



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

Three Valleys Municipal Water District

1021 East Miramar Avenue Claremont, CA 91711-2052

General Manager/Chief Engineer Matthew H. Litchfield, 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, 2020

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INTRODUCTORY SECTION





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September 30, 2020

BOARD OF DIRECTORS

Brian Bowcock
David D. De Jesus
Denise Jackman
Carlos Goytia
Bob Kuhn
John Mendoza
Jody Roberto

GENERAL MANAGER/CHIEF ENGINEER
Matthew H. Litchfield, P.E.

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, 2020. 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

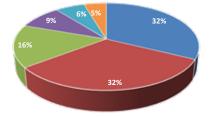
TVMWD is a special district formed by public election in 1950 and is the area's primary source of supplemental water covering the Pomona, Walnut and East San Gabriel Valleys. TVMWD is one of 26 member agencies of the Metropolitan Water District of Southern California (MWD) that is authorized to deliver 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, a state certified laboratory, groundwater wells, five hydroelectric generators rated with a potential of 1.1 megawatts, residual solids removal, groundwater recharge 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.

TVMWD is governed by a seven-member Board of Directors elected by the registered voters residing within TVMWD's boundaries. The Board averages over 11 years of experience with TVMWD. TVMWD employs a team of 24 staff members who are responsible for administering the day-to-day operations of the facility and implementing strategic objectives and policies set forth by the Board. The average tenure of TVMWD employees is 10 years. This stability provides a tremendous benefit to TVMWD.

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)	32%
City of La Verne	32%
Golden State Water Company (San Dimas)	16%
Walnut Valley Water District	9%
Rowland Water District	6%
City of Pomona	5%



Local Economy¹

TVMWD serves a population of over 500,000 residing within the eastern region of Los Angeles County (the County). One quarter of all Californians make their home in the County and they produce over one quarter of the State's gross domestic product (GDP). This is a leading factor as to why the County is both a proxy and driver of several of the economic trends occurring and forecasted to occur at the state level.

Similar to the slowing economic growth trend for California, the County's real GDP growth slowed to 1.6% in 2019, only grew by 1.8% in 2020 and has an estimated 1.6% growth rate for 2021. This is a significant slowdown from the 3.7% growth rate in 2018 and last year's forecasted growth rates of 3.0% in 2019 and 2.7% in 2020.

Most of the GDP growth will be due to expansion in education and health services which will account for about half of all new employment. Construction employment is also expected to increase substantially due to public transit expansion and infrastructure development efforts being expedited for completion prior to the 2028 Olympics in Los Angeles. The professional and business services sector is also expected to see significant employment growth resulting from the high demand for technical skills. Unlike these sectors, manufacturing

employment will continue its downward trend as the region shifts from the 20th century production-based economy to a more service-oriented emphasis that has become the reality of the 21st century.

The County is facing a softer labor market than the state and nation. The County's unemployment level is currently a full point above the nation at 4.5%. The unemployment rate is expected to decline to 4.3% in 2020 and 4.1% by the end of 2021 as more workers are pulled off the sidelines. With the tightening in the labor market, the result should be continued wage gains, and an estimated growth of 1.8% and 2.1% in real personal income over the next couple years.

The County saw a slowing to its economic growth this past year which will continue at least over the next two years. Just like California, some significant barriers to the County's growth are attributed to demographic and housing shortage issues. The County actually experienced negative growth in its population in 2019 which could pose a risk to the region moving forward due to an aging and declining population which may not be able to maintain economic growth without accelerated productivity gains. On the housing front, the County is not able to keep up with demand for housing construction. This means that housing costs will most likely stay high in the near-term causing more relocation to the Inland Empire or to more affordable states. One additional key barrier to the County's long-term regional and economic growth is its aging transportation infrastructure which impacts the efficient movement of people and goods. These issues must be addressed by the County to help ensure economic success in the future.

SPECIAL NOTE: The information above was published February 19, 2020 and the expectation just prior to the onset of the Covid-19 pandemic outbreak around the world. County Unemployment as of July 2020 is around 17.5%. The outlook for economic activity remains uncertain but is highly dependent on the course of the pandemic, the amount of additional fiscal relief from the government and the timeline for a vaccine.

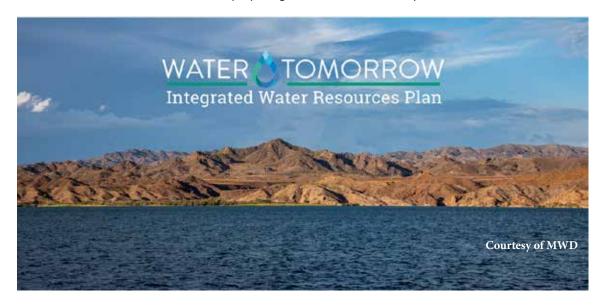
Industry Outlook

California's weather conditions continue to be unpredictable and fluctuate from year-to-year. Southern California received above average precipitation in November and December of 2019 but that was followed by some extremely dry conditions in January and February. There were many locations in Southwestern California that recorded February 2020 as the driest February on record. The storms in March and April brought substantial rainfall to Southern California but Northern California remained mostly dry, impacting snowpack conditions. The statewide snowpack only peaked at 64% of normal. Despite the deficient snowpack, California's reservoir levels continue to remain in good condition. As of June 30, 2020, 60% of the state is seeing

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¹ Source: Los Angeles County Economic Development Corporation's 2020 Economic Forecast and Industry Outlook

drought conditions, mostly in Central and Northern California, with Southern California in the clear for now. Southern California must deal with challenges such as climate change, demographic shifts and increasing water supply costs. MWD is preparing for the future by addressing these challenges and striving to provide a reliable water supply through an evolving long-term water strategy known as its Integrated Water Resources Plan (IRP). In late January 2020, MWD formed a special committee to provide input on how the region's water supplies will be developed and managed over the next two decades. The committee will make recommendations to the MWD board on preparing a new IRP that incorporates various scenarios for the future.



As Southern California faces uncertainty in our weather conditions, MWD continues to search for new potential local water supplies. One of the areas MWD is researching is the possible water supply benefits of local stormwater capture. On September 10, 2019, MWD's board of directors approved a \$5 million pilot program to help fund the construction of new direct-use stormwater capture projects and the installation of monitoring equipment on existing projects. On November 5, 2019, the MWD board of directors expanded its efforts to learn more about the water supply potential of enhanced local stormwater capture by approving a second new \$7.5 million pilot program. This program will focus on different types of projects, such as spreading basins and dry wells. Data will be collected and reviewed over the next three years from both pilot programs to guide MWD on decisions of possible funding of stormwater capture efforts in the future. MWD believes stormwater capture projects have many benefits besides enhanced water supply such as improved water guality in local groundwater, expanding flood control capacity, and creation of more wildlife habitat.

MWD partnered with the Sanitation Districts of Los Angeles County (Sanitation Districts) in constructing what is potentially one of the largest water recycling plants in the nation in another effort to develop a drought-proof local water supply for Southern Californians. Construction on the \$17 million demonstration plant began in late 2017. The start of operations of the Regional Recycled Water Advanced Purification Center in Carson, California, began in October 2019. This is a 500,000-gallon-per-day demonstration facility that takes cleaned wastewater from the Sanitation Districts' Joint Water Pollution Control Plant and purifies it using an innovative process that could significantly improve efficiencies and reduce the cost of recycled water. Over the next 15 months, MWD will perform rigorous testing of the treatment process to ensure the resulting water product meets the highest water quality standards. Based on the results, MWD could grow the facility to a full-scale plant that could potentially produce up to 150 million gallons of purified water daily. This is enough to serve more than 500,000 homes and industrial facilities.

A primary focus of MWD continues to remain with ensuring there is progress with the California Waterfix, an upgrade project to the statewide water delivery system. Under Governor Gavin Newsom's administration, the twin tunnel plan was modified to a single tunnel project. This project is critical for California to prepare for the future with a water system in the Delta that will safely and reliably capture peak storm flows when they happen. In early January 2020, the California Department of Water Resources issued a Notice of Preparation (NOP) to initiate the environmental review process for the single tunnel conveyance system in the Delta. While MWD does not believe the project described in the NOP will support a sustainable and resilient water supply for the state while still protecting the Delta's ecosystem, they see benefit and will continue to work with the parties involved to ensure a viable project moves forward.

MWD continues to encourage Southern Californians to use water wisely and efficiently. MWD has launched a new digital and social media campaign, "Wasting Water is...?. The campaign is a series of video commercial spotlights that are humorous and entertaining while asking the target audience to "fill in the blank". The video spoofs are advertised on YouTube, Apple TV, Chromecast and Roku targeting airtime during entertainment, lifestyle and sports shows. MWD's goal is to continue raising awareness and to advance the region's conservation goals. Southern Californians need to make water conservation a way of life regardless of current weather and drought conditions.



TVMWD will play a key role in providing input to MWD for preparation of their 2020 IRP. The long-term strategies MWD develops will impact TVMWD and will be taken into consideration while we prepare our 2020 Urban Water Management Plan due to DWR by July 31, 2021. TVMWD also continues supporting MWD in advancing the Waterfix delta conveyance improvement project to ensure Southern California has a reliable water source. TVMWD understands the value of reliable water supplies and is proactive in finding new local sources of water supplies as well. TVMWD completed our third groundwater extraction well this year, the Grand Avenue Well, and is working on a fourth well, the Miragrand Well, which is expected to be completed in 2022. TVMWD is also working with MWD and our member agencies on an ongoing basis to develop water storage agreements and come up with other means to ensure our region maintains a reliable and affordable water supply.



TVMWD has been faced with the challenges of the Covid-19 pandemic beginning in March of this year. Covid-19 does not pose a threat to the safety of TVMWD's water supplies and is believed to only be transmitted person-to-person, not through water according to the Centers for Disease Control and Prevention. TVMWD has taken all the necessary steps to comply with Los Angeles County restrictions, protect its workforce, and ensure continued delivery of safe and reliable water to its member agencies and in turn to the communities we serve. Planning for growth and preserving and strengthening our water supplies for both future generations and for emergencies such as a catastrophic earthquake are at the forefront of TVMWD's goals.

