# FY 14-15 TVMWD BUDGET

| | 2014/15 Budget | Pass Through Fund | Operating Fund | Capital Fund |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Water Sales | 56,427,770 | | 56,427,770 | |
| Standby Charge | 4,572,158 | 4,572,158 | | |
| Capacity Charge Assessment | 1,590,650 | 1,590,650 | | |
| Fixed Charge Assessment | 628,929 | | 628,929 | |
| Hydroelectric Sales | 148,279 | | 148,279 | |
| Property Taxes | 1,783,685 | | | 1,783,685 |
| Interest Income | 124,460 | | 124,460 | |
| Notes Receivable | 35,700 | | 35,700 | |
| Pumpback O&M Reimbursement | 10,000 | 10,000 | | |
| Reservoir #2 Reimbursement | 10,000 | 10,000 | | |
| Grants and Other Revenue | 4,637 | | 4,637 | |
| TOTAL REVENUES | 65,336,268 | 6,182,808 | 57,369,776 | 1,783,685 |
| **EXPENSES** | | | | |
| Water Purchases | 50,773,531 | | 50,773,531 | |
| MWD RTS Charge | 4,572,158 | 4,572,158 | | |
| Staff Compensation | 3,651,386 | | 3,651,386 | |
| MWD Capacity Charge | 1,590,650 | 1,590,650 | | |
| Operations and Maintenance | 1,400,257 | | 1,400,257 | |
| Professional Services | 446,769 | | 446,769 | |
| Directors Compensation | 280,141 | | 280,141 | |
| Communication and Conservation Programs | 216,363 | | 216,363 | |
| Planning and Resources | 220,000 | | 220,000 | |
| Membership Dues and Fees | 132,944 | | 132,944 | |
| Hydroelectric Facilities | 38,962 | | 38,962 | |
| Pumpback O&M | 10,000 | 10,000 | | |
| Reservoir #2 | 10,000 | 10,000 | | |
| Capital Repair and Replacement | 877,187 | | | 877,187 |
| Capital Investment Program | 1,303,000 | | | 1,303,000 |
| Reserve Replenishment | 22,344 | | 22,344 | |
| TOTAL EXPENSES | 65,545,692 | 6,182,808 | 57,182,698 | 2,180,187 |
| NET INCOME (LOSS) BEFORE TRANSFERS | (209,425) | - | 187,078 | (396,502) |
| TRANSFER IN FROM CAPITAL RESERVES | 396,502 | | | 396,502 |
| NET INCOME (LOSS) AFTER TRANSFERS | 187,078 | - | 187,078 | - |

# FY 15-16 TVMWD BUDGET

| | 2015/16 Budget | Pass Through Fund | Operating Fund | Capital Fund |
|---|---|---|---|---|
| **REVENUES** | | | | |
| | | | | |
| Water Sales | 57,214,942 | | 57,214,942 | |
| Standby Charge | 4,272,647 | 4,272,647 | | |
| Capacity Charge Assessment | 1,964,600 | 1,964,600 | | |
| Property Taxes | 1,852,358 | | | 1,852,358 |
| Fixed Charge Assessment | 642,423 | | 642,423 | |
| Hydroelectric Sales | 159,154 | | 159,154 | |
| Interest Income | 103,751 | | 103,751 | |
| Notes Receivable | 35,700 | | 35,700 | |
| Pumpback O&M & Reservoir #2 Reimb. | 20,000 | 20,000 | | |
| Grants and Other Revenue | 4,703 | | 4,703 | |
| | | | | |
| TOTAL REVENUES | 66,270,278 | 6,257,247 | 58,160,673 | 1,852,358 |
| | | | | |
| **EXPENSES** | | | | |
| | | | | |
| Water Purchases | 51,632,889 | | 51,632,889 | |
| MWD RTS Charge | 4,272,647 | 4,272,647 | | |
| Staff Compensation | 3,646,248 | | 3,646,248 | |
| MWD Capacity Charge | 1,964,600 | 1,964,600 | | |
| Operations and Maintenance | 1,283,566 | | 1,283,566 | |
| Capital Repair and Replacement | 1,285,953 | | | 1,285,953 |
| Capital Investment Program | 562,000 | | | 562,000 |
| Professional Services | 439,513 | | 439,513 | |
| Directors Compensation | 268,587 | | 268,587 | |
| Communication and Conservation Programs | 273,391 | | 273,391 | |
| Planning and Resources | 220,000 | | 220,000 | |
| Membership Dues and Fees | 113,869 | | 113,869 | |
| Hydroelectric Facilities | 40,600 | | 40,600 | |
| Pumpback O&M & Reservoir #2 | 20,000 | 20,000 | | |
| Reserve Replenishment | 181,394 | | 181,394 | |
| Project Encumbrances from FY 14-15 | 3,012,111 | | | 3,012,111 |
| | | | | |
| TOTAL EXPENSES | 69,217,369 | 6,257,247 | 58,100,058 | 4,860,064 |
| | | | | |
| NET INCOME (LOSS) BEFORE TRANSFERS | (2,947,091) | - | 60,615 | (3,007,706) |
| TRANSFER FROM/(TO) CAPITAL RESERVES | (4,405) | | | (4,405) |
| TRANSFER FROM/TO ENCUMBERED RESERVES | 3,012,111 | | | 3,012,111 |
| NET INCOME (LOSS) AFTER TRANSFERS | 60,615 | - | 60,615 | - |

