONS | | (2,158) |
| CHANGE IN NET POSITION | | 42,873 |
| **NET POSITION RESTRICTED FOR OPEB BENEFITS:** | | |
| BEGINNING OF YEAR | | 832,842 |
| END OF YEAR | $ | 875,715 |

*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

TVMWD's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with a maturity of three months or less from the date of acquisition.

### 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 8.

### 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, 2018, 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 1% 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, 2018, 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, 2017 | 3,087 | $ 785,788 | - | $ - |
| Acquired | 1,041 | 15,816 | 5,005 | 3,441,882 |
| Used or Sold | (1,224) | (246,735) | (930) | (628,201) |
| Ending Balance at June 30, 2018 | 2,904 | $ 554,869 | 4,075 | $ 2,813,681 |

## 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. The current portion of accrued compensated absences is based on a rolling 3-year annual average of leave cashed out by the employee. Sick leave can be accumulated without limit. Any unused sick leave is treated as additional service time in the calculation of the employee's retirement plan.

### 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.

## NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

### Deposits

As of June 30, 2018, the carrying amount of TVMWD's cash deposits was $794,515 and the bank balances were $1,078,187. 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.

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.

Cash and cash equivalents and investments are presented on the Statement of Net Position as follows as of June 30, 2018:

| Type | Fair Value |
|---|---|
| **Cash and cash equivalents** | |
| Cash | $ 794,515 |
| Money Market Funds | 87,374 |
| Local Agency Investment Fund | 921,878 |
| **Total cash and cash equivalents** | 1,803,767 |
| **Investments** | |
| Federal Agency Securities | 3,768,980 |
| US Treasury Notes | 2,577,653 |
| US Corporate Notes | 2,283,801 |
| Supranational | 617,389 |
| Asset Backed Security | 364,300 |
| Commercial Paper | 203,588 |
| Negotiable CD | 199,937 |
| Mutual Funds | 1,215,558 |
| **Total investments** | 11,231,206 |
| **Total cash and cash equivalent and investments** | $ 13,034,973 |

### 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.

## NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

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.

Funds held in the pension and OPEB trusts are governed by the trust agreements rather than by TVMWD's investment policy.

**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, 2018, 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 | $ 87,374 | $ 87,374 | $ - | $ - |
| Federal Agency Securities | 3,768,980 | 564,476 | 1,326,890 | 1,877,614 |
| US Treasury Notes | 2,577,653 | 356,005 | 1,289,932 | 931,716 |
| US Corporate Notes | 2,283,801 | 578,133 | 1,173,858 | 531,810 |
| Supranational | 617,389 | - | - | 617,389 |
| Asset Backed Security | 364,300 | - | 269,722 | 94,578 |
| Commercial Paper | 203,588 | 203,588 | - | - |
| Negotiable CD | 199,937 | 199,937 | - | - |
| Mutual Funds | 1,215,558 | 1,215,558 | - | - |
| Local Agency Investment Fund | 921,878 | 921,878 | - | - |
| **Total** | $12,240,458 | $4,126,949 | $4,060,402 | $4,053,107 |

## NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

### 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, 2018, TVMWD's credit risks, expressed on a percentage basis, were as follows:

**Credit Quality Distribution for Securities With Credit Exposure as a Percentage 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+ | 30.79% |
| US Corporate Notes | A1 | AA- | 18.66% |
| Supranational | Aaa | AAA | 5.05% |
| Asset Backed Security | Aaa | AAA | 2.98% |
| Commercial Paper | A1 | A+ | 1.66% |
| Negotiable CD | P-1 | A-1+ | 1.63% |
| Money Market Fund | Aaa | AAA | 0.71% |
| Mutual Funds | Aaa | AAA | 9.93% |
| Local Agency Investment Fund | Not Rated | Not Rated | 7.53% |

It is not necessary to disclose the credit ratings of obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, therefore it is not disclosed.


### 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, 2018:

| 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 | $ 3,768,980 | $ - | $ 3,768,980 | $ - |
| US Treasury Notes | 2,577,653 | - | 2,577,653 | - |
| US Corporate Notes | 2,283,801 | - | 2,283,801 | - |
| Supranational | 617,389 | - | 617,389 | - |
| Asset Backed Security | 364,300 | - | 364,301 | - |
| Commercial Paper | 203,588 | - | 203,588 | - |
| Negotiable CD | 199,937 | - | 199,937 | - |
| Mutual Funds | 1,215,558 | - | 1,215,558 | - |
| Local Agency Investment Fund | 921,878 | - | 921,878 | - |
| **Totals** | $12,153,084 | $ - | $12,153,084 | $ - |
| **Investments Measured at Amortized Cost** | | | | |
| Money Market Fund | 87,374 | | | |
| **Total Investments** | $12,240,458 | | | |

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 2 – 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, 2018, none of TVMWD's deposits or investments were exposed to custodial credit risk.

## NOTE 3 – CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2018 is as follows:

| | Beginning Balance 06/30/2017 | Additions | Retirements* | Transfers | Ending Balance 06/30/2018 |
|---|---|---|---|---|---|
| **Capital assets, not being depreciated:** | | | | | |
| Land | $ 910,800 | $ 722,904 | $ - | $ - | $ 1,633,704 |
| Water Share | 301,000 | - | - | - | 301,000 |
| Construction in progress | 1,206,931 | 997,861 | - | (885,615) | 1,319,177 |
| **Total capital assets, not being** | 2,418,731 | 1,720,765 | - | (885,615) | 3,253,881 |
| **Capital assets, being depreciated:** | | | | | |
| Building and Building Improvement | 6,984,946 | 100,351 | - | 436,119 | 7,521,416 |
| Furniture, Fixtures, and Equipment | 954,141 | - | - | - | 954,141 |
| Infrastructure | 57,406,858 | 965,313 | (2,152,327) | 449,496 | 56,669,340 |
| Land Improvements | 1,257,839 | - | - | - | 1,257,839 |
| Vehicles | 398,222 | 22,432 | (6,006) | - | 414,648 |
| **Total capital assets, being depreciated** | 67,002,006 | 1,088,096 | (2,158,333) | 885,615 | 66,817,384 |
| **Less accumulated depreciation for:** | | | | | |
| Building and Building Improvement | 6,595,107 | 25,864 | - | - | 6,620,971 |
| Furniture, Fixture and Equipment | 776,756 | 28,676 | - | - | 805,432 |
| Infrastructure | 32,383,236 | 1,385,561 | (2,110,254) | - | 31,658,543 |
| Land Improvement | 1,025,378 | 96,428 | - | - | 1,121,806 |
| Vehicles | 270,617 | 41,525 | (6,006) | - | 306,136 |
| **Total accumulated depreciation** | 41,051,094 | 1,578,054 | (2,116,260) | - | 40,512,888 |
| **Total capital assets, being depreciated,** | 25,950,912 | (489,958) | (42,073) | 885,615 | 26,304,496 |
| **Total capital assets, net** | $ 28,369,643 | $ 1,230,807 | $ (42,073) | $ - | $ 29,558,377 |

*Replacement of the Miramar, Fulton and Williams Hydros switchboards, the west sleeve valve and meter connections.

Depreciation expense for the year totaled $1,578,054.

## NOTE 4 – 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 $20,245 for the year ended June 30, 2018. The future minimum lease payments are as follows:

| Year Ending June 30 | Amount |
|---|---|
| 2019 | $ 23,147 |
| 2020 | 23,147 |
| 2021 | 23,147 |
| 2022 | 18,794 |
| 2023 | 3,429 |
| **Total** | **$ 91,664** |

### 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 $883,074 of open contracts as of June 30, 2018.

| Project Name | Contract Amount | Expenditures to date as of June 30, 2018 | Remaining Commitment |
|---|---|---|---|
| TVMWD Grand Ave. Well Drilling, Construction | $1,243,956 | $862,906 | $381,050 |
| TVMWD West Baseline | 450,000 | 154,172 | 295,828 |
| Reservoir Effluent Pump Station | 257,935 | 97,413 | 160,522 |
| Bracket Fabrication | 45,000 | - | 45,000 |
| Fulton & Williams Hydroelectric Generating Station | 35,000 | 34,326 | 674 |

## NOTE 5 – 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 6 – RELATED PARTY TRANSACTIONS

### Covina Irrigating Company (CIC)

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.