MAJOR INITIATIVES AND PROJECTS

TVMWD began, continued, or completed many projects and programs in FY 2019-2020. These included, but were not limited to:

Grand Avenue Well: Phase 2 (well equipping and pipeline design) construction began in May 2019 and is scheduled to be completed by mid-August 2020, with anticipated production of 900 gpm (1,250 AFY). The Grand Avenue Well will enable TVMWD to take advantage of less expensive, local, reliable groundwater resources. In addition, the discharge piping and disinfection points for Wells 1 and 2 were modified/relocated to allow flows to combine with flow from the Grand Avenue Well and enable the wells to meet contact time before reaching the finished water reservoirs thereby eliminating the wells from the Ground Water Rule.







MAJOR INITIATIVES AND PROJECTS

Miragrand Well: Preparation of the preliminary design report and environmental documentation was completed in February 2020 which included several neighborhood public outreach workshops. Phase 1 (drilling) construction began in August 2020 and is scheduled to be completed by mid-November 2020. Phase 2 (well equipping) design began in June 2020 and is scheduled to be completed by mid-December 2020. Well equipping construction will begin in February 2021 and should be complete by mid-June 2021. The Miragrand Well will be TVMWD's fourth groundwater production well and have an anticipated production of about 600 gpm (850 AFY).











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MAJOR INITIATIVES AND PROJECTS

Urban Water Management Plan: Preparation of the 2020 Urban Water Management Plan (UWMP) began in FY 19-20. The UWMP is required by California Water Code and has the intent of planning water supply reliability for the next 25 years. Water agencies evaluate the balance of supply and demand and describe how the agency will meet the needs of its water users. Three Valleys has partnered with some of its member agencies to create a Regional UWMP and entered into a professional services agreement with Stetson Engineering to complete the plan. The projected completion date is April 2021.













Relevant Financial Policies

Internal Control Structure

TVMWD management is responsible for the establishment and maintenance of the internal control structure that ensures assets 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. The 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 2019-2020, 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 5%, TVMWD's rates are expected to mirror those increases. TVMWD's financial forecast is to continue leveraging costs so that TVMWD can offer water at a \$6 discount per acre-feet 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 has been established.

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, 2019. This was the thirteenth 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 triennial 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,

Matthew H. Litchfield, P.E. General Manager/Chief Engineer

James Linthicum, CPA Chief Finance Officer

James Lintle



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

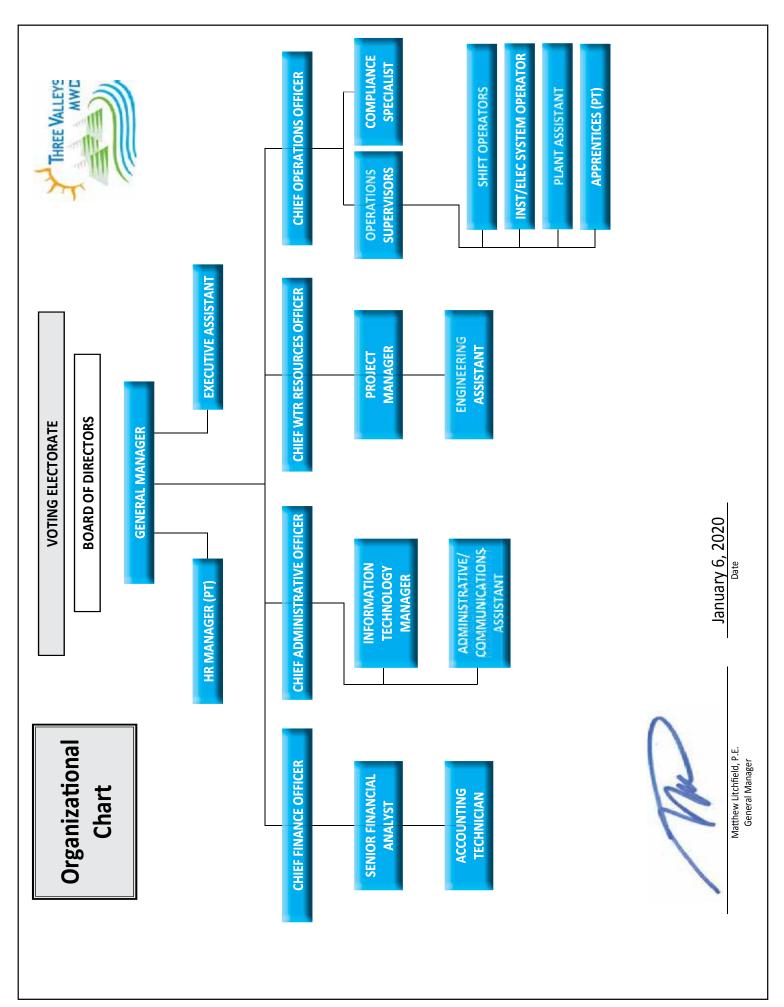
Three Valleys Municipal Water District California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2019

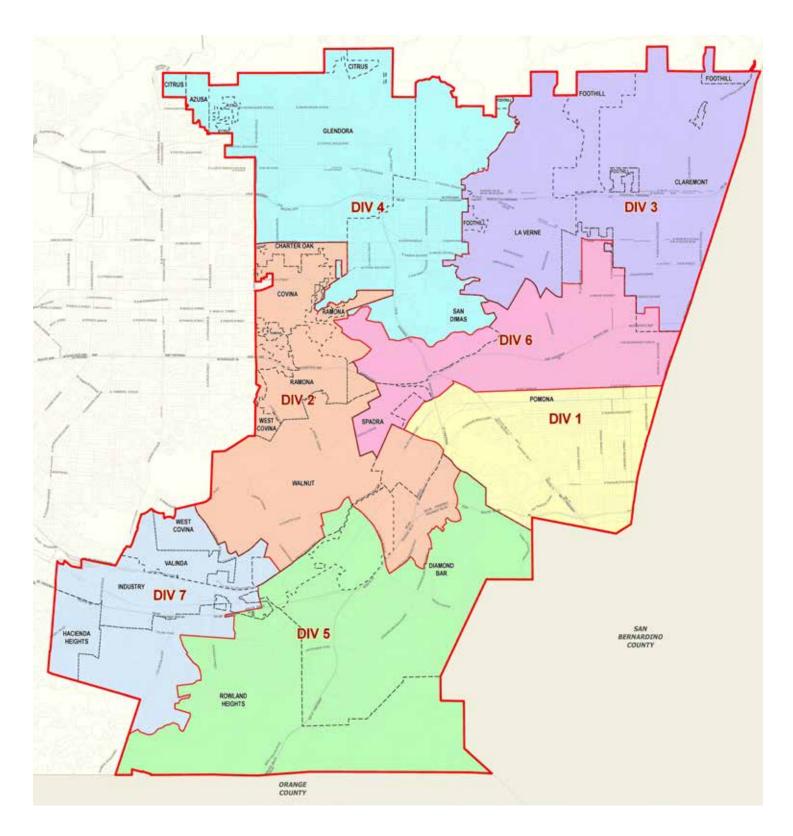
Christopher P. Morrill

Executive Director/CEO





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, Treasurer
Division 3
Claremont, La Verne



Director Jody Roberto
Division 5

Diamond Bar, City of Industry, Rowland Heights
January 2020 - Present



Director Denise Jackman Division 7 Rowland Heights, West Covina, City of Industry, Hacienda Heights



Director John Mendoza
Division 6
Northern Pomona



Director Carlos Goytia, Secretary
Division 1
Southern Pomona



Director Joseph Ruzicka
Division 5
Diamond Bar, City of Industry, Rowland Heights
July 2019 - December 2019



BOARD REPRESENTATION (Revised at the December 18, 2019 Board Meeting)

NAME	REPRESENTING	POSITION
		17.11
Bob Kuhn	Division IV	President
David De Jesus	Division II	Vice President
Brian Bowcock	Division III	Treasurer
Carlos Goytia	Division I	Secretary
Denise Jackman	Division VII	Director
John Mendoza	Division VI	Director
Jody Roberto	Division V	Director

2020 COMMITTEE/REPRESENTATION APPOINTMENTS (Revised at the January 15, 2020 Board Meeting)

COMMITTEE/BOARD	REPRESENTATIVE	ALTERNATE
ACWA Region 8 Delegate	Director Bowcock	Director Kuhn
ACWA/JPIA Representative	Director Bowcock	Director Kuhn
BizFed	Director Mendoza	Director Goytia
Chino Basin Watermaster ⁽¹⁾	Director Kuhn	Director De Jesus
City of Pomona Council Meetings	Director Mendoza	Director Goytia
Main San Gabriel Basin Watermaster	Director Bowcock	Director Goytia
MWD Board Representative	Director De Jesus	
PWR Joint Water Line Commission	Director Goytia	Director Jackman
Rowland Water District	Director Jackman	Director De Jesus
San Gabriel Basin WQA ⁽¹⁾⁽²⁾	Director Kuhn	Director Bowcock
San Gabriel Valley Council of Govt's (SGV-COCG) ⁽³⁾	Director Goytia	Director Jackman
San Gabriel Valley Economic Partnership (SGVEP)	Director Kuhn	Director Mendoza
Six Basins Watermaster ⁽¹⁾	Director Mendoza	Director Bowcock
Southern California Water Coalition	Director Bowcock	Director Mendoza
Walnut Valley Water District	Director De Jesus	Director Jackman

⁽¹⁾ Both the representative and alternate will attend these meetings due to voting requirements.

⁽²⁾Resolution No. 18-09-831 was submitted to the San Gabriel Valley Water Quality Authority to appoint a delegate and alternate to serve for a four year term. (3) For CY 2020 TVMWD will be on hiatus.





INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Three Valleys Municipal Water District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 District'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, 2020, 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 the plan's proportionate share of the net pension liability, the schedule of plan contributions – California Public Employees Retirement Plan, the schedule of changes in Net OPEB liability and related ratios, the schedule of contributions - OPEB, and the schedule of investment returns – OPEB Trust on pages 18-21 and 46-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brea, California September 30, 2020

Lance, Soll & Lunghard, LLP

This section of TVMWD's annual financial report presents our analysis of TVMWD's financial performance during the fiscal year ended on June 30, 2020. Please read it in conjunction with the basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Water storage inventory increased \$6.2 million and Investments decreased \$7.3 million. It was determined that groundwater provided a better return than the current financial investment market.
- Treated water sales revenue and the related water purchased increased in 2020. While sales increased approximately 6%, the rate increased 3%.
- Accounts receivable and accounts payable increased \$2.6 and \$1.2 million, respectively, as a result of higher water demands for water during May and June.
- Total Nondepreciable Assets increased \$3.5 million mainly due to continued work on the Grand Avenue Well.
- Total Depreciable Assets increased \$660,000 primarily due to completion of the JWL Control Valve, the addition of a vehicle and an excavation/valve turning trailer for operations.

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 2020 and 2019

			D. H.	T. I. I. D I
	2020	2019	Dollar Change	Total Percent Change
Current and noncurrent assets	2020		- 3	
Cash and cash equivalents	\$ 1,568,103	\$ 3,968,050	\$ (2,399,947)	(60) %
Accounts receivable	13,076,573	10,485,682	2,590,891	25 %
Interest receivable	13,779	54,872	(41,093)	(75) %
Interest receivable - restricted	1	75	(74)	(100) %
Taxes receivable	45,387	67,580	(22,193)	(33) %
Other receivables	75,575	5,373	70,202	1306 %
Loans receivable from employees	5,989	4,803	1,186	25 %
Prepaid expenses and deposits	81,005	81,828	(823)	(1) %
Water storage inventory	8,777,755	2,553,120	6,224,635	244 %
Investments	2,798,896	10,056,595	(7,257,699)	(72) %
Investments - restricted	649,070	415,362	233,708	56 %
Capital assets				
Net Depreciable assets	24,790,744	25,606,507	(815,763)	(3) %
Net Nondepreciable assets	7,914,694	4,383,747	3,530,947	81 [°] %
Total Assets	\$ 59,797,571	\$ 57,683,594	\$ 2,113,977	4 %
Deferred outflows of resources				
Deferred OPEB and pension related items	\$ 1,410,961	\$ 1,445,586	\$ (34,625)	(2) %
Current liabilities				
Accounts payable	\$ 12,059,503	\$ 10,860,640	\$ 1,198,863	11 %
Accrued payroll	177,332	157,130	20,202	13 %
Accrued compensated absences	145,920	190,415	(44,495)	(23) %
Long-term liabilities				
Accrued compensated absences	316,812	268,943	47,869	18 %
Net pension liability	3,846,454	3,452,268	394,186	11 %
Net OPEB liability	288,523	536,357	(247,834)	(46) %
Total Liabilities	\$ 16,834,544	\$ 15,465,753	\$ 1,368,791	9 %
Deferred inflows of resources				
Deferred OPEB and pension related items	\$ 579,262	\$ 328,478	\$ 250,784	76 %
Investment in capital assets	\$ 32,705,438	\$ 29,990,254	\$ 2,715,184	9 %
Restricted for pensions	649,072	415,437	233,635	56 %
Unrestricted	10,440,216	12,929,258	(2,489,042)	(19) %
Total Net Position	\$ 43,794,726	\$ 43,334,949	\$ 459,777	1 %

As depicted in Table A-1, the following significant changes occurred during FY 2019-2020:

- Accounts receivable and accounts payable increased \$2.6 and \$1.2 million, respectively, as a result of higher water demands for water during May and June.
- Water storage inventory increased \$6.2 million and Investments decreased \$7.3 million. It was determined that groundwater provided a better return than the current financial investment market.
- More information about water storage inventory is presented in Note 1 of the Notes to the Basic Financial Statements for the changes in water storage inventory.

TABLE A-2 Condensed Statements of Revenues, Expenses and Changes in Net Position Fiscal Years 2020 and 2019

			Dollar	Total Percent
	2020	2019	Change	Change
Operating revenues				
Water and hydroelectric sales	\$63,885,142	\$61,874,355	\$ 2,010,787	3 %
Water use and connection capacity charges	5,402,513	5,365,364	37,149	1 %
Nonoperating revenues				
Property tax revenue	2,625,061	2,481,726	143,335	6 %
Investment income	341,434	513,710	(172,276)	(34) %
Total Revenues	72,254,150	70,235,155	2,018,995	3 %
0 1				
Operating expenses				
Water purchases	58,056,004	55,670,169	2,385,835	4 %
Water use and connection capacity	4,754,664	4,720,544	34,120	1 %
Water treatment and transmission	3,167,888	2,848,109	319,779	11 %
Administrative expenses	4,444,970	4,321,058	123,912	3 %
Depreciation	1,551,136	1,521,811	29,325	2 %
Nonoperating expenses				
Loss on sale/disposal of assets	38,360	52,553	(14,193)	(27) %
Total Expenses	72,013,022	69,134,244	2,878,778	4 %
Net income (loss) before contributions	241,128	1,100,911	(859,783)	(78) %
Contributions	218,649	98,500	120,149	122 %
Changes in net position	459,777	1,199,411	(739,634)	(62) %
Beginning net position	43,334,949	42,135,538	1,199,411	3 %
Ending net position	\$43,794,726	\$43,334,949	\$ 459,777	1 %

As depicted in Table A-2, the following significant changes occurred during FY 2019-2020:

• Treated water sales revenue and the related water purchased increased in 2020. While sales increased approximately 6%, the rate increased 3%.

TABLE A-3 Capital Assets Fiscal Years 2020 and 2019						
	2020	2019	Dollar Change	Total Percent Change		
Nondepreciable Assets						
Land	\$ 1,633,704	\$ 1,633,704	\$ -	0 %		
Water Share	301,000	301,000	-	0 %		
Construction in Progress	5,979,990	2,449,043	3,530,947	144 %		
Total Nondepreciable Assets	7,914,694	4,383,747	3,530,947	81 %		
Depreciable Assets Building Furniture, Fixtures, & Equipment Infrastructure Land Improvements Vehicles Total Depreciable Assets	7,659,512 952,854 57,479,567 1,310,768 608,148 68,010,849	7,521,416 964,296 57,157,301 1,257,839 449,804 67,350,656	138,096 (11,442) 322,266 52,929 158,344 660,193	2 % (1) % 1 % 4 % 35 % 1 %		
Less Accumulated Depreciation Net Depreciable Assets	(43,220,105) 24,790,744	(41,744,149) 25,606,507	(1,475,956)	(3) %		
Total Capital Assets, Net	\$ 32,705,438	\$ 29,990,254	\$ 2,715,184	9 %		

As depicted in Table A-3, the following significant changes occurred during FY 2019-2020:

- Total Nondepreciable Assets increased \$3.5 million mainly due to continued work on the Grand Avenue Well.
- Total Depreciable Assets increased \$660,000 primarily due to completion of the JWL Control Valve, the addition of a vehicle and an excavation/valve turning trailer for operations.
- 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, 2020

ASSETS

Current assets	
Cash and cash equivalents (Note 2) \$	1,568,103
Accounts receivable (Note 1)	13,076,573
Interest receivable	13,779
Interest receivable - restricted (Note 1)	1
Investments (Note 2)	196,435
Investments - restricted (Note 1)	649,070
Taxes receivable (Note 1)	45,387
Other receivables	75,575
Loans receivable from employees (Note 1)	5,989
Prepaid expenses (Note 1)	53,328
Deposits (Note 1)	18,701
Water storage inventory (Note 1)	8,777,755
Total current assets	24,480,696
Noncurrent assets	
Advance dues deposit (Note 1)	8,976
Investments (Note 2)	2,602,461
Capital assets (Note 3)	
Depreciable assets, net	24,790,744
Nondepreciable assets	7,914,694
Total noncurrent assets	35,316,875
TOTAL ASSETS \$	59,797,571
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension related items (Note 7)	1,135,257
Deferred OPEB related items (Note 9)	275,704
Total deferred outflows of resources \$	1,410,961

THREE VALLEYS MUNICIPAL WATER DISTRICT STATEMENT OF NET POSITION (continued)

June 30, 2020

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Current liabilities		
Accounts payable	\$	12,059,503
Accrued payroll	·	177,332
Current portion of accrued compensated absences (Note 1)		145,920
Total current liabilities		12,382,755
Noncurrent liabilities		
Accrued compensated absences, net of current portion (Note 1)		316,812
Net pension liability (Note 7)		3,846,454
Net OPEB (Note 9)		288,523
Total noncurrent liabilities		4,451,789
TOTAL LIABILITIES	\$	16,834,544
DEFERRED INFLOWS OF RESOURCES		
Deferred pension related items (Note 7)		344,110
Deferred OPEB related items (Note 9)		235,152
Total deferred inflows of resources	\$	579,262
NET POSITION		
Investment in capital assets		32,705,438
Restricted for pensions		649,072
Unrestricted		10,440,216
TOTAL NET POSITION	\$	43,794,726



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THREE VALLEYS MUNICIPAL WATER DISTRICT STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Year Ended June 30, 2020

OPERATING REVENUES		
Water sales - MWD Water and hydroelectric sales - Miramar Water use and connection capacity charges	\$	45,236,182 18,648,960 5,402,513
Total operating revenues		69,287,655
OPERATING EXPENSES		
Water purchases - MWD Water purchases - Miramar Water use and connection capacity Water treatment and distribution Administrative expenses Depreciation		45,650,434 12,405,570 4,754,664 3,167,888 4,444,970 1,551,136
Total operating expenses		71,974,662
OPERATING LOSS		(2,687,007)
NONOPERATING REVENUES (EXPENSES)		
Property tax revenue Investment income Loss on sale/disposal of assets		2,625,061 341,434 (38,360)
Net nonoperating revenues	_	2,928,135
NET INCOME BEFORE CONTRIBUTIONS CONTRIBUTIONS (Note 1)		241,128 218,649
CHANGES IN NET POSITION		459,777
NET POSITION AT BEGINNING OF YEAR		43,334,949
NET POSITION AT END OF YEAR	\$	43,794,726