# Three Valleys Municipal Water District

1021 East Miramar Avenue

Claremont, California 91711-2052

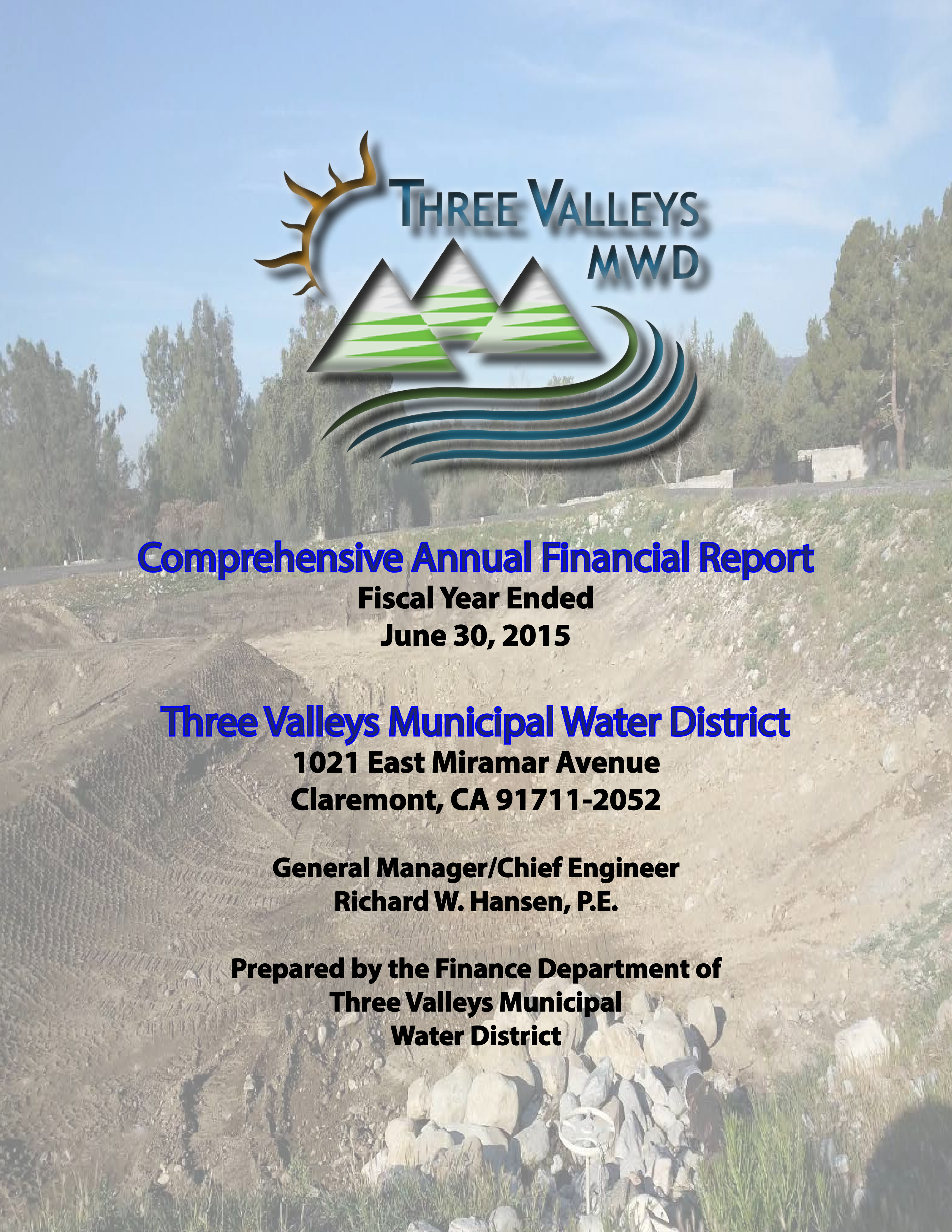
# Comprehensive Annual Financial Report

## Fiscal Year Ended

## June 30, 2015

Three Valleys MWD

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



# Comprehensive Annual Financial Report

**Fiscal Year Ended**
**June 30, 2015**

## Three Valleys Municipal Water District

**1021 East Miramar Avenue**
**Claremont, CA 91711-2052**

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

**Prepared by the Finance Department of**
**Three Valleys Municipal**
**Water District**

# THREE VALLEYS MUNICIPAL WATER DISTRICT

**Comprehensive Annual Financial Report**
**Fiscal Year Ending**
**June 30, 2015**

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# THREE VALLEYS MUNICIPAL WATER DISTRICT

**Comprehensive Annual Financial Report**
**Fiscal Year Ending**
**June 30, 2015**

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# INTRODUCTORY SECTION

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November 4, 2015

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, 2015. 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 (clean) opinion on TVMWD's financial statements, appears in the Financial Section.

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

**Agency Profile**

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

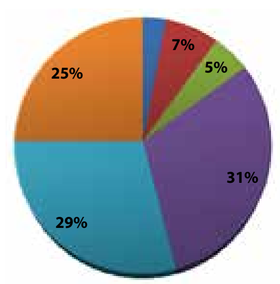
TVMWD's operations consist of a conventional surface water treatment plant (manned and operated 24 hours per day, 7 days per week, 365 days per year), a state certified laboratory, two groundwater wells, hydroelectric generating stations, residual solids removal, spreading pipelines, spreading grounds,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

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

TVMWD is governed by a Board of Directors elected by the registered voters residing within TVMWD's boundaries. The Board averages over 12 years of experience with TVMWD, this stability provides a tremendous benefit to TVMWD. The General Manager has over 38 years with TVMWD and has vast experience in the water industry.

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

| | |
|---|---|
| City of La Verne | 31% |
| Golden State Water Co. (Claremont) | 29% |
| Golden State Water Co. (San Dimas) | 25% |
| Walnut Valley Water District | 7% |
| Rowland Water District | 5% |
| City of Pomona | 3% |




## Local Economy[1]

California has a large and fast-growing economy. The state accounts for over 13% of U.S. GDP, by far the largest of any state. California's gross product grew by an estimated 3.3% in 2014, outpacing the national growth rate of 2.4%.

Since 2012 the state has added jobs at a faster rate than the nation as a whole and in June 2014, recovered all the wages and salary jobs that were lost during the recession – just one month behind the nation. California's unemployment rate is still elevated but it has fallen steadily over the past three years and is presently below its average long-run annual rate.

Closer to home Los Angeles County added 78,700 jobs in 2014, equivalent to a 1.9% annual increase that matched the U.S. as a whole. Most of the county's major industries added jobs last year, and as a result the unemployment rate fell to 8.2%, the lowest in six years. Los Angeles County should surpass its pre-recession jobs peak by virtue of another 1.9% gain expected this year and continue to add jobs at a 1.7% annual rate in 2016. The unemployment rate should improve to 7.2% this year and 6.6% in 2016.

Total personal income, which increased by just 2.3% in 2013, responded to strength in the broader economy with an estimated 4.7% increase in 2014. Personal income will maintain its trajectory with anticipated 4.6% and 5.0% gains this year and next. Per capita income outpaced the 1.6% increase in 2013 with a 4.0% gain in 2014. It should increase by 4.1% this year and accelerate to 4.6% in 2016. Similarly, local spending, as measured by total taxable sales, rose by an estimated 5.9% last year and should see continued improvement with increases of 5.2% and 5.5% expected this year and next. This means local governments will see an increase in sales and use tax revenues.

Los Angeles County has seen steady improvement over the past three years, both in terms of job gains and decreases in its unemployment rate. A handful of industries have been the source of most job creation over the past year, a pattern that will continue over the next few years. Long-awaited but modest wage increases should factor into the picture as well as the local labor market tightens. It will be some time before middle-wage job growth catches up with the gains that have been seen among high-wage and low-wage occupations.