TVMWD began selling water to CIC in November 2015. The amount of water sold to CIC for FY 2017-2018 was 6,582 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 rates for 2017 and 2018 were $679 and $700, respectively, 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 2017-2018, total water sales revenue from CIC was $4,601,206.

## NOTE 6 – RELATED PARTY TRANSACTIONS (continued)

TVMWD allows its member agencies approximately 45 days to pay for monthly water purchases. As such, TVMWD had a receivable outstanding at June 30, 2018 from CIC for June 2018 water sales of $461,080. This receivable, due August 23, 2018, was paid by CIC on July 19, 2018.

### SGV-COG Joint Powers Agreement

On June 9, 2008, TVMWD, San Gabriel Valley Municipal Water District and Upper San Gabriel Valley Municipal Water District entered into a Joint Exercise of Powers Agreement to create the San Gabriel Water District Joint Powers Authority which was required to participate as a single Member on the San Gabriel Valley Council of Governments.

The San Gabriel Valley Council of Governments (the "Council") is a Joint Powers Authority formed pursuant to Chapter 5 of Division 7, Title 1 of the Government Code of the State of California (Sections 6500, et seq.). The purpose of the Council is to provide a means for the Members to engage in regional and cooperative planning and coordination of government services and responsibilities to assist the Members in the conduct of their affairs. In addition, the Council provides a regional organization for the review of federal, state, and/or regional projects and studies which involve the use of federal, state and/or regional funds, in various forms.

The Members of the Council are 30 incorporated cities, the unincorporated communities in Los Angeles County Supervisorial Districts 1, 4, and 5, and 1 seat for the San Gabriel Water District Joint Powers Authority.

As a Member of the Council, TVMWD has limited financial liability as outlined in the Council's Fourth Amended and Restated Joint Exercise of Powers Agreement adopted on December 19, 2017. The debts, liabilities and obligations of the Council are debts, liabilities or obligations of the Council alone. No Member of the Council shall be responsible, directly or indirectly, for any obligation, debt or liability of the Council whatsoever, to the fullest extend allowed by law. No Member of the Council shall be responsible for the debts or liabilities of any other Member solely by reason of membership on the Council. Implementation agreements to provide for the design and/or construction of projects with other Members or other agencies shall provide for indemnification of the individual Members of the Council who are not parties to the contracts. TVMWD has no debt, liabilities or obligations associated with the Council as of June 30, 2018.

## NOTE 7 – 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).

The Plan's provisions and benefits in effect at June 30, 2018, 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 | 8.921% | 6.533% |

## NOTE 7 – PENSION PLANS (continued)

### 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, 2017 (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, 2018, the contributions recognized as reductions to net pension liability for the Plan were as follows:

| | |
|---|---|
| Contributions - employer | $324,213 |
| Contributions - employee (paid by employer) | $0 |

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

As of June 30, 2018, 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 | $3,518,869 |

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, 2018 the market value of all assets held in the trust amounted to $341,101 (including accrued interest), 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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2017 was as follows:

| Proportion - June 30, 2017 | 0.0009680 |
|---|---|

For the year ended June 30, 2018, TVMWD recognized pension expense of $601,317. At June 30, 2018, 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 | $363,282 | $0 |
| Differences between actual and expected experience | 5,214 | (74,702) |
| Changes in assumptions | 646,949 | (49,330) |
| Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 102,043 | (37,469) |
| Difference between actual and proportionate share | 0 | (147,836) |
| Net differences between projected and actual earnings on plan investments | 146,313 | 0 |
| Total | $1,263,801 | $(309,337) |

The $363,282 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, 2019. 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 |
|---|---|
| 2018 | $100,776 |
| 2019 | 360,782 |
| 2020 | 216,493 |
| 2021 | (86,869) |
| 2022 | - |
| Remaining | - |
| Total | $591,182 |

## NOTE 7 – PENSION PLANS (continued)

Deferred inflows and outflows are recognized in expense systematically over time. The recognition in expense for the net difference between projected and actual earnings on plan investments is 5 years and all other amounts are recognized over expected average remaining service lifetime of 3.8 years.

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2017 total pension liability were based on the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Projected Salary Increase | varies by entry age and service |
| Investment Rate of Return | 7.15%[(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, 2016 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Change of Assumption**

In December 2016, the CalPERS Board approved to lower the discount rate from 7.65% to 7.15%. The lower discount rate is to be introduced in stages over a three-year period beginning with the June 30,2016, valuation reports. CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. The impact is reflected in deferred outflows represented as the unamortized portion of this change in assumption.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15% 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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% 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 7.15%.

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 1%.

## NOTE 7 – PENSION PLANS (continued)

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 | 47.0% | 4.90% | 5.38% |
| Fixed Income | 19.0% | 0.80% | 2.27% |
| Inflation Assets | 6.0% | 0.60% | 1.39% |
| Private Equity | 12.0% | 6.60% | 6.63% |
| Real Estate | 11.0% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3.0% | 3.90% | 5.36% |
| Liquidity | 2.0% | (0.40)% | (0.90)% |

[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% 6.15% | Current Discount Rate 7.15% | Discount Rate+1% 8.15% |
| $ 5,651,399 | $ 3,518,869 | $ 1,752,670 |

### 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, 2018, TVMWD reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

## NOTE 8 – 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 $6,822,697 at June 30, 2018.

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 $183,682 at June 30, 2018.

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 9 – OTHER POST EMPLOYMENT BENEFITS

### 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, 2018, TVMWD Retiree Benefits Plan membership consisted of the following:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefit payments | 7 |
| Inactive plan members entitled to but not yet receiving benefit payments | 0 |
| Active plan members | 25 |
| **Total** | 32 |

### 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, 2018, TVMWD's average contribution rate was 1.56% 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.

The following was the Board's adopted asset allocation policy as of June 30, 2018:

| Asset Class | Target Allocation |
|---|---|
| Mutual Funds-Equity | 51% |
| Mutual Funds-Fixed Income | 46% |
| Cash and Equivalents | 3% |
| **Total** | **100%** |

### Rate of return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 6.15%. 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, 2018 were as follows:

| | |
|---|---|
| Total OPEB Liability | $1,393,247 |
| Plan fiduciary net position | (875,715) |
| TVMWD's net OPEB Liability | $ 517,532 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 63% |

## NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Deferred outflows and inflows of resources related to OPEB as of June 30, 2018 were:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between actual and expected experience | $98,718 | $0 |
| Changes in assumptions | 241,089 | 0 |
| Net differences between projected and actual earnings on OPEB investments | 5,044 | 0 |
| Total | $344,851 | $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 |
|---|---|
| 2019 | $42,095 |
| 2020 | 42,095 |
| 2021 | 42,097 |
| 2022 | 42,049 |
| 2023 | 40,823 |
| Thereafter | 135,692 |
| Total | $344,851 |

Deferred inflows and outflows are recognized in expense systematically over time. The recognition in expense for the net difference between projected and actual earnings on plan investments is 5 years and all other amounts are recognized over expected average remaining service lifetime of 9.5 years.

OPEB

### Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to June 30, 2018. 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 6-30-2018 the rate was 6.15% |
| Healthcare cost trend rates | 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.

### 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% |
| $ 729,614 | $ 517,532 | $ 345,387 |

### 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 (4.5% decreasing to 4.0%) or 1% point higher (6.0% increasing to 6.5%) than the current healthcare cost trend rates:

| Net OPEB Liability | | |
|---|---|---|
| 1% Decrease (4.5% decreasing to 4.0%) | Healthcare cost Trend Rates (5.5% decreasing to 5.0%) | 1% Increase (6.0% increasing to 6.5%) |
| $ 446,594 | $ 517,532 | $ 594,619 |

## NOTE 9 – 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.

THIS PAGE INTENTIONALLY LEFT BLANK

# 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-Employee 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 |
|---|---|---|---|---|---|
| **2018** | 0.09680% | $ 3,518,869 | $ 2,539,815 | 138.55% | 75.38% |
| **2017** | 0.09532% | $ 2,953,009 | $ 2,419,392 | 122.06% | 75.87% |
| **2016** | 0.07819% | $ 2,145,000 | $ 2,400,313 | 89.36% | 79.82% |
| **2015** | 0.03310% | $ 2,059,901 | $ 2,287,837 | 90.04% | 78.40% |

**Notes to Schedule:**
Benefit Changes: None.

Changes of Assumptions: Discount rate reduced from 7.65% to 7.15%.