THREE VALLEYS MUNICIPAL WATER DISTRICT STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 60,401,927
Cash payments to suppliers of goods or services	(64,198,800)
Cash payments to employees for services	(4,570,889)
Net cash provided by operating activities	(8,367,762)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from property taxes	2,647,254
Net cash provided by noncapital financing activities	2,647,254
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from contributions	218,649
Acquisitions of capital assets	(687,586)
Cost of construction in progress additions	(3,617,094)
Net cash used by capital and related financing activities	 (4,086,031)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments in government securities	(1,102,268)
Proceeds from sales of investments in government securities	8,160,265
Investment income	 348,595
Net cash provided by investing activities	\$ 7,406,592

THREE VALLEYS MUNICIPAL WATER DISTRICT STATEMENT OF CASH FLOWS (continued)

For the Year Ended June 30, 2020

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$ (2,399,947) 3,968,050
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,568,103
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ (2,687,007)
Adjustments to reconcile income from operations	
to net cash provided by operating activities:	
Depreciation	1,551,136
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,590,891)
(Increase) decrease in other receivables	(70,202)
(Increase) decrease in loans receivable from employees	(1,186)
(Increase) decrease in prepaid expenses	2,993
(Increase) decrease in deposits	(2,170)
(Increase) decrease in water storage inventory	(6,224,635)
Increase (decrease) in accounts payable	1,198,863
Increase (decrease) in accrued payroll	20,202
Increase (decrease) in accrued OPEB liability and related items	13,092
Increase (decrease) in accrued compensated absences	3,374
Increase (decrease) in net pension liability and related items	 418,669
Net cash provided by operating activities	\$ (8,367,762)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 1,568,103
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Loss on sale/disposal of assets	(38,360)
Changes in fair value of investments	34,006

THREE VALLEYS MUNICIPAL WATER DISTRICT OTHER POST EMPLOYMENT BENEFITS PLAN TRUST STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2020

Restricted for OPEB benefits

ASSETS:	
Mutual funds (Note 9)	\$ 964,784
Interest receivable (Note 9)	2
TOTAL ASSETS	\$ 964,786
NET POSITION RESTRICTED FOR OPEB BENEFITS	

TOTAL NET POSITION RESTRICTED FOR OPEB BENEFITS

964,786

964,786

THREE VALLEYS MUNICIPAL WATER DISTRICT OTHER POST EMPLOYMENT BENEFITS PLAN TRUST STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2020

ADDITIONS:	
Employers' contributions	\$ -
Investment Income:	
Interest and dividends	21,849
Net appreciation in fair value	
of investments	19,575
Less: investment expense	(3,174)
Net investment income	38,250_
TOTAL ADDITIONS	38,250
DEDUCTIONS:	
Administrative expenses	(2,353)
TOTAL DEDUCTIONS	(2,353)
CHANGE IN NET POSITION	35,897
NET POSITION RESTRICTED FOR OPEB BENEFITS:	
BEGINNING OF YEAR	928,889
END OF YEAR	\$ 964,786

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.

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 7.

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, 2020, 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, 2020, 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 Ba	
	Acre-Feet	Amount	Acre-Feet	Amount
Beginning Balance at July 1, 2019	3,078	\$ 532,723	2,827	\$ 2,020,397
Acquired	1,048	142,528	11,799	8,625,222
Used or Sold	(1,200)	(204,108)	(3,215)	(2,339,007)
Ending Balance at June 30, 2020	2,926	\$ 471,143	11,411	\$ 8,306,612

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:

Useful Life (years)
10-40
5-40
10-20
3-20
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 California Public Employees' Retirement System (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.

Net OPEB Liability

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.

Contributions

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, 2020, the carrying amount of TVMWD's cash deposits was \$1,466,263 and the bank balances were \$1,572,697. 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, 2020:

Туре	F	air Value
Cash and cash equivalents		
Cash	\$	1,466,263
Money Market Funds		23,498
California Asset Management Trust		11,563
Local Agency Investment Fund		66,779
Total cash and cash equivalents		1,568,103
Investments		
Federal Agency Securities		1,061,960
US Treasury Notes		806,281
US Corporate Notes		722,719
Asset Backed Security		207,934
Mutual Funds*		1,613,856
Total investments		4,412,750
Total cash and cash equivalent		
and investments	\$	5,980,853

^{*}Mutual Funds consist of funds with irrevocable trusts for pension and OPEB liabilities.

Local Agency Investment Fund

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. LAIF is not registered with the SEC and is not rated. Deposits and withdrawals in LAIF are made based on one dollar and not fair value.

California Asset Management Program (CAMP)

TVMWD is a voluntary participant in CAMP, a Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Code Section 53601(p). CAMP is directed by a Board of Trustees which is made up of experienced local government finance directors and treasurers.

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

Investments

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

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

- 1) Direct obligations of the United States Government, its agencies, and instruments to which the full faith and credit of the United States government is pledged, or obligations to the payment of which the full faith and credit of the United States is pledged;
- 2) Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
- 3) With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations;
- 4) Medium term notes (5 years or less) issued by corporations organized and operating with the United States or by depository institutions licensed by the United States or any state and operating within the United States;
- 5) Mutual funds investing in the securities and obligations authorized by TVMWD's investment policy and share in money market mutual funds;
- 6) County, municipal, or school district tax supported debt obligations; bond or revenue anticipation notes; money judgments; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district;
- 7) Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association;
- 8) Money market funds regulated by the Securities and Exchange Commission (SEC) in which investments consist of the investments mentioned in points 1, 2, 3, and 4 above.

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

Investments

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 rates. As June 30, 2020, TVMWD had the following investment maturities:

Investment Maturities (In Years			
Fair Value	Less than 1	1 to 3	3 to 5
\$ 23,498	\$ 23,498	\$ -	\$ -
1,061,960	-	497,302	564,658
806,281	-	317,598	488,683
722,719	196,435	418,071	108,213
207,934	-	207,934	-
1,613,856	1,613,856	-	-
11,563	11,563	-	-
66,779	66,779		
\$4,514,590	\$1,912,131	\$1,440,905	\$1,161,554
	\$ 23,498 1,061,960 806,281 722,719 207,934 1,613,856 11,563 66,779	Fair Value Less than 1 \$ 23,498 \$ 23,498 1,061,960 - 806,281 - 722,719 196,435 207,934 - 1,613,856 1,613,856 11,563 11,563 66,779 66,779	Fair Value Less than 1 1 to 3 \$ 23,498 \$ 23,498 \$ - 1,061,960 - 497,302 806,281 - 317,598 722,719 196,435 418,071 207,934 - 207,934 1,613,856 1,613,856 - 11,563 11,563 - 66,779 66,779 -

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, 2020, 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	Investment with Interest Rate Risk
Federal Agency Securities	Aaa	AA+	21.46%
Federal Agency Securities	NR	AA+	2.25%
US Corporate Notes	A2	Α	5.24%
US Corporate Notes	A1	A+	2.42%
US Corporate Notes	Aa1	AA+	2.36%
US Corporate Notes	Aa2	AA+	1.81%
US Corporate Notes	A2	A-	1.73%
US Corporate Notes	A3	Α	1.68%
US Corporate Notes	A1	Α	0.90%
Asset Backed Security	Aaa	NP	2.16%
Asset Backed Security	Aaa	AAA	1.80%
Asset Backed Security	NR	AAA	0.68%
Money Market Fund	Aaa	AAA	0.52%
Mutual Funds	Aaa	AAA	35.23%
California Asset Management Trust	NR	AAAm	0.26%
Local Agency Investment Fund	NR	NR	1.50%

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, 2020:

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	\$ 1,061,960	\$ -	\$ 1,061,960	\$ -
US Treasury Notes	806,281	-	806,281	-
US Corporate Notes	722,719	-	722,719	-
Asset Backed Security	207,934	-	207,934	-
Mutual Funds	1,613,856	-	1,613,856	-
California Asset Management Trust	11,563	-	11,563	-
Local Agency Investment Fund	66,779		66,779	
Totals	\$4,491,092	\$ -	\$4,491,092	\$ -
Investments Measured at Amortized Cost				
Money Market Fund	23,498			
Total Investments	\$4,514,590			

Securities and mutual funds 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, 2020, 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, 2020 is as follows:

	Beginning Balance 06/30/2019	Additions	Retirements*	Transfers	Ending Balance 06/30/2020
Capital assets, not being depreciated:					
Land	\$ 1,633,704	\$	\$	\$	\$ 1,633,704
Water Share	301,000	-	-	-	301,000
Construction in progress	2,449,043	3,617,094		(86,147)	5,979,990
Total capital assets, not being depreciated	4,383,747	3,617,094		(86,147)	7,914,694
Capital assets, being depreciated:					
Building and Building Improvement	7,521,416	138,096	(7,770)	7,770	7,659,512
Furniture, Fixtures, and Equipment	964,296	6,889	(18,331)	· -	952,854
Infrastructure	57,157,301	331,328	(87,439)	78,377	57,479,567
Land Improvements	1,257,839	52,929	`	-	1,310,768
Vehicles	449,804	158,344	-	-	608,148
Total capital assets, being depreciated	67,350,656	687,586	(113,540)	86,147	68,010,849
Less accumulated depreciation for:					
Building and Building Improvement	6,650,155	30,698		-	6,680,853
Furniture, Fixture and Equipment	814,699	26,944	(18,331)	-	823,312
Infrastructure	32,743,767	1,373,722	(56,849)	-	34,060,640
Land Improvement	1,190,630	60,951	-	-	1,251,581
Vehicles	344,898	58,821	-	-	403,719
Total accumulated depreciation	41,744,149	1,551,136	(75,180)		43,220,105
Total capital assets, being depreciated, net	25,606,507	(863,550)	(38,360)	86,147	24,790,744
Total capital assets, net	\$ 29,990,254	\$ 2,753,544	\$ (38,360)	\$	\$ 32,705,438

^{*}Replacement of the actuator for the 5th & White Connection and the meters for the Mountain, 5th & White and Emerald Connections.