*1 Source: Los Angeles County Economic Development Corporation's 2015-2016 Economic Forecast and Industry Outlook*

## Industry Outlook

California continues to face some extremely tough challenges managing our water supplies during one of the most severe droughts on record. For the first time in state history, Governor Brown directed the State Water Board to implement mandatory water restrictions statewide to reduce water usage by 25 percent in his April 1, 2015 executive order. The Governor's order calls on local water agencies to adjust their rate structures to implement conservation pricing, recognized as an effective way to realize water reductions and discourage water waste. Additional actions required in the order include a state program that will provide financial incentives and partner with local agencies to replace 50 million square feet of lawn, along with other new rebate programs for appliances; prohibit new homes and developments from irrigating with potable water unless water-efficient drip irrigation systems are used, and ban watering of ornamental grass on public medians; and a series of actions to work with business and agricultural water users to ensure further improvements that will conserve water supplies and groundwater resources. The Governor's order is a major step taken to ensure water is available for human health and safety, growing food, fighting fires and protecting fish and wildlife.

In support of the Governor's call to action, MWD's governing board voted to implement their revised Water Supply Allocation Plan (Level 3) that took effect on July 1, 2015. The board action represents roughly a 15 percent reduction in wholesale water deliveries compared to the normal baseline. This is only the fourth time in MWD's history they have restricted imported supplies in response to drought conditions, the last being a 10 percent cutback from July 2009 to April 2011. The allocation plan is a financial signal to MWD's 26 member agencies to remain within their target range of supplies or stiff surcharges will be imposed.

Additionally, the MWD board voted to increase their conservation budget to just over $450 million over two years. The funds will be used for rebates and other saving incentives to help Southern Californians conserve water and for expanded outreach efforts to achieve greater public awareness and knowledge regarding conservation. These unprecedented actions demonstrate the seriousness of the drought situation California is facing and the importance of making the most of our water supplies now and in the future.

With the critically dry conditions affecting MWD's water supply sources, the continued legal and regulatory limits impacting water supplies from the State Water Project, and MWD's implementation of a water supply allocation program, TVMWD along with its member agencies have heightened their efforts with cutbacks, conservation and public outreach to meet the newly imposed water restrictions. The TVMWD Board adopted a resolution in recognition of the California Drought in an effort to provide messaging for our member agencies that is consistent with the state requirements with regard to the need for increased conservation during the statewide drought emergency. Several of TVMWD's member agencies have stepped up their various rebate programs, especially the turf program, to assist residents and businesses in reducing both indoor and outdoor water consumption. Additionally, TVMWD (with the consensus of its member agencies) adopted a plan establishing guidelines to "sub-allocate" to the TVMWD member agencies the quantity of imported water allocated by MWD based on its implementation of their Level 3 Water Supply Allocation Plan.

TVMWD remains dedicated to working with its member agencies and MWD to meet the challenges of finding ways to reduce the demand for water and stretching reserves for use in these dry years. TVMWD is focused at the local and regional level to identify additional sources of water along with solutions to water supply issues. Preserving our water supplies for the future and in case of emergencies such as a catastrophic earthquake is at the forefront of TVMWD's goals.

# MAJOR INITIATIVES AND PROJECTS

TVMWD began, continued, or completed many projects and programs in FY 14-15. These included, but were not limited to:

***TVMWD Well #2:*** This groundwater well began operation in the early part of FY 14-15 and is producing an average of about 62 acre-feet per month. The well water augments the production of the Miramar Treatment Plant and helps to reduce the overall cost of water sold by TVMWD.

***SASG Spreading Pipeline Extension:*** The initial project to extend the SASG Pipeline approximately 2,700 feet to the north was completed in the early part of FY 14-15. The subsequent addition of a westerly extension measuring another 1,450 feet was also completed in FY 14-15. Meanwhile, TVMWD executed an agreement with the City of Pomona to install an interconnection between the westerly extension and the City's Canon Pipeline. The interconnection serves a dual purpose. It will allow TVMWD to deliver untreated imported water to the City's surface water treatment plant and also provides a means for the City to deliver local surface water from the San Antonio Canyon into the SASG for groundwater recharge. The system was tested and performed as expected; however, the statewide drought has hindered the ability to deliver imported water for groundwater recharge.

# MAJOR INITIATIVES AND PROJECTS

***Live Oak Spreading Basins Expansion:*** This collaborative effort between TVMWD and LACDPW was completed in the second half of FY 14-15. The expansion improves the capability to deliver imported and native water into the Live Oak Spreading Grounds located in the Claremont/La Verne area. The project was tested soon after completion and was able to demonstrate its ability to deliver water to the uppermost basin of the spreading grounds. Again, restricted water supplies due to the drought have limited the availability of imported water for groundwater replenishment. When water supplies return, this project will provide another location to store imported water in the local groundwater basins.

***5th and White Connection:*** This connection delivers water from the Miramar system to City of La Verne's clearwell located at 5th Street and White Avenue. The connection was old, had a fairly deep alignment, and had a broken valve and meter. In FY 14-15, TVMWD sought to replace the items that were in disrepair and improve the overall connection by realigning it to a depth that was more easily accessible. Both the design and construction were completed in FY 14-15 and the connection was tested to TVMWD's satisfaction. The new alignment now offers a fully functional connection that will be outfitted for remote operation at a later date.

# MAJOR INITIATIVES AND PROJECTS

***Mills-Pomona Connection:*** This connection, which will be located adjacent to an existing GSWC connection at the southwest corner of Baseline Road and Mills Avenue, will deliver treated water from the Miramar system to the City of Pomona. This intertie was one of the improvements required as part of the interconnection's agreement between TVMWD and the City. Providing the City with water at this connection can help offset the City's demand for water from JWL, and by reducing that demand, the other JWL users can potentially take more water from the Miramar system because it would not be limited by the City's water quality restrictions. During FY 14-15, TVMWD began design work on this project. Final design and construction is expected to be completed in FY 15-16.


***Main Driveway Modification:*** TVMWD also began design work in FY 14-15 to modify the main drive within the Miramar site. The modifications include new parking spaces and a couple of electric vehicle charging stations. The spaces will alleviate the crowded conditions when visitors park along the main drive and will help direct the visitors to the main lobby of the Administration Building to sign in when they enter the premises. The improvements associated with the modification are expected to be done in the latter half of FY 15-16.

# MAJOR INITIATIVES AND PROJECTS

***Manway Installation:*** In FY 14-15, TVMWD installed three new manways along the Miramar Transmission Pipeline in Baseline Road in the city of Claremont. This is in addition to five other manways installed in the two prior fiscal years. These manways are necessary to facilitate inspections and repairs of the pipeline. An additional four manways are planned over the next fiscal year.