[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 four 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, 2018

| 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 |
|---|---|---|---|---|---|---|
| **2018** | $ 363,282 | $ (363,282) | $ - | $ 2,662,296 | 13.645% | 6/30/2016 |
| **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 and direct rate smoothing |
| 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, 2018

| FISCAL YEAR | 2018 | 2017 |
|---|---|---|
| **Total OPEB Liability** | | |
| Service cost | $ 34,335 | $ 22,989 |
| Interest | 65,379 | 63,032 |
| Changes of benefit terms | - | - |
| Differences between expected and actual experience | 110,332 | - |
| Changes of assumptions | 140,935 | 143,737 |
| Benefit payments | (41,611) | (23,007) |
| Net changes in total OPEB liability | 309,370 | 206,751 |
| Total OPEB liability - beginning | $ 1,083,877 | $ 877,126 |
| Total OPEB liability - ending (a) | $ 1,393,247 | $ 1,083,877 |
| **Plan fiduciary net position** | | |
| Contributions-employer | $ 41,611 | $ 138,561 |
| Net investment income | 45,031 | 52,341 |
| Benefit payments | (41,611) | (23,007) |
| Administrative expense | (2,158) | (1,157) |
| Net changes in plan fiduciary net position | 42,873 | 166,738 |
| Plan fiduciary net position-beginning | 832,842 | 666,104 |
| Plan fiduciary net position-ending (b) | $ 875,715 | $ 832,842 |
| Net OPEB liability | $ 517,532 | $ 251,035 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 63% | 77% |
| Covered-employee payroll | $ 2,662,296 | $ 2,539,815 |
| TVMWD's net OPEB liability as a percentage of covered-employee payroll | 19.44% | 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, 2018

| 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 |
|---|---|---|---|---|---|---|
| **2018** | $ 41,611 | $ (27,470) | $ 14,141 | $ 2,662,296 | 1.56% | 7/1/2017 |
| **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 | 22 years |
| Asset valuation method | Fair value |
| Inflation | 2.75% |
| Healthcare cost trend rates | 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. |
| 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, 2017 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 |
|---|---|
| 2018 | 6.15% |
| 2017 | 7.94% |

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

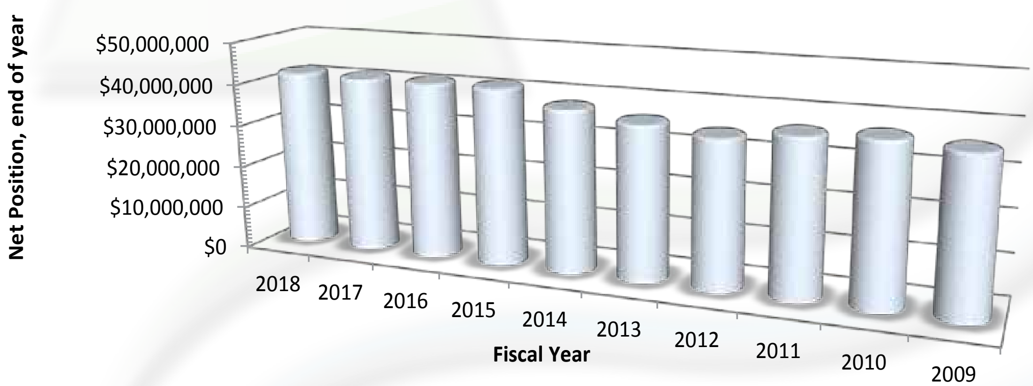
### Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which TVMWD’s financial activities take place and to help make comparisons over time and with other agencies.

### 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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** |
| Operating revenues (see Schedule 3) | $ 64,251,879 | $ 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 |
| Operating expenses (see Schedule 4) | 66,272,700 | 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 |
| Total operating income (loss) | (2,020,821) | (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) |
| Nonoperating revenues (expenses) | | | | | | | | | | |
| Property tax revenue | 2,291,505 | 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 |
| Sublease income | - | - | - | 5,775,000 | 821,303 | 832,593 | 832,946 | 844,434 | 838,412 | 914,446 |
| Investment income | 3,089 | 25,793 | 226,747 | 136,976 | 236,128 | 72,974 | 311,222 | 352,529 | 656,200 | 945,448 |
| 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) |
| Amortization of deferred bond costs/refunding | - | - | - | - | (195,647) | (183,225) | (221,097) | (221,096) | (221,096) | (221,096) |
| Reimbursements revenue | - | - | - | - | - | - | - | 33,945 | 56,093 | 135,418 |
| Gain (loss) on sale of assets | (40,400) | (88,421) | (40,173) | (12,109) | (104,254) | (3,297) | (2,339) | - | - | 7,953 |
| Other non-operating revenues (expenses) | - | - | - | - | - | - | - | - | - | - |
| Total nonoperating revenues (expenses) | 2,254,194 | 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 |
| Net income before capital contributions and change in accounting principle | 233,373 | 508,038 | (245,111) | 5,480,952 | 827,857 | 1,607,343 | (597,149) | (151,207) | 1,155,331 | 2,186,584 |
| Capital contributions | 2,000 | 5,250 | 111,150 | 618,666 | 1,742,423 | - | - | - | - | 32,018 |
| Change in net position | 235,373 | 513,288 | (133,961) | 6,099,618 | 2,570,280 | 1,607,343 | (597,149) | (151,207) | 1,155,331 | 2,218,602 |
| Net Position, beginning of year | 41,900,165 | 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 |
| Prior period adjustment | - | (471,437) [9] | - | (2,570,344) [8] | (613,501) [7] | (50,495) [6] | (1,348,308) [5] | (535,050) [4] | - | - |
| **Net Position, end of year, as restated (see Schedule 2)** | **$ 42,135,538** | **$ 41,900,165** | **$ 41,858,315** | **$ 41,992,276** | **$ 38,463,002** | **$ 36,506,223** | **$ 34,949,375** | **$ 36,894,832** | **$ 37,581,089** | **$ 36,425,758** |




[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.

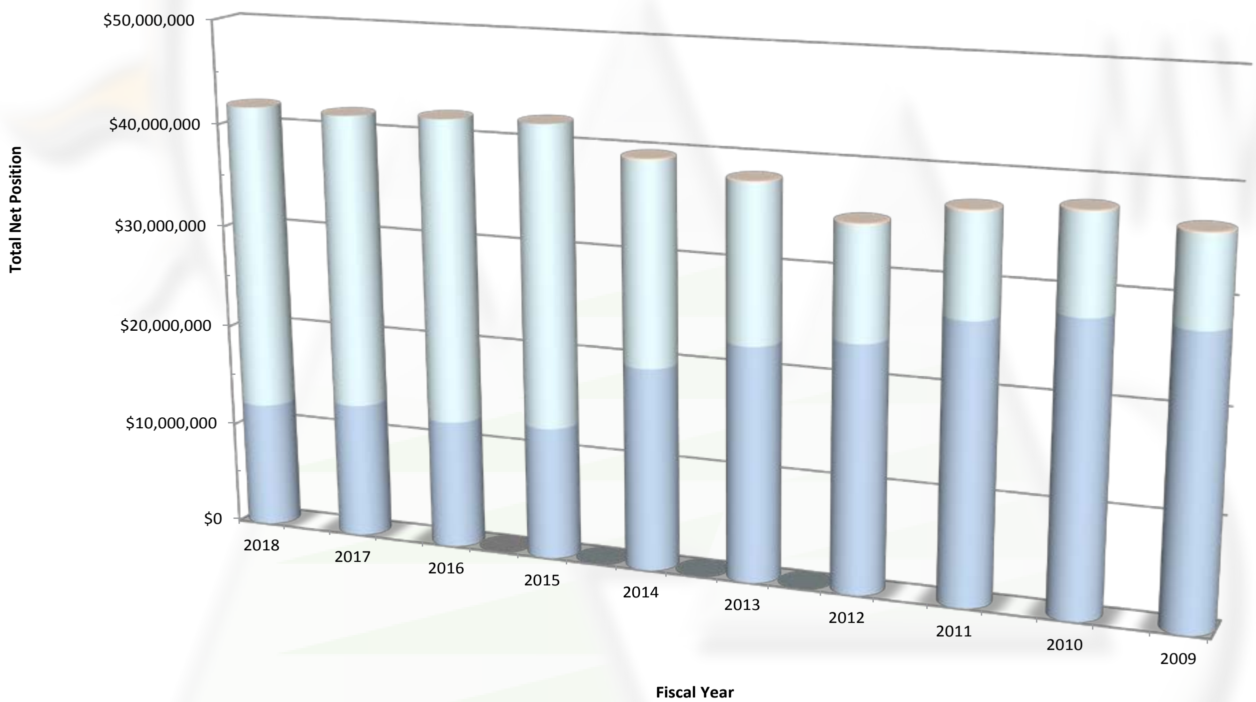
**NOTE**: Revenues and expenses in prior years may be reclassified to conform to current year presentation.