Depreciation expense for the year totaled \$1,551,136.





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 \$27,478 for the year ended June 30, 2020. The future minimum lease payments are as follows:

Year Ending Jur	ne 30		Amount
2021			29,104
2022			31,611
2023		_	3,401
	Total	\$	64,116

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 \$1,732,214 of open contracts as of June 30, 2020.

The following material construction commitments existed at June 30, 2020:

Project Name	Contract Amount	Expenditures to date as of June 30, 2020	Remaining Commitment
MiraGrand Well	\$1,595,262	\$25,450	\$1,569,812
2020 Regional Urban Water Management Plan	165,000	2,599	162,401



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: Insured up to replacement value. Includes Boiler and Machinery, Mechanical, Electrical and Pressure Equipment, Vehicles, Mobile Equipment and Watercraft. The pooled layer is up to \$100,000 per occurrence and excess insurance coverage up to \$500 million.

General, Auto and Public Officials: The pooled layer is up to \$5 million per occurrence and excess insurance coverage of up to \$55 million.

Workers' Compensation: The pooled layer is up to \$2 million per occurrence and excess insurance coverage up to \$4 million.

Cyber: Financial losses resulting from data breaches and other cyber events. Limit \$3 million per claim up to \$5 million aggregate.

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 2019-2020 was 7,404 acrefeet. 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 2019 and 2020 were \$731 and \$755, 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 2019-2020, total water sales revenue, capacity charges and fixed

NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)

charges from CIC was \$5,665,817. TVMWD allows its member agencies approximately 45 days to pay for monthly water purchases. As such, TVMWD had receivables outstanding at June 30, 2020 from CIC for May and June 2020 water sales, capacity charges and fixed charges in the amounts of \$712,072 and \$753,872, respectively. The receivables were due on July 23, 2020 and August 26, 2020, and were paid by CIC on July 1, 2020 and July 31, 2020, respectively.

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, 2020.

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 CalPERS.TVMWD sponsors a plan with two tiers:

- Tier 1 2%@55 for employees with CalPERS membership prior to December 31, 2012, and since this date have not had a break in service of greater than six months.
- Tier 2 2%@62 for employees new to CalPERS since January 1, 2013 or who have had a break in service of greater than six months.

Benefit provisions under the Plan are established by State statute and TVMWD resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website (www.calpers.ca.gov).

Benefits Provided

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

The cost of living adjustments for the plan are applied as specified by the California Public Employees' Retirement Law (PERL).



NOTE 7 – PENSION PLANS (continued)

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous		
	Prior to	On or after	
CalPERS membership date	1/1/13	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	10.221%	6.985%	

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 year ended June 30, 2020, the contributions recognized as reductions to net pension liability for the Plan were as follows:

Contributions - employer \$426,711 Contributions - employee (paid by employer) \$0



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

As of June 30, 2020, 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 \$3,846,454

Total Net Pension Liability

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, 2020 the market value of all assets held in the trust amounted to \$649,072 (including accrued interest), which in essence reduces the net pension liability.

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2019 was as follows:

Proportion - June 30, 2019

0.0009731

For the year ended June 30, 2020, TVMWD recognized pension expense of \$904,061. At June 30, 2020, 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	\$485,393	\$0
Differences between actual and expected experience	267,152	(20,699)
Changes in assumptions	183,416	(65,020)
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	199,296	0
Difference between actual and proportionate share	0	(191,143)
Net differences between projected and actual earnings on plan investments	0	(67,248)
Total	\$1,135,257	\$(344,110)

NOTE 7 – PENSION PLANS (continued)

The \$485,393 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, 2021. 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
2020	\$278,143
2021	(24,821)
2022	38,843
2023	13,589
2024	-
Remaining	-
Total	\$305,754

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, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. Both the June 30, 2018 total pension liability and the June 30, 2019 total pension liability were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	varies by entry age and service
Investment Rate of Return	7.15%(1)
Mortality	(2)
Post Retirement Benefit Increase	2.50%

⁽¹⁾ Net of pension plan investment expenses, including inflation

⁽²⁾ The mortality table used was developed based on CalPERS' specific data. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 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 Assumptions and Methods

CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. The new system refines and improves the calculation methodology.

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) andthe long-term (11+ years) using a building-block approach.

NOTE 7 – PENSION PLANS (continued)

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%.

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.

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1-10 ²	Real Return Years 11+³
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92)%

¹In the CalPERS' CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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 Current Discount Discount					Discount
Rate-1% Rate Rate+1%					Rate+1%
6.15% 7.15% 8.15%				8.15%	
\$	6,200,312	\$	3,846,454	\$	1,903,509

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, 2020, TVMWD reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

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 \$6,459,083 at June 30, 2020.

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.

RETIREMENT

²An expected inflation of 2.00% used for this period.

³An expected inflation of 2.92% used for this period.

NOTE 8 – DEFERRED COMPENSATION PLANS (continued)

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 \$66,073 at June 30, 2020.

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 Administration

TVMWD administers the Retiree Benefits Plan—a single-employer defined benefit plan that is used to provide post employment 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, 2020, TVMWD Retiree Benefits Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	11
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	23
Total	34

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 increased from \$355 to \$600. Employees retiring on or after January 1, 2015 may cover dependents, but the retiree must pay the entire dependents premiums. Retirees must pay the portion of the coverage, if any not covered by their benefits. Employees retiring on or after December 5, 2018, may claim dental and vision premiums in addition to medical premiums, not to exceed the \$600 cap. The dental and vision plans must be obtained by the retirees on their own. 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, 2020, TVMWD's average contribution rate was 1.95% 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, 2020:

Asset Class	Target Allocation
Mutual Funds-Equity	49%
Mutual Funds-Fixed Income	47%
Cash and Equivalents	4%
Total	100%

Rate of return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Net OPEB Liability

The components of the Net OPEB Liability at June 30, 2020 were as follows:

Total OPEB Liability	\$1,253,309
Plan fiduciary net position	(964,786)
TVMWD's net OPEB Liability	\$ 288,523
Plan fiduciary net position as a percentage of the total OPEB liability	77%

Deferred outflows and inflows of resources related to OPEB as of June 30, 2020 were:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$75,490	\$11,464
Changes in assumptions	182,671	222,730
Net differences between projected and actual earnings on OPEB investments	17,543	958
Total	\$275,704	\$235,152

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

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2021	\$(1,303)
2022	(1,349)
2023	(2,573)
2024	(2,256)
2025	(6,015)
2026	40,823
2027	13,225
Total	\$40,552

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 6.5 years.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019. Update procedures were used to roll forward the total OPEB liability to June 30, 2020. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.15%, net of OPEB plan investment expense, including inflation. At 6-30-2019 the rate was 3.86%
Healthcare cost trend rates	6% for 2019-20, decreasing to 4.5% for 2021-22 and thereafter

Mortality rates were based on the RP-2014 Employee and Health Annuitant Mortality Tables.

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				
				% Increase 7.15%	
\$	445,697	\$	288,523	\$	157,622

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

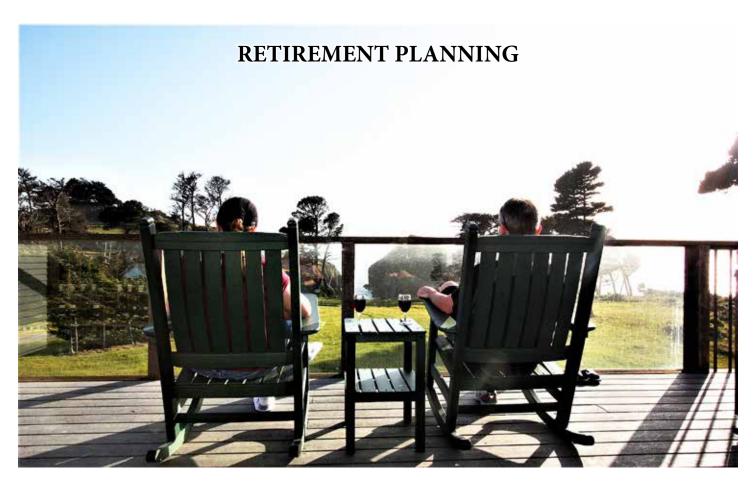
The following presents the net OPEB liability of TVMWD, as well as what TVMWD's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (5% decreasing to 4.0%) or 1% point higher (5.0% increasing to 6%) than the current healthcare cost trend rates:

Net OPEB Liability					
1% Decrease Healthcare Cost 5.0% Trend Rate 6%			1% Increase 7%		
\$	245,121	\$	288,523	\$	336,420