***SCADA Modifications & Upgrades:*** In FY 14-15, TVMWD's SCADA contractor continued with various improvements and modifications associated with the plant and pipeline systems. Older model radios were replaced at most of the connection locations, entry alarms were instituted at all remote facilities, and the plant's combined filter effluent meter was modified to automatically adjust. Additional work will continue in the years to come to keep the SCADA system up to date and reliable. Some of the future upgrades include automated controls for the Williams and Fulton Hydros, data collection/integration for all hydro facilities, and replacing obsolete radios and PLCs at various sites.

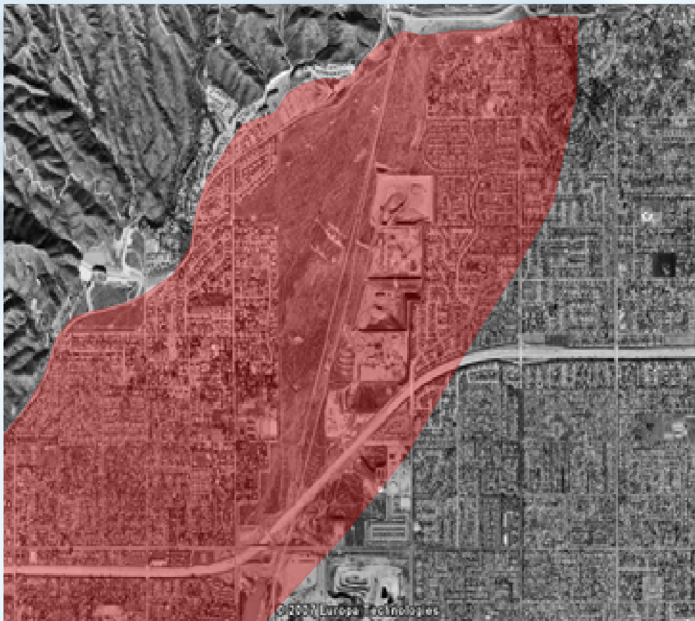
# MAJOR INITIATIVES AND PROJECTS

***Fulton Reservoir:*** Construction of the one-million-gallon reservoir at the Fulton site began in FY 14-15 and is expected to be completed in early FY 15-16. Construction throughout the year progressed as scheduled with no major issues or delays. The project will increase storage capacity at the site and alleviate pressurization concerns on the JWL.

***Miramar Hydroelectric Generation Stations #2 & #3:*** Based on recommendations from its consultant, TVMWD moved forward to implement a project to add two small hydroelectric generating facilities at the existing Miramar Hydro site. The physical improvements were essentially completed in the earlier half of FY 14-15, but additional work by Southern California Edison (Edison) has greatly delayed project start-up. Edison is requiring various upgrades related to its interconnection with the existing and new generating facilities, and TVMWD must pay for these upgrades. These requirements by Edison have pushed the start-up of this project into the latter half of FY 15-16. Based on the overall costs and the expected savings and revenue to be generated by the new hydros, the payback period is estimated to be about 10 years.

# MAJOR INITIATIVES AND PROJECTS

***Enhanced Groundwater Production:*** TVMWD has a strategic goal to increase its capability to use local groundwater supplies to offset imported water, which is more expensive and less reliable. In addition to its two existing groundwater wells, TVMWD desires to develop more wells within the Six Basins groundwater area. Upon completion of Well #2, the focus in FY 14-15 already turned to a new Well #3. After initial negotiations on a potential site for a new well were unsuccessful, TVMWD re-focused and set out to find potential well sites throughout the local area.



***Security Camera Installation:*** During FY 14-15, TVMWD upgraded cameras at three key locations to provide higher resolution picture. Meanwhile, all the digital video recorders were upgraded to enhance picture quality at all the camera locations, and corresponding software to view the video was also upgraded to provide a simplified platform. With the upgrades, however, the system is beginning to tax the bandwidth of the local network, and future improvements to the video system would only worsen that condition. In the coming year, TVMWD hopes to remedy this problem and continue to improve the overall utility of the security cameras.

## Relevant Financial Policies

### Internal Control Structure

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

### Financial Policies

Prior to June 30th each fiscal year, TVMWD adopts an annual appropriated budget for planning, control, and evaluation purposes. The budget includes proposed expenses and the means of financing them. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. The Board of Directors approve total budgeted appropriations and any significant amendments to the appropriations throughout the year. Formal budgetary integration is employed as a management control device during the year. The Board of Directors requires the preparation of an annual budget, but TVMWD is not legally required to report on the budget. Encumbrance accounting is used to account for commitments related to unperformed or incomplete contracts for construction and services. Consistent with the State of California Government Code, TVMWD annually adopts an investment policy that is intended to minimize credit and market risks while maintaining a competitive yield on its overall portfolio. TVMWD's cash management system is also designed to forecast revenues and expenditures accurately, and to invest surplus funds to the fullest extent possible. During FY 14-15, 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 treated water at $24 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

### 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, 2014. This was the eighth consecutive year that TVMWD has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

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

James Linthicum, CPA
Chief Finance Officer

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Three Valleys Municipal Water District, California**