**SOURCE**: TVMWD - Finance Department

## SCHEDULE 2

**Three Valleys Muncipal Water District**
Changes in Net Position and Components of Net Position
Last Ten Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net investment in capital assets** | $ 29,558,377 | $ 28,369,643 | $ 29,354,853 [1] | $ 29,078,712 [1] | $ 19,483,706 [1] | $ 15,073,992 | $ 10,791,926 | $ 9,747,308 | $ 9,288,517 | $ 8,406,471 [1] |
| **Restricted for debt service** | - | - | - | - | 225,000 | 227,163 | 227,203 | 226,165 | 226,153 | 229,572 |
| **Restricted for pensions** | 341,101 | 338,096 | - | - | - | - | - | - | - | - |
| **Unrestricted** | 12,236,060 | 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 |
| **Total Net Position** | $ 42,135,538 | $ 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 |




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

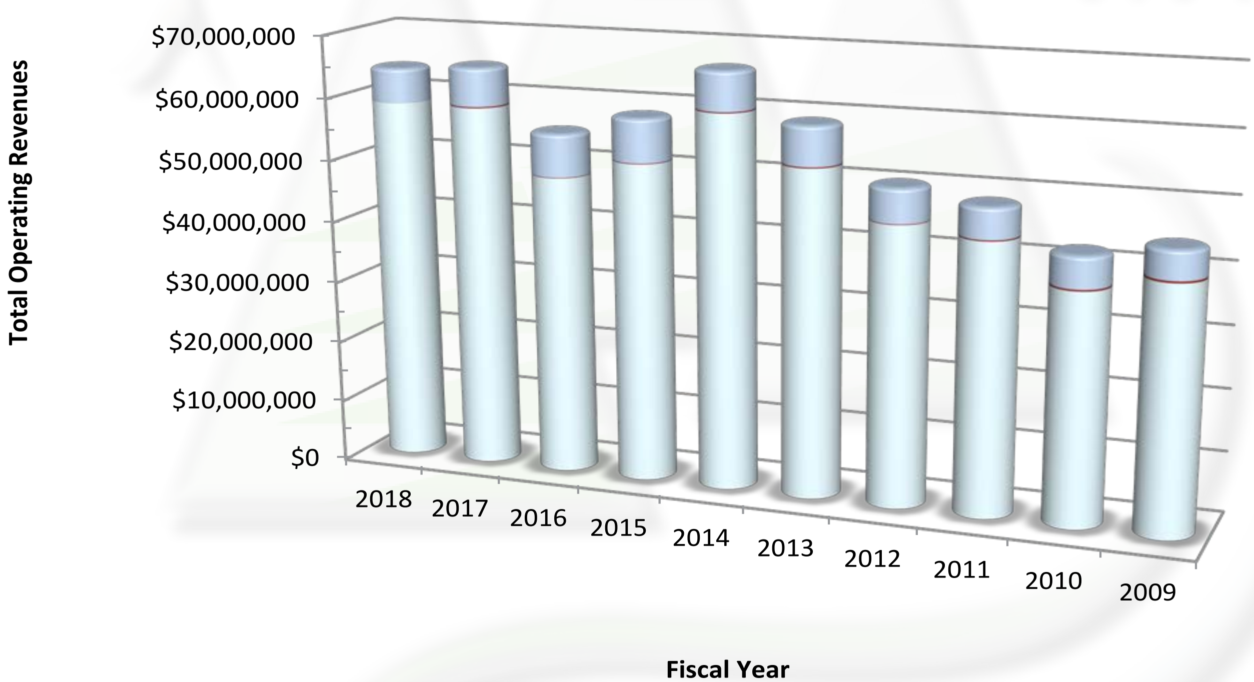
**NOTE:** Revenues and expenses in prior years may be reclassified to conform to current year presentation.

**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 |
|---|---|---|---|---|
| **2018** | $ 58,728,537 | $ 23,870 | $ 5,499,472 | **$ 64,251,879** |
| **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** |




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

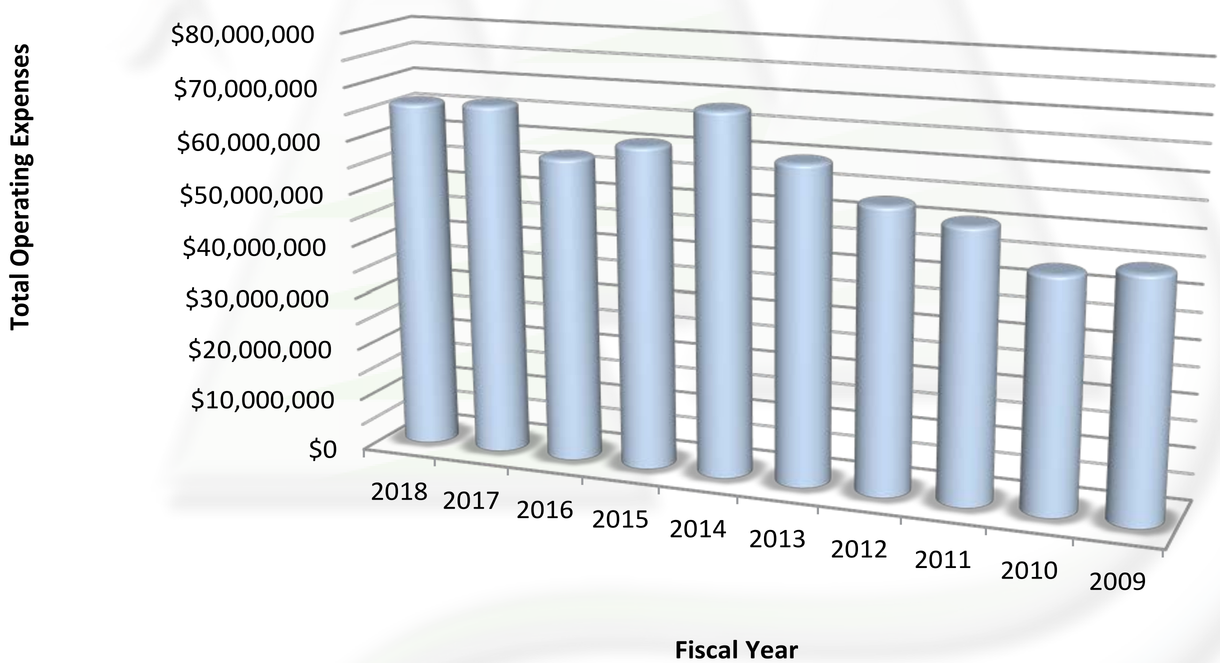
**NOTE:** Revenues and expenses in prior years may be reclassified to conform to current year presentation.