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

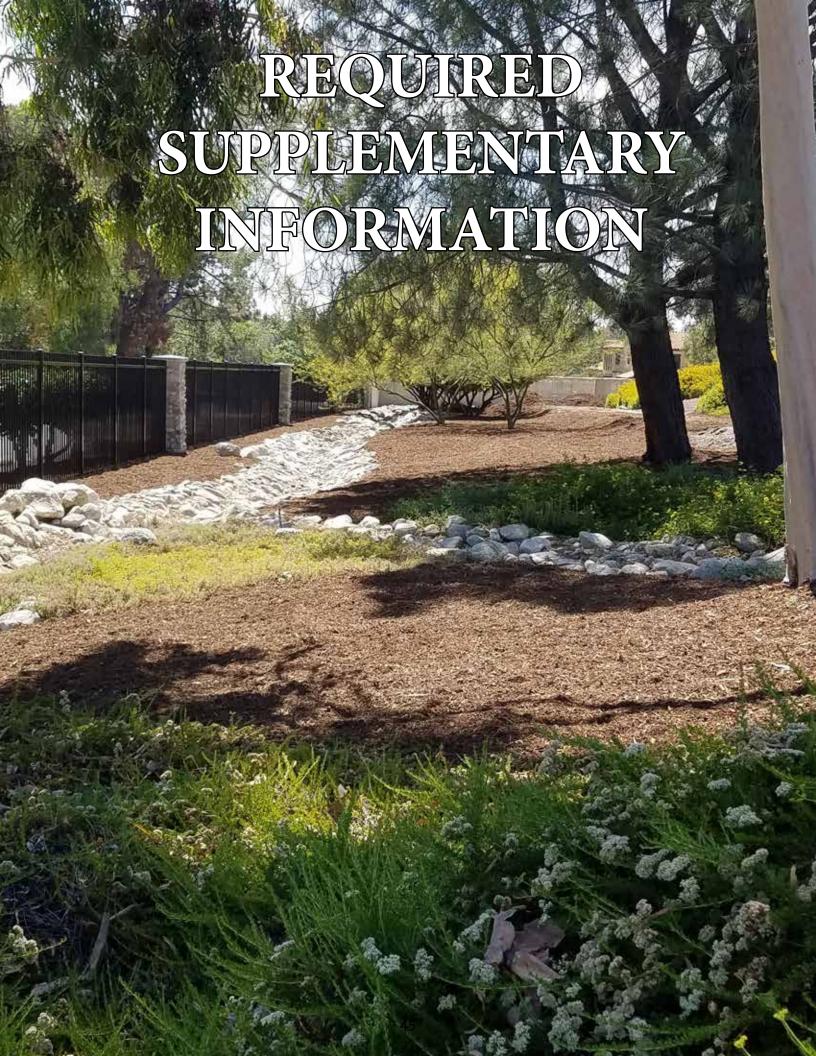
The long-term expected rate of return of 6.15% on OPEB plan investments was calculated the following way:

- 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.





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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 Payroll	Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
2020	0.09731%	\$3,846,454	\$ 2,750,395	139.85%	77.98%
2019	0.09707%	\$3,452,268	\$ 2,662,296	129.67%	78.94%
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.

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six 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

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, 2020⁽¹⁾

FY	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll	Valuation date
2020	\$485,393	\$(485,393)	\$ -	\$ 2,743,774	17.691%	6/30/2019
2019	\$426,711	\$(426,711)	\$ -	\$ 2,750,395	15.515%	6/30/2017
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:

Amortization method Level percentage of payroll and direct rate smoothing

Asset valuation method Market value Inflation 2.50%

Salary increases varies by entry age and service

Investment rate of return 7.15%

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

15 years of mortality improvements using 90% of scale MP 2016 by Society of Actuaries. For more details on this table, please refer to the December 2017 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

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

Three Valleys Municipal Water District

Schedule of Changes in Net OPEB Liability and Related Ratios For the Year Ended June 30, 2020⁽¹⁾

FISCAL YEAR	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 48,909	\$ 35,365	\$ 34,335	\$ 22,989
Interest	73,742	84,221	65,379	63,032
Changes of benefit terms		-		-
Differences between expected and actual				
experience	(13,757)		110,332	
Changes of assumptions	(267,276)	- (47.500)	140,935	143,737
Benefit payments	(53,555)	(47,588)	(41,611)	(23,007)
Net changes in total OPEB liability	(211,937)	71,998	309,370	206,751
Total OPER liability - beginning	\$1,465,246	\$1,393,247	\$1,083,877	\$ 877,126
Total OPEB liability - ending (a)	\$1,253,309	\$1,465,245	\$1,393,247	\$1,083,877
Plan fiduciary net position				
Contributions-employer	\$ 53,555	\$ 47,588	\$ 41,611	\$ 138,561
Net investment income	57,054	55,386	45,031	52,341
Differences between expected and actual	,	,	,	•
investment income	(18,804)	-	-	-
Benefit payments	(53,555)	(47,588)	(41,611)	(23,007)
Administrative expense	(2,353)	(2,212)	(2,158)	(1,157)
Net changes in plan fiduciary net position	35,897	53,174	42,873	166,738
Plan fiduciary net position-beginning	928,889	875,715	832,842	666,104
Plan fiduciary net position-ending (b)	\$ 964,786	\$ 928,889	\$ 875,715	\$ 832,842
Net OPEB liability	\$ 288,523	\$ 536,357	\$ 517,532	\$ 251,035
Plan fiduciary net position as a percentage				
of the total OPEB liability	77%	63%	63%	77%
Covered-employee payroll	\$2,743,774	\$2,750,395	\$2,662,296	\$2,539,815
TVMWD's net OPEB liability as a				
percentage of covered-employee payroll	10.52%	19.50%	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

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2017 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Three Valleys Municipal Water District

Schedule of Contributions - OPEB For the Year Ended June 30, 2020⁽¹⁾

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
2020	\$38,993	\$ (48,157)	\$ (9,164)	\$2,743,774	1.42%	7/1/2019
2019	\$47,588	\$ (30,971)	\$ 16,617	\$2,750,395	1.73%	7/1/2017
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 20 years
Asset valuation method Fair value
Inflation 2.25%

Healthcare cost trend rates 6% for 2019-20, 4.5% for 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, 2019 Acturarial Valuation Report

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2017 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Three Valleys Muncipal Water District

Schedule of Investment Returns - OPEB Trust
Last Ten Fiscal Years⁽¹⁾

Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2020	3.89%
2019	6.07%
2018	6.15%
2017	7.94%

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.

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2017 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.



THREE VALLEYS MUNICIPAL WATER DISTRICT STATISTICAL SECTION For the Year Ended June 30, 2020

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.

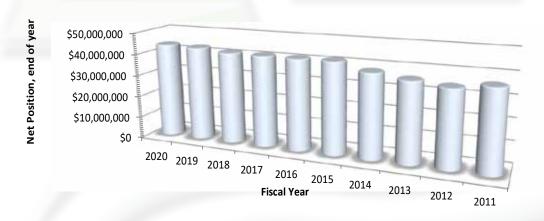
Operating Information

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.

Three Valleys Municipal Water District

Changes in Net Position Last Ten Fiscal Years

	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenues (see Schedule 3)	\$ 69,287,655	\$ 67,239,719	\$ 64,251,879	\$ 65,041,248	\$ 55,387,218	\$ 58,657,568	\$ 66,759,939	\$ 59,240,205	\$ 50,665,608	\$ 48,780,881
Operating expenses (see Schedule 4)	71,974,662	69,081,691	66,272,700	66,736,601	57,910,157	61,091,237	68,546,823	60,088,682	53,638,803	51,179,455
Total operating income (loss)	(2,687,007)	(1,841,972)	(2,020,821)	(1,695,353)	(2,522,939)	(2,433,669)	(1,786,884)	(848,477)	(2,973,195)	(2,398,574)
Nonoperating revenues (expenses)										
Property tax revenue Sublease income	2,625,061	2,481,726	2,291,505	2,266,019	2,091,254	2,014,754 5,775,000	1,886,998 821,303	1,958,128 832,593	1,783,167 832,946	1,636,394 844,434
Investment income Intergovernmental grants revenue	341,434	513,710	3,089	25,793	226,747 6,121	136,976 46,924	236,128 115,962	72,974 -	311,222	352,529
Intergovernmental grants expense Interest expense	-	-	-	-	(6,121)	(46,924)	(115,962) (29,787)	(221,353)	(327,853)	(398,839)
Amortization of deferred bond costs/refunding	-		-	-	-	-	(195,647)	(183,225)	(221,097)	(221,096)
Reimbursements revenue Gain (loss) on sale of assets	(38,360)	(52,553)	(40,400)	(88,421)	(40,173)	(12,109)	(104,254)	(3,297)	(2,339)	33,945
Other non-operating revenues (expenses) Total nonoperating	-					/				-
revenues (expenses)	2,928,135	2,942,883	2,254,194	2,203,391	2,277,828	7,914,621	2,614,741	2,455,820	2,376,046	2,247,367
Net income before contributions and change in accounting principle	241,128	1,100,911	233,373	508,038	(245,111)	5,480,952	827,857	1,607,343	(597,149)	(151,207)
Contributions	218,649	98,500	2,000	5,250	111,150	618,666	1,742,423	<u> </u>		-
Change in net position	459,777	1,199,411	235,373	513,288	(133,961)	6,099,618	2,570,280	1,607,343	(597,149)	(151,207)
Net Position, beginning of year	43,334,949	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
Prior period adjustment	-	-	-	(471,438) 6	-	(2,570,344) 5	(613,501) 4	(50,495) 3	(1,348,308) 2	(535,050)
Net Position, end of year, as restated (see Schedule 2)	\$ 43,794,726	\$ 43,334,949	\$ 42,135,538	\$ 41,900,165	\$ 41,858,315	\$ 41,992,276	\$ 38,463,002	\$ 36,506,223	\$ 34,949,375	\$ 36,894,832



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

<sup>Prior Period Adjustment related to disposal of capital assets.
Prior Period Adjustment related to removal of prepaid pension asset.
Prior Period Adjustment related to change in accounting principle.</sup>

⁴ Prior Period Adjustment related to removal of MWD assets

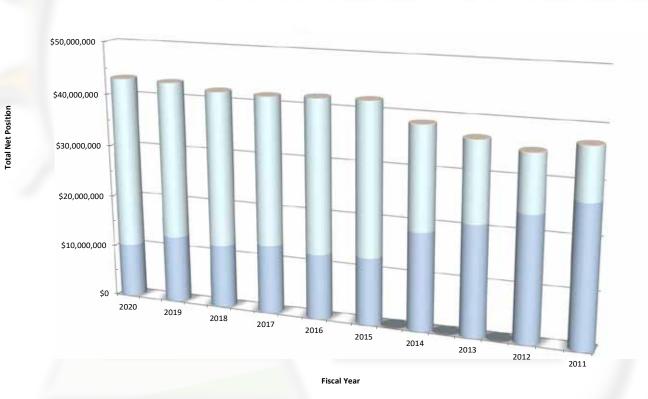
⁵ Prior Period Adjustment related to GASB 68.