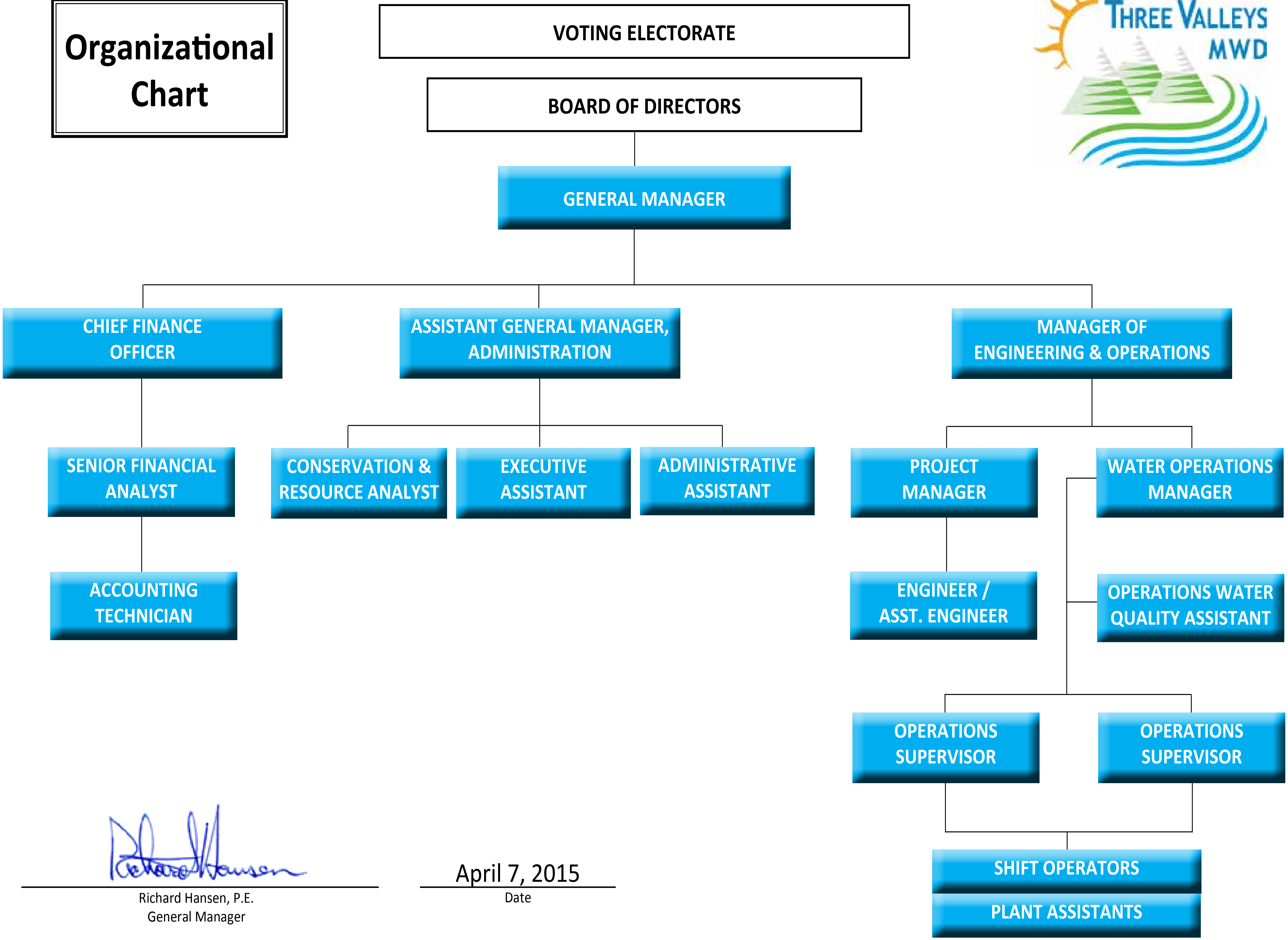
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**June 30, 2014**