**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 |
|---|---|---|---|---|---|---|
| **2018** | $ 52,987,129 | $ 2,891,079 | $ 4,887,541 | $ 3,928,897 | $ 1,578,054 | **$ 66,272,700** |
| **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** |




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

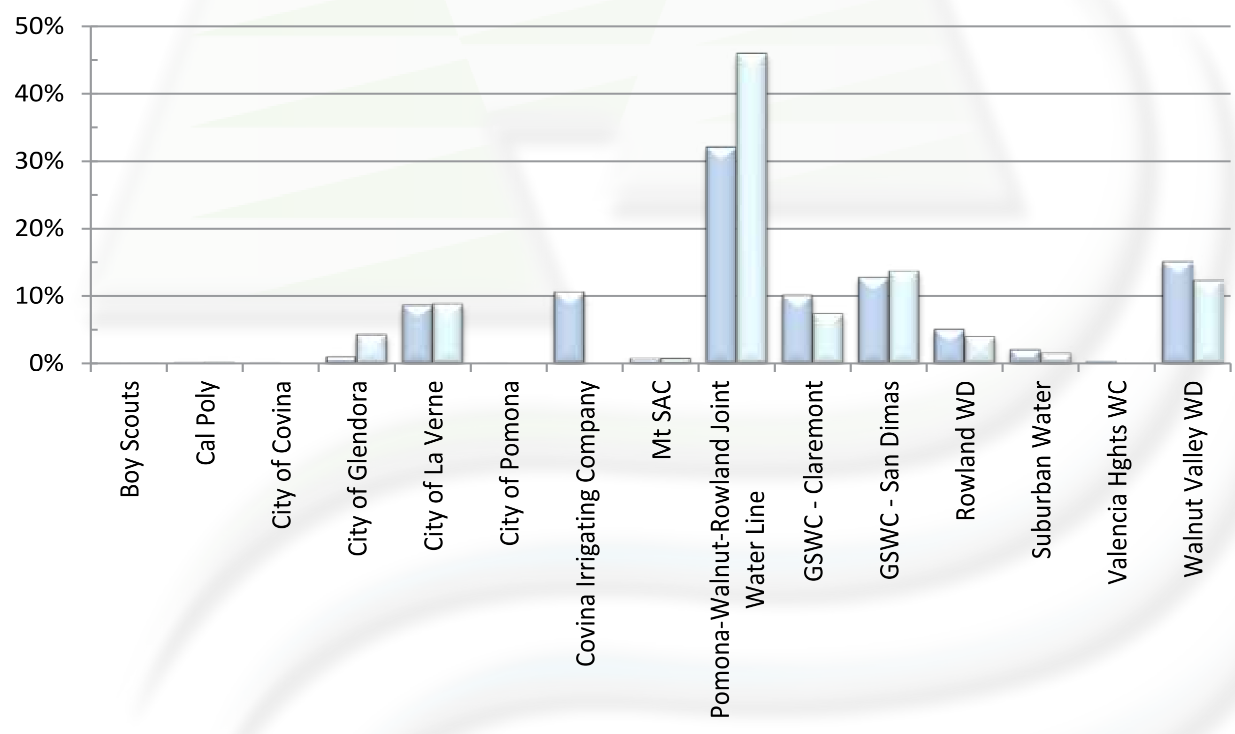
**NOTE:** Revenues and expenses in prior years may be reclassified to conform to current year presentation.

**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 2018 | Percentage of total | Acre Feet Sold FY 2009 | Percentage of total |
|---|---|---|---|---|
| Boy Scouts of America - Firestone Reservation | 19 | **0.03%** | 64 | **0.10%** |
| California State Polytechnic University, Pomona | 101 | **0.16%** | 153 | **0.23%** |
| City of Covina | 63 | **0.10%** | 33 | **0.05%** |
| City of Glendora | 670 | **1.09%** | 2,906 | **4.38%** |
| City of La Verne | 5,366 | **8.75%** | 5,938 | **8.95%** |
| City of Pomona | 1 | **0.00%** | - | **0.00%** |
| Covina Irrigating Company | 6,582 | **10.72%** | - | **0.00%** |
| Mt. San Antonio College | 521 | **0.85%** | 569 | **0.86%** |
| Pomona-Walnut-Rowland Joint Water Line | 19,744 | **32.17%** | 30,531 | **46.03%** |
| Golden State Water Company - Claremont | 6,291 | **10.25%** | 4,970 | **7.49%** |
| Golden State Water Company - San Dimas | 7,907 | **12.88%** | 9,151 | **13.80%** |
| Rowland Water District | 3,168 | **5.16%** | 2,690 | **4.06%** |
| Suburban Water Systems | 1,344 | **2.19%** | 1,079 | **1.63%** |
| Valencia Heights Water Company | 236 | **0.39%** | - | **0.00%** |
| Walnut Valley Water District | 9,364 | **15.26%** | 8,239 | **12.42%** |
| | 61,377 | **100.00%** | 66,323 | **100.00%** |

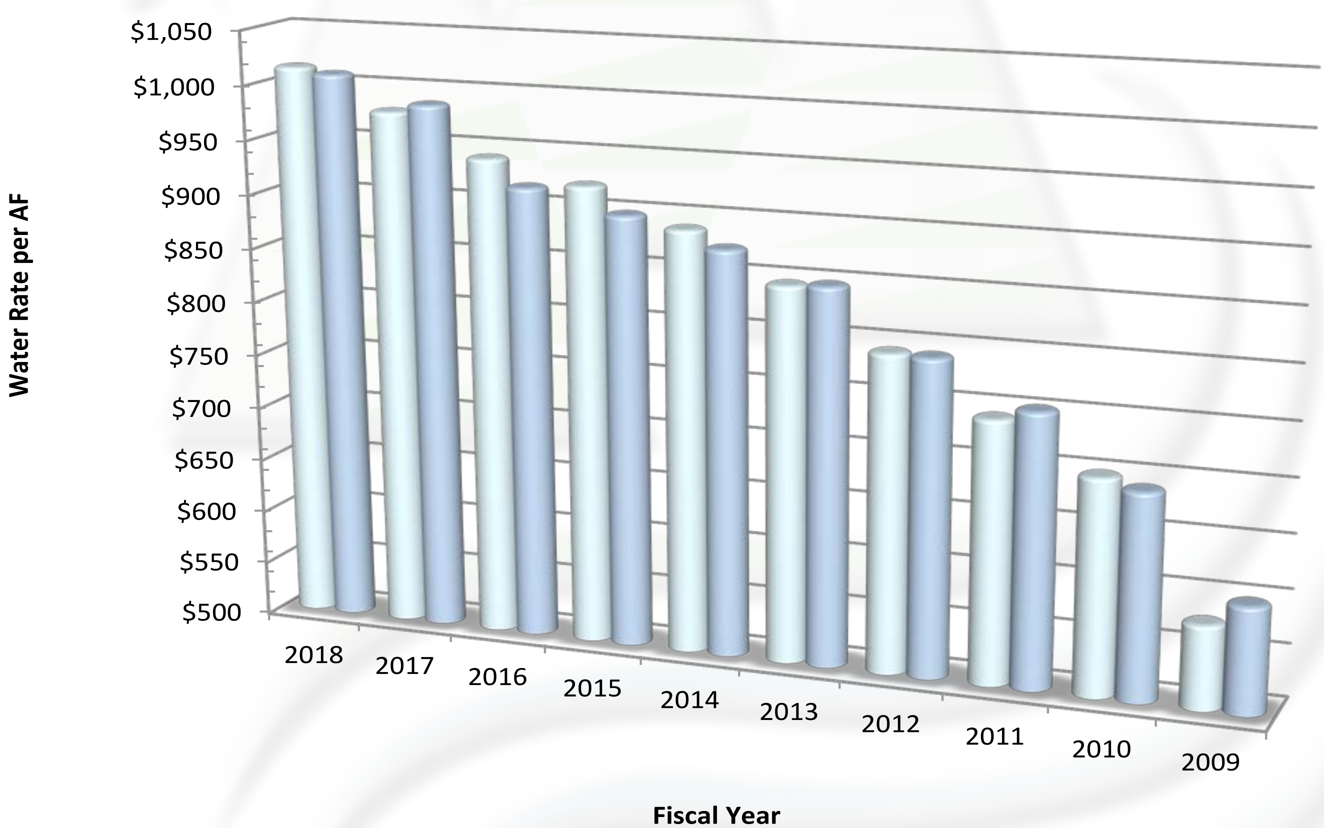



**SOURCE:** TVMWD - Finance Department

**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 |
|---|---|---|
| 2018 | $ 1,015 | $ 1,010 |
| 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 |