 $^{^6\,}$ Prior Period Adjustment related to GASB 75.

Three Valleys Muncipal Water District

Components of Net Position Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net investment										
in capital assets	\$ 32,705,438	\$ 29,990,254	\$ 29,558,377	\$ 28,369,643	\$ 29,354,853	\$ 29,078,712	\$ 19,483,706	\$ 15,073,992	\$ 10,791,926	\$ 9,747,308
Restricted for										
debt service	-	-	-	-	-	-	225,000	227,163	227,203	226,165
Restricted for										
pensions	649,072	415,437	341,101	338,096	-	-	-	-	-	-
Unrestricted	10,440,216	12,929,258	12,236,060	13,192,426	12,503,462	12,913,564	18,754,296	21,205,068	23,930,246	26,921,359
Total Net Position	\$ 43,794,726	\$ 43,334,949	\$ 42,135,538	\$ 41,900,165	\$ 41,858,315	\$ 41,992,276	\$ 38,463,002	\$ 36,506,223	\$ 34,949,375	\$ 36,894,832



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

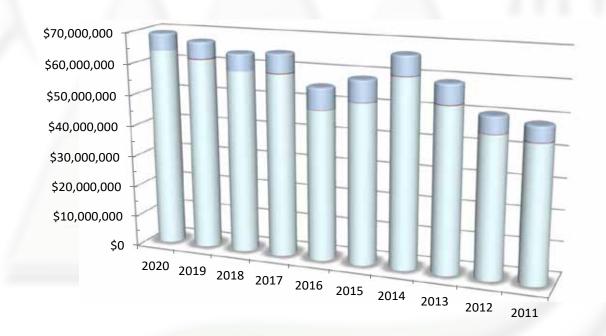
¹ Increase due to significant increase in capital assets and construction in progress during fiscal year.

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
2020	\$ 63,852,311	\$ 32,831	\$ 5,402,513	\$ 69,287,655
2019	61,659,318		5,365,364	67,239,719
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	59,240,205
2012	45,097,918	117,593	5,450,097	50,665,608
2011	43,658,124	203,608	4,919,149	48,780,881





Fiscal Year

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

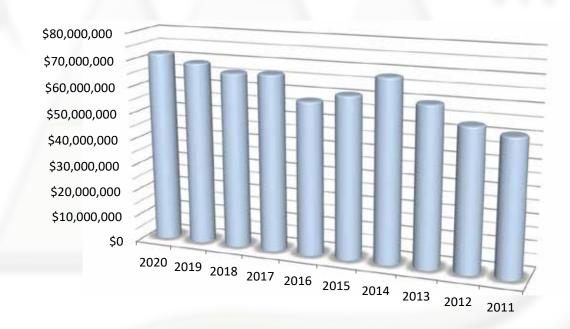
Water sales will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

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
2020	\$ 58,056,004	\$ 3,167,888	\$ 4,754,664	\$ 4,444,970	\$ 1,551,136	\$ 71,974,662
2019	55,670,169	2,848,109	4,720,544	4,321,058	1,521,811	69,081,691
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	3,639,407	1,907,758	66,736,601
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	3,210,145	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	53,638,803
2011	39,809,995	2,173,056	4,136,576	3,171,603	1,888,225	51,179,455





Fiscal Year

NOTE: Expenses in prior years may be reclassified to conform to current year presentation.

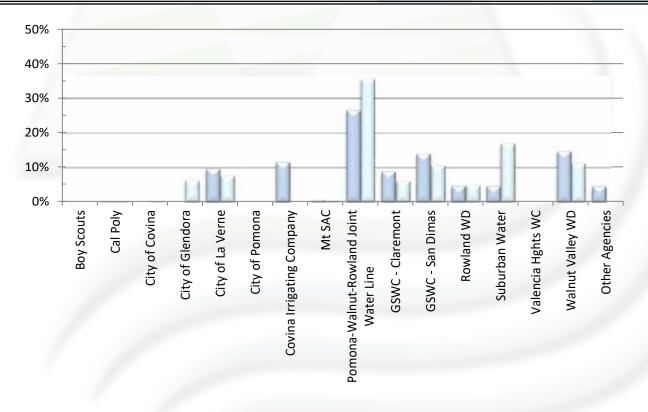
¹ Water purchases will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

SCHEDULE 5

Three Valleys Municipal Water District

Prinicpal Water Customers Changes in Past Ten Years Current Fiscal Year and Nine Years Ago

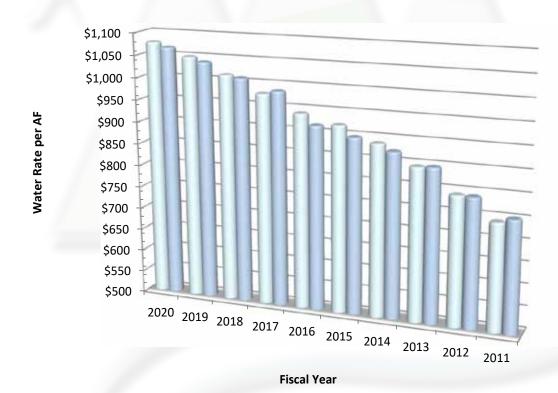
	Acre-Feet Sold	Percentage	Acre-Feet Sold	Percentage
Member Agency	FY 2020	of total	FY 2011	of total
Boy Scouts of America - Firestone Reservation	18	0.03%	8	0.01%
California State Polytechnic University, Pomona	127	0.20%	194	0.30%
City of Covina		0.00%	149	0.23%
City of Glendora		0.00%	4,129	6.35%
City of La Verne	6,188	9.64%	4,939	7.60%
City of Pomona	_	0.00%	_	0.00%
Covina Irrigating Company	7,404	11.53%	-	0.00%
Mt. San Antonio College	398	0.61%	294	0.45%
Pomona-Walnut-Rowland Joint Water Line	17,084	26.62%	23,103	35.54%
Golden State Water Company - Claremont	5,703	8.88%	3,956	6.08%
Golden State Water Company - San Dimas	8,917	13.89%	6,849	10.53%
Rowland Water District	2,987	4.65%	3,130	4.81%
Suburban Water Systems	3,003	4.68%	10,977	16.88%
Valencia Heights Water Company	-	0.00%	_	0.00%
Walnut Valley Water District	9,423	14.68%	7,290	11.22%
Other Agencies	2,946	4.59%	-	0.00%
	64,199	100.00%	65,018	100.00%



Three Valleys Muncipal Water District

Water Rates for MWD and TVMWD Water Sold Last Ten Calendar Years

Calendar	MWD	Surcharge /	TVMWD
Year	Water Rate	Discount	Water Rate
2020	\$ 1,078	\$ (10)	\$ 1,068
2019	\$ 1,050	\$ (10)	\$ 1,040
2018	1,015	(5)	1,010
2017	979	8	987
2016	942	(24)	918
2015	923	(24)	899
2014	890	(15)	875
2013	847	2	849
2012	794	(1)	793
2011	744	10	754

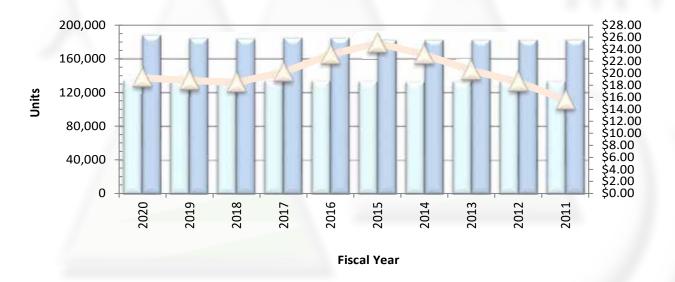


Note: All amounts are per acre foot.

Three Valleys Municipal Water District

Standby Charge Assessment Per Equivalent Dwelling Unit (EDU) Last Ten Fiscal Years

Fiscal Year	Parcels ¹	EDUs ²	Rate per EDU ³
2020	134,850	188,427	\$19.23
2019	134,530	184,693	\$18.79
2018	134,019	184,484	\$18.51
2017	133,986	185,153	\$20.16
2016	133,949	185,144	\$23.09
2015	133,653	182,768	\$25.02
2014	132,918	182,732	\$23.11
2013	133,421	182,902	\$20.46
2012	133,406	182,893	\$18.54
2011	133,428	183,118	\$15.55



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

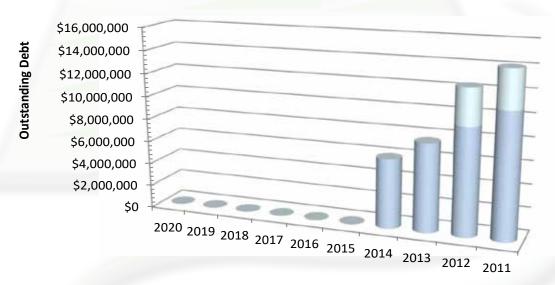
² EDUs are assigned to each parcel in proportion to the estimated benefit it receives from the availability of water service. A Single Family Residential parcel, the basic unit for calculating the Assessment, is defined as 1.0 EDU. Other land uses are assigned proportional EDUs.

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 TVMWD 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.