Jeffrey R. Emer

Executive Director/CEO

# Organizational Chart

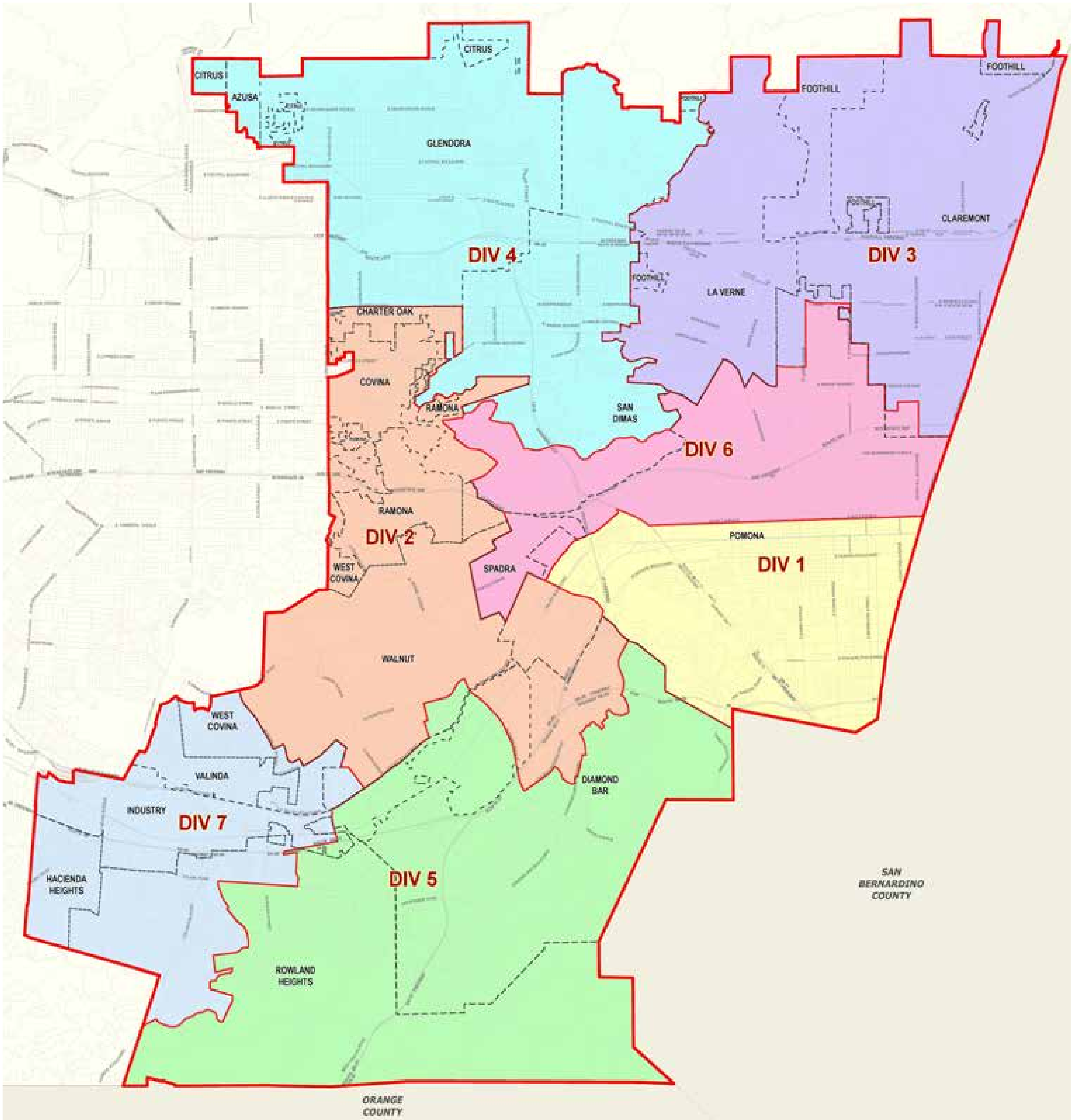



Richard Hansen

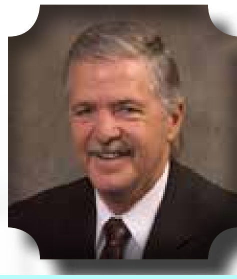
Richard Hansen, P.E.
General Manager

April 7, 2015
Date

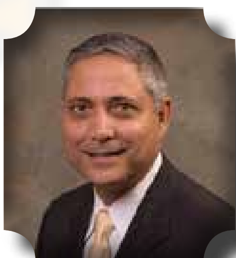
# Elective Subdivision Boundary Map



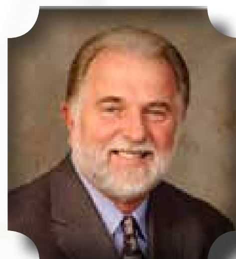
# TVMWD Board of Directors



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

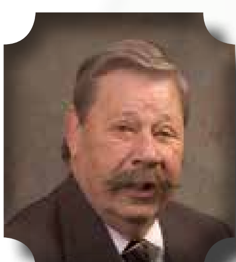


**Director David De Jesus, Vice President**
**Division 2**
Walnut, Covina, West Covina,
San Dimas

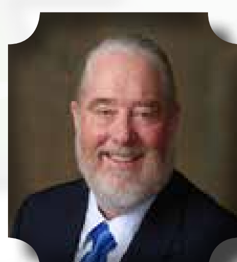


**Director Brian Bowcock, Secretary**
**Division 3**
Claremont and La Verne

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



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



**Director Fred Lantz**
**Division 6**
Northern Pomona

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

## BOARD REPRESENTATION

**(Revised at the December 17, 2014 Board Meeting)**

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

## 2015 COMMITTEE/REPRESENTATION APPOINTMENTS

**(Revised at the December 17, 2014 Board Meeting)**

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

# FINANCIAL SECTION

# INDEPENDENT AUDITORS' REPORT

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

## Report on Financial Statements

We have audited the accompanying financial statements of the Three Valleys Municipal Water District (the District) as of and for the year ended June 30, 2015, 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.

### *Auditors' 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 Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Three Valleys Municipal Water District as of June 30, 2015, 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.

To the Board of Directors
Three Valleys Municipal Water District

**Change in Accounting Principle**

As discussed in the notes to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, and the schedule of contributions 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 November 4, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
November 4, 2015

**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**For the Year Ended June 30, 2015**

This section of TVMWD's annual financial report presents our analysis of TVMWD's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the basic financial statements that follow this section.

## FINANCIAL HIGHLIGHTS

- Treated water sales revenue and the related water purchased decreased substantially in May and June 2015. The decrease in sales and purchases resulted from Governor Brown's executive order issued on April 1, 2015, for mandatory water reductions of 25% statewide. Many agencies acted upon the water restrictions in the last two months of the fiscal year taking less water from both the Weymouth and Miramar plants.
- Accounts receivable and accounts payable decreased by approximately $6 million due to significantly lower water sales in May and June 2015. The contributing factor was the imposition of mandatory water restrictions.
- Grants receivable decreased as the DWR grant related to the SASG Spreading Pipeline Extension nears completion.
- Investments decreased as a result of transfers in the amount of $1.7 million to help pay for capital projects (TVMWD Well #2, Miramar Hydroelectric Generation Stations #2 & #3, SASG Spreading Pipeline Extension, Live Oak Spreading Basin Expansion, and Fulton Reservoir).
- Capital assets increased substantially by $3.6 million. This is a result of a $1.7 million and $1.9 million increase in Depreciable and Nondepreciable assets respectively. The increase in Nondepreciable assets is due to the addition of the following projects to Construction in Progress: Fulton Reservoir, SASG Spreading Pipeline Extension, and Miramar Hydroelectric Generation Stations #2 & #3. The increase in Depreciable assets is due to the completion of the TVMWD Well #2 and Live Oak Spreading Basin Expansion projects offset by depreciation.
- TVMWD implemented GASB Statement No. 68 resulting in a Net Pension Liability of $2.1 million being recognized this fiscal year. This liability will be adjusted each year depending upon the funded status of TVMWD's pension obligations.
- Certificates of participation (COP) decreased by $6 million due to GSWC making their final payment for the 1984 variable rate COP.
- Net position increased primarily due to the GSWC payment offset by a $2.5 million prior period adjustment attributed to the implementation of GASB Statement No. 68.

## 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 7-12) and Notes to the Basic Financial Statements (pages 13-25). 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 7-8) 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 10) 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 11-12) 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.

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 2015 and 2014**

| | 2015 | 2014 | Dollar Change | Total Percent Change |
|---|---|---|---|---|
| **Current and noncurrent assets** | | | | |
| Cash and cash equivalents | $ 2,315,773 | $ 3,509,585 | $ (1,193,812) | (34) % |
| Accounts receivable | 7,128,503 | 12,954,394 | (5,825,891) | (45) % |
| Interest receivable | 30,145 | 51,765 | (21,620) | (42) % |
| Taxes receivable | 85,001 | 41,919 | 43,082 | 103 % |
| Grants receivable | 551,401 | 1,814,825 | (1,263,424) | (70) % |
| Other receivables | 271,133 | 21,018 | 250,115 | 1190 % |
| Loans receivable from employees | 3,324 | 7,014 | (3,690) | (53) % |
| Prepaid expenses and deposits | 76,841 | 72,851 | 3,990 | 5 % |
| Water storage inventory | 1,849,861 | 1,889,364 | (39,503) | (2) % |
| Investments | 9,978,963 | 11,700,700 | (1,721,737) | (15) % |
| Notes receivable | 107,086 | 142,781 | (35,695) | (25) % |
| Net OPEB asset | 274,759 | 132,408 | 142,351 | 108 % |
| **Capital assets** | | | | |
| Depreciable assets | 20,180,854 | 18,499,459 | 1,681,395 | 9 % |
| Nondepreciable assets | 8,897,858 | 6,984,247 | 1,913,611 | 27 % |
| **Total Assets** | $ 51,751,502 | $ 57,822,330 | $ (6,070,828) | (10) % |
| **Deferred outflows of resources** | | | | |
| Deferred pension related items | $ 272,007 | $ - | $ 272,007 | 0 % |
| **Current liabilities** | | | | |
| Accounts payable | $ 6,629,550 | $ 12,631,737 | $ (6,002,187) | (48) % |
| Retention payable | 171,329 | 131,343 | 39,986 | 30 % |
| Accrued payroll | 22,617 | 21,527 | 1,090 | 5 % |
| Accrued compensated absences | 135,598 | 119,470 | 16,128 | 13 % |
| Certificates of participation | - | 6,000,000 | (6,000,000) | (100) % |
| Unearned revenue | - | 16,892 | (16,892) | (100) % |
| **Long-term liabilities** | | | | |
| Accrued compensated absences | 275,091 | 288,476 | (13,385) | (5) % |
| Unearned revenue | - | 149,883 | (149,883) | (100) % |
| Net pension liability | 2,059,901 | - | 2,059,901 | 0 % |
| **Total Liabilities** | $ 9,294,086 | $ 19,359,328 | $ (10,065,242) | (52) % |
| **Deferred inflows of resources** | | | | |
| Deferred pension related items | $ 737,147 | $ - | $ 737,147 | 0 % |
| **Investment in capital assets** | $ 29,078,712 | $ 19,483,706 | $ 9,595,006 | 49 % |
| **Restricted for debt service** | - | 225,000 | (225,000) | (100) % |
| **Unrestricted** | 12,913,564 | 18,754,296 | (5,840,732) | (31) % |
| **Total Net Position** | $ 41,992,276 | $ 38,463,002 | $ 3,529,274 | 9 % |