**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[3] |
|---|---|---|---|
| 2018 | 134,019 | 184,484.00 | $18.51 |
| 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 |


[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

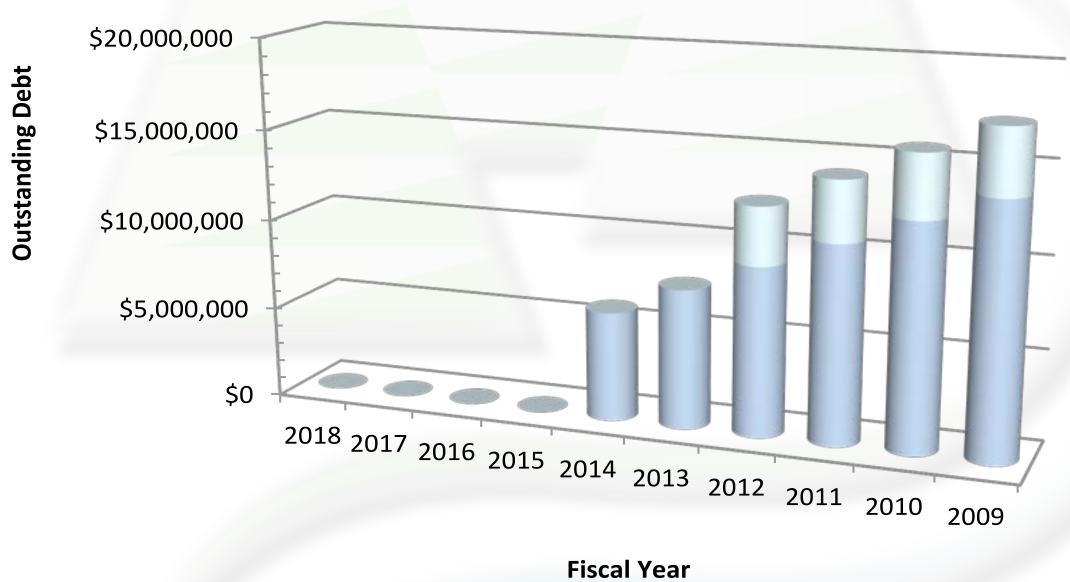
**SCHEDULE 8**

**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 |
|---|---|---|---|---|
| 2018 | $ - | $ - | $ - | 0.00% |
| 2017 | - | - | - | 0.00% |
| 2016 | - | - | - | 0.00% |
| 2015 | - | - | - | 0.00% |
| 2014 | 6,000,000 | - | 11.77 | 0.02% |
| 2013 | 7,654,353 | - | 15.06 | 0.03% |
| 2012 | 9,266,129 | 3,167,070 | 24.54 | 0.05% |
| 2011 | 10,817,903 | 3,306,356 | 27.95 | 0.06% |
| 2010 | 12,324,678 | 3,438,978 | 31.29 | 0.07% |
| 2009 | 13,761,453 | 3,565,257 | 34.49 | 0.08% |



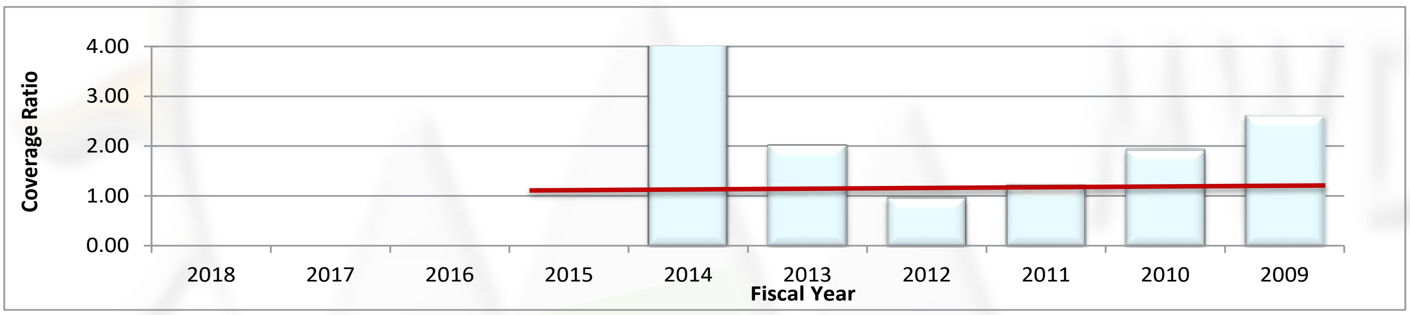

**SOURCE:** TVMWD - Finance Department

## SCHEDULE 9

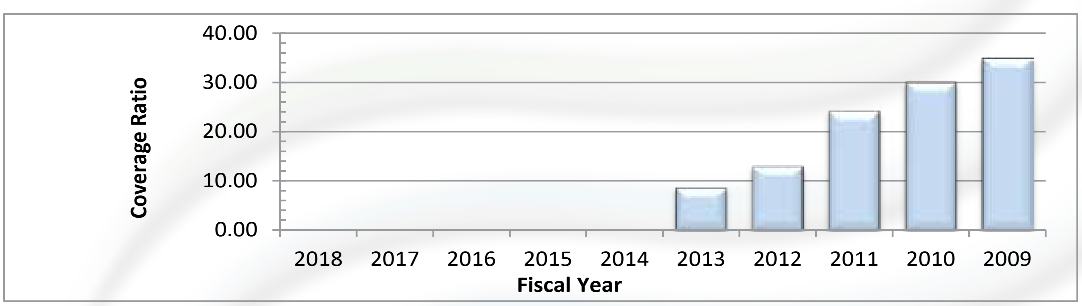
**Three Valleys Municipal Water District**
Debt Coverage
Last Ten Fiscal Years

**2003 COP**

| Fiscal Year | Revenues[1] | Expenses[2] | Net Available Revenue | Debt Service Principal | Debt Service Interest | Total | Coverage Ratio[3] |
|---|---|---|---|---|---|---|---|
| **2018** | $ 66,505,460 | $ 64,694,646 | $1,810,814 | $ - | $ - | $ - | 0.00 |
| **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 |




| Fiscal Year | Unencumbered Cash and Cash Equivalents | Debt Service Principal | Debt Service Interest | Total | Coverage Ratio[3] |
|---|---|---|---|---|---|
| **2018** | 1,803,767 | $ - | $ - | $ - | |
| **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.