Three Valleys Muncipal Water District

Ratio of Outstanding Debt Last Ten Fiscal Years

Fiscal Year	Certificates of Installment Sale Participation Agreement		Per Canita		Outstanding Debt as a Share of Personal Income
2020	\$ -	s -	\$ -	0.00%	
2019	<u>-</u>	<u>-</u>		0.00%	
2018	_	-	-	0.00%	
2017	-	-	_	0.00%	
2016	-	-	_	0.00%	
2015	-	-	-	0.00%	
2014	6,000,000	-	11.81	0.02%	
2013	7,654,353	-	15.11	0.03%	
2012	9,266,129	3,167,070	24.61	0.05%	
2011	10,817,903	3,306,356	28.04	0.06%	



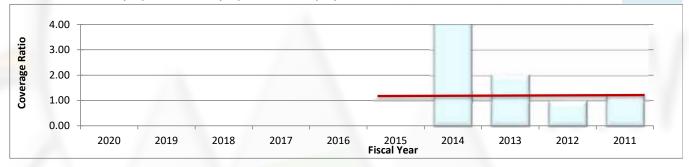
Fiscal Year

Three Valleys Municipal Water District

Debt Coverage Last Ten Fiscal Years

2003 COP

			200	3 (01					
	1	2	Net Available	Debt S	Service		Coverage		
Fiscal Year	Revenues	Expenses ²	Revenue	Principal Interest		Revenue Principal Interest To		Total	Ratio ³
2020	\$72,215,790	\$70,423,526	\$ 1,792,264	\$ -	\$ -	\$ -	0.00		
2019	70,182,603	67,559,880	2,622,723	-	-	-	0.00		
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	1,976,688	-	-	-	0.00		
2015	66,619,113	59,059,789	7,559,324	-	-	-	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		



	Unencumbered	Debt Se	ervice	Total	Coverage Ratio ³
Fiscal Year	Cash and Cash Equivalents	Principal	Interest		
2020	\$ 1,568,103	\$ -	\$ -	\$ -	
2019	3,968,050	-	-	-	0.00
2018	1,803,767	_	-	-	0.00
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



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

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

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

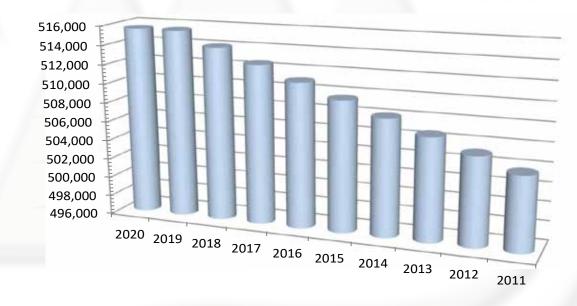
³ Bond covenant debt coverage ratio of 1.15 is now 0 because debt has been fully repaid.

Three Valleys Municipal Water District

Demographic and Economic Statistics Last Ten Fiscal Years

			County of	Los Angeles	
Fiscal Year	TVMWD Population Estimate ¹	Unemployment Rate	Population ²	Personal Income (in thousands)	Personal Income per Capita
2020	515,575	4.3%	10,382,000	630,904,482	61,557
2019	515,575	4.1%	10,382,000	619,749,000	60,469
2018	514,089	4.3%	10,328,000	602,632,000	58,818
2017	512,607	4.6%	10,278,000	585,515,000	57,168
2016	511,129	5.2%	10,215,000	563,908,000	54,577
2015	509,655	6.6%	10,179,000	549,073,000	53,521
2014	508,186	8.2%	10,125,000	514,517,000	50,730
2013	506,721	9.8%	10,056,400	483,579,000	48,140
2012	505,260	10.9%	9,990,000	486,734,000	48,818
2011	503,803	12.2%	9,902,600	441,700,000	45,969





Fiscal Year

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 2020 Economic Forecast and Industry Outlook

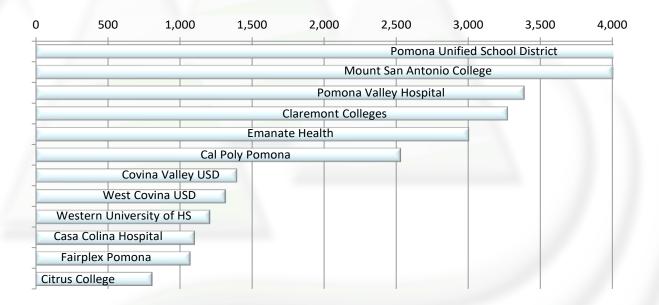
¹ Population estimate is based on TVMWD's population report for year 2010; the estimate is a percentage of the increase projected for the County of Los Angeles.

² County's population remains at the same level as the state did not provide an updated population forecast.

Three Valleys Municipal Water District

Principal Employers Changes in Past Ten Years Calendar Year 2020

Employer	Number of Employees FY 2020	Percentage of Total Employment	Number of Employees FY 2011	Percentage of Total Employment
Pomona Unified School District	4,280	2.2%	3,076	1.6%
Mount San Antonio College	4,000	2.1%	2,775	1.4%
Pomona Valley Hospital	3,385	1.7%	2,800	1.4%
Claremont Colleges	3,270	1.7%	3,000	1.5%
Emanate Health	3,000	1.5%	3,500	1.8%
Cal State Polytechnic University Pomona	2,527	1.3%	2,100	1.1%
Covina Valley Unified School District	1,394	0.7%	1,073	0.6%
West Covina Unified School District	1,314	0.7%	1,492	0.8%
Western University of Health Sciences	1,206	0.6%		0.0%
Casa Colina Hospital and Centers	1,100	0.6%		0.0%
Fairplex Pomona	1,071	0.5%		0.0%
Citrus Community College	807	0.4%	566	0.3%
Lanterman Development Center		0.0%	1,072	0.5%



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

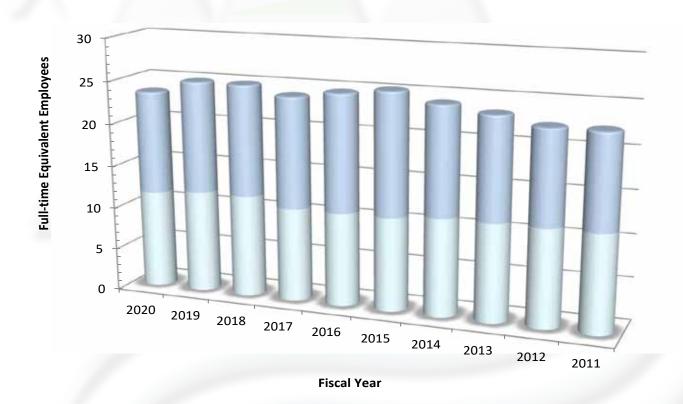
SOURCE: City websites served by TVMWD

SCHEDULE 12

Three Valleys Muncipal Water District

Personnel Trends Last Ten Fiscal Years

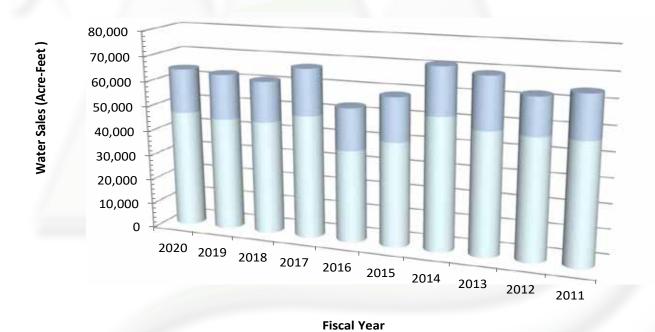
Fiscal	Full-time Equiva	lent Employees b	y Departmen
Year	Administration	Operations	TOTAL
2020	11.50	12.00	23.50
2019	12.00	13.00	25.00
2018	12.00	13.00	25.00
2017	11.00	13.00	24.00
2016	11.00	13.75	24.75
2015	11.00	14.33	25.33
2014	11.50	12.75	24.25
2013	11.50	12.00	23.50
2012	11.50	11.00	22.50
2011	11.50	11.00	22.50



Three Valleys Muncipal Water District

Water Sales in Acre-Feet Last Ten Fiscal Years

	Total MWD	Total Miramar	
Fiscal	acre-feet	acre-feet	Total acre-
Year	sold	sold	feet sold
2020	46,539	17,660	64,199
2019	45,098	17,865	62,963
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

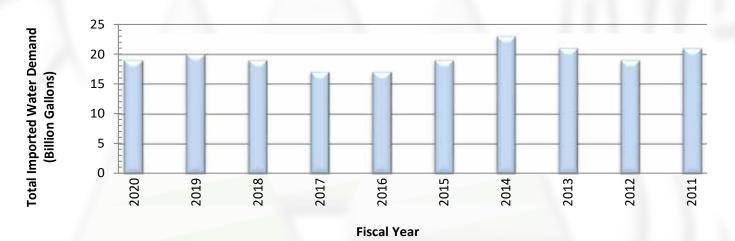


Note: Water Sales will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

Three Valleys Muncipal Water District

Miscellaneous Operating Statistics Last Ten Fiscal Years

			FISCAL YEAR								
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
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	
Water Demand											
Imported (Acre-feet)	62,998	61,994	59,488	51,660	51,600	57,116	70,061	64,858	59,471	64,193	
Imported (Billion gallons)	19	20	19	17	17	19	23	21	19	21	
Total water demand	62,998	61,994	59,488	51,660	51,600	57,116	70,061	64,858	59,471	64,193	



	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
MIRAMAR WATER TREATMENT PLA	NT AND PIPE	LINES:								
Length of pipeline (in miles)	10	10	10	10	10	10	10	10	10	10
Annual production (Acre-feet)	17,660	17,865	16,191	18,591	16,710	17,458	18,791	20,508	14,870	17,096
Annual production (billion gallons)	5	6	5	6	5	6	6	7	5	6
Number of connections	13	13	13	13	13	12	12	12	12	12
Hydroelectric Facilities										
Number of generating stations	5	5	5	5	5	3	3	3	3	3

Note: Service area demands are met by MWD and the Miramar Water Treatment Plant and Pipelines.

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

• 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

GPM – Gallons per Minute

• GSWC – Golden State Water Company

• IRP – Integrated Water Resources Plan

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

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

TVMWD – Three Valleys Municipal Water District

UWMP – Urban Water Management Plan



EVENTS AND ACTIVITIES