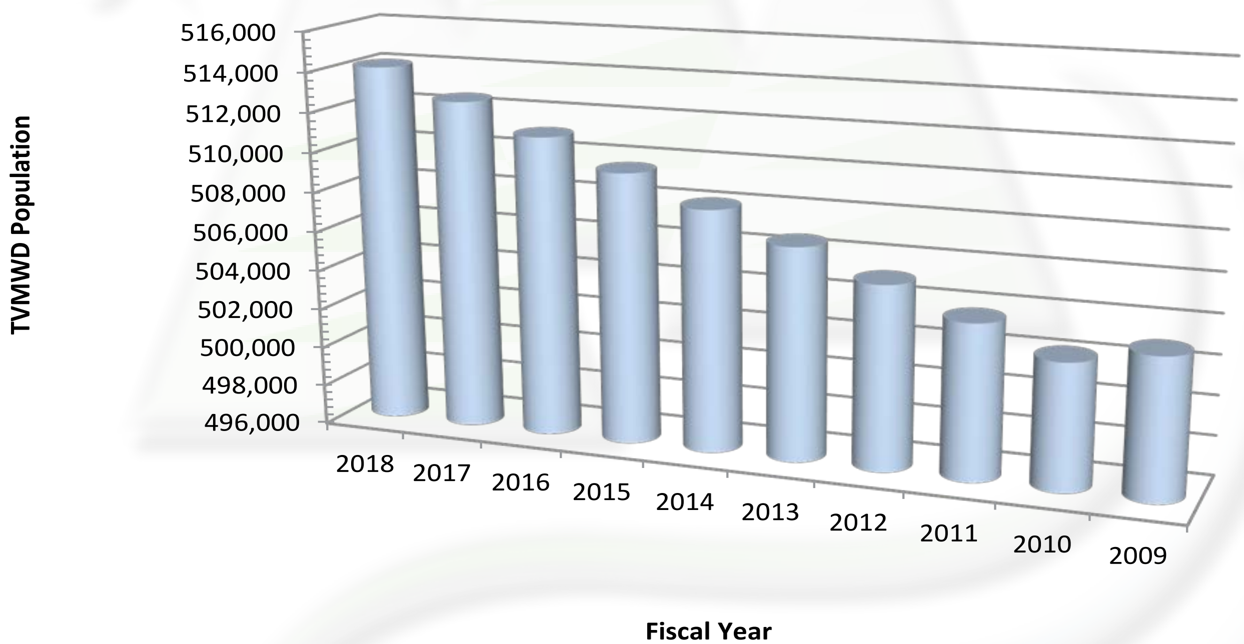
**NOTE:** Revenues and expenses in prior years may be reclassified to conform to current year presentation.

**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 |
|---|---|---|---|---|---|
| **2018** | 514,089 | 4.9% | 10,370,000 | 610,022,000 | 59,041 |
| **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 |




[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.

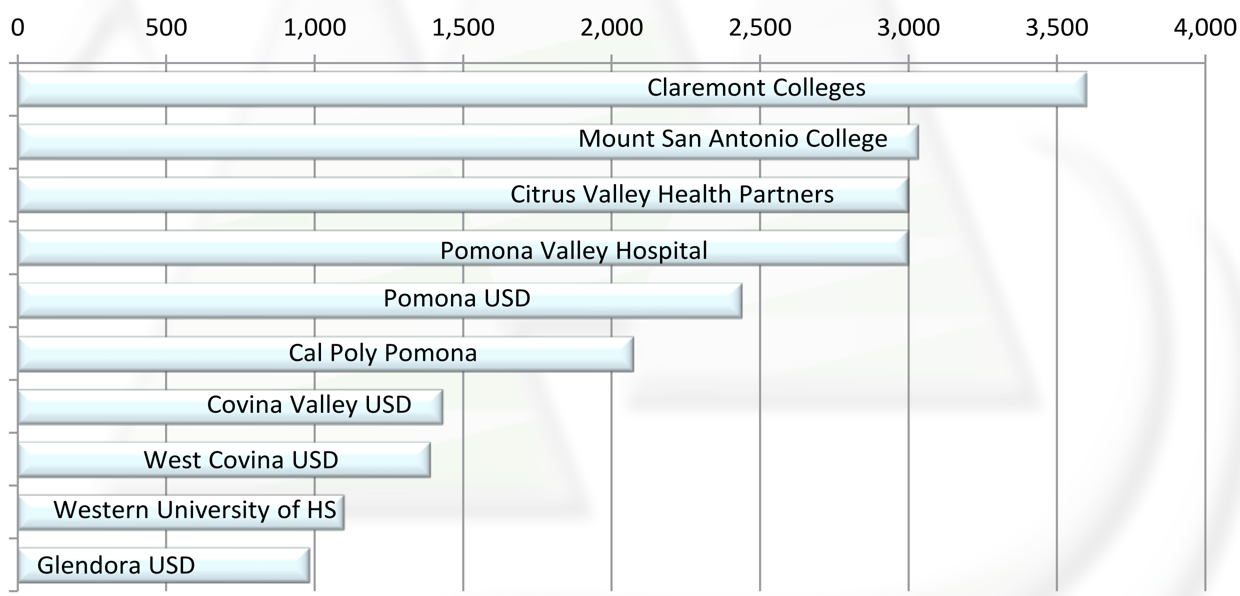
**NOTE:** Certain economic indicators such as unemployment rate and personal income are not calculated separately for TVMWD. Therefore, TVMWD has chosen to use the County of Los Angeles data, which is representative of the conditions and experiences of TVMWD.

**SOURCES:** LAEDC 2017-2018 Economic Forecast and Indutry Outlook

## SCHEDULE 11

**Three Valleys Municipal Water District**
Principal Employers
Calendar Year 2018

| Rank | Employer | Number of Employees | Percentage of Total Employment |
|---|---|---|---|
| **1** | Claremont Colleges | 3,600 | 1.8% |
| **2** | Pomona Unified School District | 3,034 | 1.6% |
| **3** | Citrus Valley Health Partners | 3,000 | 1.5% |
| **4** | Pomona Valley Hospital | 3,000 | 1.5% |
| **5** | Cal State Polytechnic University Pomona | 2,440 | 1.3% |
| **6** | Mount San Antonio College | 2,075 | 1.1% |
| **7** | West Covina Unified School District | 1,433 | 0.7% |
| **8** | Covina Valley Unified School District | 1,391 | 0.7% |
| **9** | Western University of Health Sciences | 1,100 | 0.6% |
| **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

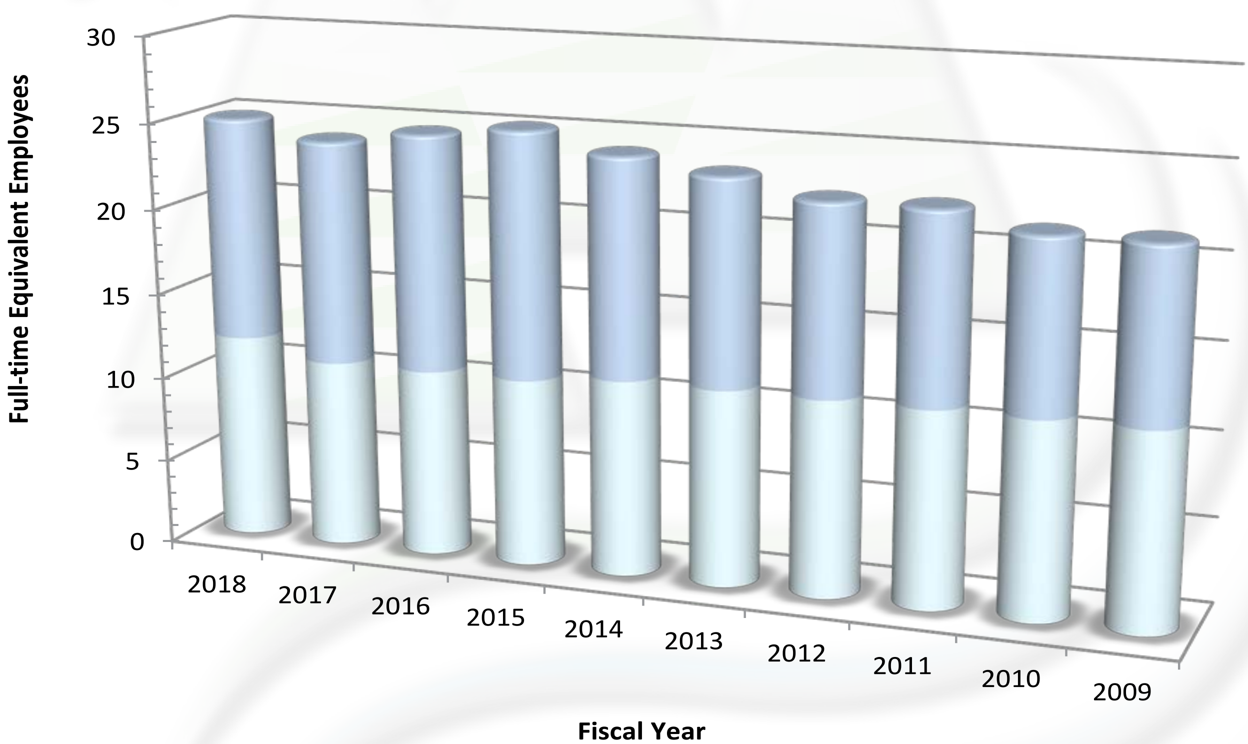
**SCHEDULE 12**

**Three Valleys Muncipal Water District**

Personnel Trends

Last Ten Fiscal Years

| Fiscal Year | Full-time Equivalent Employees by Department | | |
|---|---|---|---|
| | Administration | Operations | TOTAL |
| **2018** | **12.00** | **13.00** | 25.00 |
| **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 |

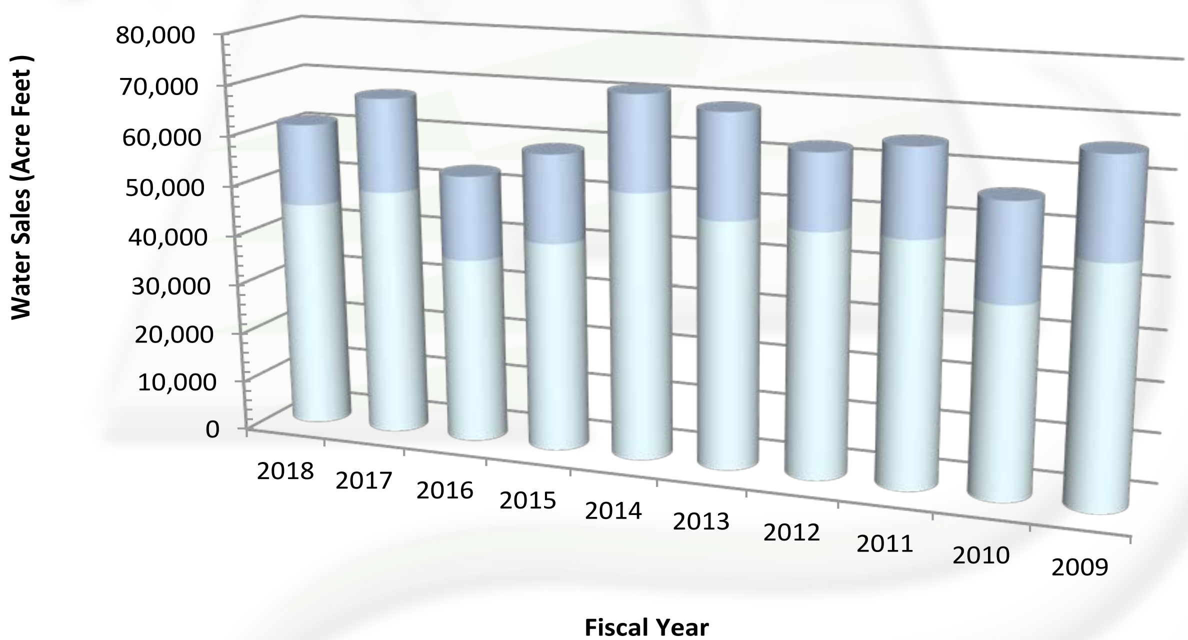



**SOURCE:** TVMWD - Finance Department

**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 |
|---|---|---|---|
| 2018 | 45,186 | 16,191 | 61,377 |
| 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 |



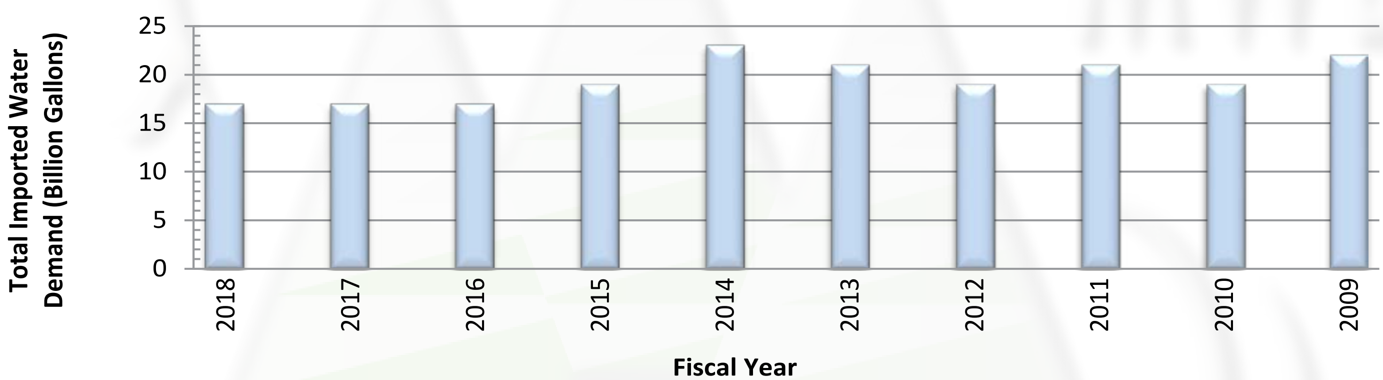

**Note:** Water Sales will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

**SOURCE:** TVMWD - Finance Department

## SCHEDULE 14

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

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** |
| **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 |
| System capacity | | | | | | | | | | |
| Imported (Acre-feet) | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 |
| Imported (Billion gallons) | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 |
| Local(Acre-feet) | 70,600 | 70,600 | 70,600 | 70,600 | 70,600 | 70,600 | 70,600 | 70,600 | 70,600 | 70,600 |
| Local (Billion gallons) | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| Water Demand | | | | | | | | | | |
| Imported (Acre-feet) | 51,660 | 51,660 | 51,600 | 57,116 | 70,061 | 64,858 | 59,471 | 64,193 | 55,737 | 66,015 |
| **Imported (Billion gallons)** | **17** | **17** | **17** | **19** | **23** | **21** | **19** | **21** | **19** | **22** |
| Local (Acre-feet) | 40,629 | 40,629 | 46,033 | 52,935 | 66,484 | 55,957 | 55,643 | 57,301 | 52,426 | 43,260 |
| Local (Billion gallons) | 13 | 13 | 15 | 17 | 22 | 18 | 18 | 19 | 17 | 14 |
| Total water demand | 92,289 | 92,289 | 97,633 | 110,051 | 136,545 | 120,815 | 115,114 | 121,494 | 108,163 | 109,275 |




| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** |
| **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 | 18,510 | 16,710 | 17,458 | 18,791 | 20,508 | 14,870 | 17,096 | 18,980 | 19,419 |
| Annual production (billion gallons) | 6 | 6 | 5 | 6 | 6 | 7 | 5 | 6 | 7 | 7 |
| Number of connections | 13 | 13 | 13 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Hydroelectric Facilities | | | | | | | | | | |
| Number of generating stations | 5 | 5 | 5 | 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
- CAFR – Comprehensive Annual Financial Report
- CalPERS – California Public Employees Retirement System
- CRA – Colorado River Aqueduct
- DWR – Department of Water Resources
- EDU – Equivalent Dwelling Unit
- FY – Fiscal Year
- GASB – Governmental Accounting Standards Board
- GDP – Gross Domestic Product
- GFOA – Government Finance Officers Association
- GSWC – Golden State Water Company
- JWL – Joint Water Line
- LAEDC – Los Angeles County Economic Development Corporation
- LAIF – Local Agency Investment Fund
- MWD – Metropolitan Water District of Southern California
- NRSROs – Nationally Recognized Statistical Rating Organizations
- OPEB – Other Post-Employment Benefits
- PERL – Public Employees' Retirement Law
- RTS – Readiness-to-Serve
- S&P – Standard & Poor's
- SCADA – Supervisory Control and Data Acquisition
- SCE – Southern California Edison
- SDLF – Special District Leadership Foundation
- SEC – Securities and Exchange Commission
- SGV-COG – San Gabriel Valley Council of Governments
- SGVMWD – San Gabriel Valley Municipal Water District
- SWP – State Water Project
- TVMWD – Three Valleys Municipal Water District
- WVWD – Walnut Valley Water District

# EVENTS AND ACTIVITIES












THREE VALLEYS
MWD