As depicted in Table A-1, the following significant changes occurred during FY 14-15:

- Accounts receivable and accounts payable decreased by $6 million due to significantly lower water sales in May and June 2015. The contributing factor was the imposition of mandatory water restrictions.
- Grants receivable decreased as the DWR grant related to the SASG Spreading Pipeline Extension nears completion.
- Investments decreased as a result of transfers in the amount of $1.7 million to help pay for capital projects (TVMWD Well #2, Miramar Hydroelectric Generation Stations #2 & #3, SASG Spreading Pipeline Extension, Live Oak Spreading Basin Expansion, and Fulton Reservoir).
- TVMWD implemented GASB Statement No. 68 resulting in a Net Pension Liability of $2.1 million being recognized this fiscal year. This liability will be adjusted each year depending upon the funded status of TVMWD's pension obligations.

**TABLE A-2**
**Condensed Statements of Revenues, Expenses and Changes in Net Position**
**Fiscal Years 2015 and 2014**

| | 2015 | 2014 | Dollar Change | Total Percent Change |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Water and hydroelectric sales | $ 51,650,577 | $ 60,472,272 | $ (8,821,695) | (15) % |
| Water use and connection capacity charges | 7,006,991 | 6,287,667 | 719,324 | 11 % |
| **Nonoperating revenues** | | | | |
| Property tax revenue | 2,014,754 | 1,886,998 | 127,756 | 7 % |
| Sublease income | 5,775,000 | 821,303 | 4,953,697 | 603 % |
| Investment income | 136,976 | 236,128 | (99,152) | (42) % |
| Intergovernmental grant revenue | 46,924 | 115,962 | (69,038) | (60) % |
| **Total Revenues** | 66,631,222 | 69,820,330 | (3,189,108) | (5) % |
| **Operating expenses** | | | | |
| Water purchases | 46,955,631 | 55,401,389 | (8,445,758) | (15) % |
| Water use and connection capacity | 6,182,531 | 5,254,027 | 928,504 | 18 % |
| Water treatment and transmission | 2,711,483 | 2,648,714 | 62,769 | 2 % |
| Administrative expenses | 3,210,144 | 3,347,977 | (137,833) | (4) % |
| Depreciation | 2,031,448 | 1,894,716 | 136,732 | 7 % |
| **Nonoperating expenses** | | | | |
| Interest expense | - | 29,787 | (29,787) | (100) % |
| Intergovernmental grants expense | 46,924 | 115,962 | (69,038) | (60) % |
| Loss on sale/disposal of assets | 12,109 | 104,254 | (92,145) | (88) % |
| Amortization of deferred bond costs & refunding | - | 195,647 | (195,647) | (100) % |
| **Total Expenses** | 61,150,270 | 68,992,473 | (7,842,203) | (11) % |
| **Net income (loss) before capital contributions** | 5,480,952 | 827,857 | 4,653,095 | 562 % |
| **Capital contributions** | 618,666 | 1,742,423 | (1,123,757) | (64) % |
| **Changes in net position** | 6,099,618 | 2,570,280 | 3,529,338 | 137 % |
| **Beginning net position, as previously reported** | 38,463,002 | 36,506,223 | 1,956,779 | 5 % |
| **Prior period adjustment** | (2,570,344) | (613,501) | (1,956,843) | 319 % |
| **Beginning net position, as restated** | 35,892,658 | 35,892,722 | (64) | 0 % |
| **Ending net position** | $ 41,992,276 | $ 38,463,002 | $ 3,529,274 | 9 % |

As depicted in Table A-2, the following significant changes occurred during FY 14-15:

- Treated water sales revenue and the related water purchased decreased substantially in May and June 2015. The decrease in sales and purchases resulted from Governor Brown's executive order issued on April 1, 2015, for mandatory water reductions of 25% statewide. Many agencies acted upon the water restrictions in the last two months of the fiscal year taking less water from both the Weymouth and Miramar plants.
- Capital contributions decreased due to the grant from DWR related to the SASG Spreading Pipeline Extension nearing completion.

**TABLE A-3**
**Capital Assets**
**Fiscal Years 2015 and 2014**

| | 2015 | 2014 | Dollar Change | Total Percent Change |
|---|---|---|---|---|
| **Nondepreciable Assets** | | | | |
| Land | $ 283,019 | $ 283,019 | $ - | 0 % |
| Water Share | 301,000 | 301,000 | - | 0 % |
| Construction in Progress | 8,313,839 | 6,400,228 | 1,913,611 | 30 % |
| **Total Nondepreciable Assets** | 8,897,858 | 6,984,247 | 1,913,611 | 27 % |
| **Depreciable Assets** | | | | |
| Building | 6,720,748 | 1,286,585 | 5,434,163 | 422 % |
| Furniture, Fixtures, & Equipment | 923,439 | 1,536,625 | (613,186) | (40) % |
| Infrastructure | 48,665,856 | 49,484,921 | (819,065) | (2) % |
| Land Improvements | 1,257,839 | 1,851,192 | (593,353) | (32) % |
| District Vehicles | 349,596 | 382,963 | (33,367) | (9) % |
| **Total Depreciable Assets** | 57,917,478 | 54,542,286 | 3,375,192 | (6) % |
| **Less Accumulated Depreciation** | (37,736,624) | (36,042,827) | (1,693,797) | 5 % |
| **Net Depreciable Assets** | 20,180,854 | 18,499,459 | 1,681,395 | 9 % |
| **Total Captial Assets, Net** | $ 29,078,712 | $ 25,483,706 | $ 3,595,006 | 14 % |

As depicted in Table A-3, the following significant changes occurred during FY 14-15:

- Capital assets increased substantially from the prior year by $3.6 million. This is a result of a $1.7 million and $1.9 million increase in Depreciable and Nondepreciable assets respectively. The increase in Nondepreciable assets is due to the addition of the following projects to Construction in Progress: Fulton Reservoir, SASG Spreading Pipeline Extension, and Miramar Hydroelectric Generation Stations #2 & #3. The increase in Depreciable assets is due to the completion of the TVMWD Well #2 and Live Oak Spreading Basin Expansion projects offset by depreciation**.**

**TABLE A-4**
**Long-Term Debt**
**Fiscal Years 2015 and 2014**

| | 2015 | 2014 | Dollar Change | Total Percent Change |
|---|---|---|---|---|
| Certificates of Participation | $ - | $ 6,000,000 | $ (6,000,000) | (100) % |
| **Total Long-Term Debt, Net** | $ - | $ 6,000,000 | $ (6,000,000) | (100) % |

As depicted in Table A-4, the following significant changes occurred during FY 14-15:

- Certificates of participation (COP) decreased by $6 million due to GSWC making their final payment for the 1984 variable rate COP.
- More information about TVMWD's long-term debt is presented in Note 7 of the Notes to the Basic Financial Statements.

**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**STATEMENT OF NET POSITION**
**June 30, 2015**

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents *(Note 3)* | $ | 2,315,773 |
| Accounts receivable *(Note 1)* | | 7,128,503 |
| Interest receivable | | 30,145 |
| Taxes receivable *(Note 1)* | | 85,001 |
| Grants receivable *(Note 5)* | | 551,401 |
| Other receivables | | 271,133 |
| Loans receivable from employees *(Note 1)* | | 3,324 |
| Prepaid expenses *(Note 1)* | | 52,957 |
| Deposits *(Note 1)* | | 14,459 |
| Water storage inventory *(Note 1)* | | 1,849,861 |
| Current portion of notes receivable *(Note 6)* | | 35,695 |
| Total current assets | | 12,338,252 |
| **Noncurrent assets** | | |
| Advance dues deposit *(Note 1)* | | 9,425 |
| Investments - unrestricted *(Note 3)* | | 9,978,963 |
| Notes receivable, net of current portion *(Note 6)* | | 71,391 |
| Net OPEB asset *(Note 13)* | | 274,759 |
| Capital assets *(Note 4)* | | |
| Depreciable assets, net | | 20,180,854 |
| Nondepreciable assets | | 8,897,858 |
| Total noncurrent assets | | 39,413,250 |
| **TOTAL ASSETS** | $ | 51,751,502 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred pension related items | $ | 272,007 |

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

| | | |
|---|---|---|
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable | $ | 6,629,550 |
| Retainage payable *(Note 1)* | | 171,329 |
| Accrued payroll | | 22,617 |
| Current portion of accrued compensated absences *(Note 1)* | | 135,598 |
| Total current liabilities | | 6,959,094 |
| **Noncurrent liabilities** | | |
| Accrued compensated absences, net of current portion *(Note 1)* | | 275,091 |
| Net pension liability | | 2,059,901 |
| Total noncurrent liabilities | | 2,334,992 |
| **TOTAL LIABILITIES** | $ | 9,294,086 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred pension related items | $ | 737,147 |
| **NET POSITION** | | |
| Investment in capital assets *(Note 8)* | | 29,078,712 |
| Unrestricted | | 12,913,564 |
| **TOTAL NET POSITION** | $ | 41,992,276 |

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

THREE VALLEYS MWD

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**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**For the Year Ended June 30, 2015**

| | | |
|---|---|---|
| **OPERATING REVENUES** | | |
| Water sales - MWD | $ | 36,096,259 |
| Water and hydroelectric sales - Miramar | | 15,554,318 |
| Water use and connection capacity charges | | 7,006,991 |
| Total operating revenues | | 58,657,568 |
| **OPERATING EXPENSES** | | |
| Water purchases - MWD | | 36,821,506 |
| Water purchases - Miramar | | 10,134,125 |
| Water use and connection capacity | | 6,182,531 |
| Water treatment and transmission | | 2,711,483 |
| Administrative expenses | | 3,210,144 |
| Depreciation | | 2,031,448 |
| Total operating expenses | | 61,091,237 |
| **OPERATING LOSS** | | (2,433,669) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Property tax revenue | | 2,014,754 |
| Sublease income | | 5,775,000 |
| Investment income | | 136,976 |
| Intergovernmental grant revenue | | 46,924 |
| Intergovernmental grant expense | | (46,924) |
| Loss on sale/disposal of assets | | (12,109) |
| Net nonoperating revenues | | 7,914,621 |
| **NET INCOME BEFORE CAPITAL CONTRIBUTIONS** | | 5,480,952 |
| **CAPITAL CONTRIBUTIONS** *(Note 1)* | | 618,666 |
| **CHANGES IN NET POSITION** | | 6,099,618 |
| **NET POSITION:** | | |
| Beginning of year, as previously reported | | 38,463,002 |
| Prior period adjustment *(Note 2)* | | (2,570,344) |
| Beginning of year, as restated | | 35,892,658 |
| **NET POSITION AT END OF YEAR** | $ | 41,992,276 |

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

**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**STATEMENT OF CASH FLOWS**
**For the Year Ended June 30, 2015**

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from customers | $ | 65,369,497 |
| Cash payments to suppliers of goods or services | | (61,243,426) |
| Cash payments to employees for services | | (3,962,685) |
| Net cash provided by operating activities | | 163,386 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Proceeds from property taxes | | 1,971,671 |
| Net cash provided by noncapital financing activities | | 1,971,671 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Proceeds from sublease income | | 5,775,000 |
| Proceeds from capital contributions | | 618,666 |
| Acquisitions of capital assets | | (112,729) |
| Cost of construction in progress additions | | (5,525,834) |
| Debt repayments on certificates of participation | | (6,000,000) |
| Net cash used by capital and related financing activities | | (5,244,897) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of investments in government securities | | (3,311,359) |
| Proceeds from sales of investments in government securities | | 5,032,404 |
| Investment income | | 159,288 |
| Payments received on notes receivable | | 35,695 |
| Net cash provided by investing activities | $ | 1,916,028 |

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

| | | |
|---|---|---|
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | $ | (1,193,812) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | 3,509,585 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $ | 2,315,773 |
| **RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Income from operations | $ | (2,433,669) |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | | 2,031,448 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | | 5,825,891 |
| (Increase) decrease in grant receivable | | 1,263,424 |
| (Increase) decrease in other receivables | | (250,115) |
| (Increase) decrease in loans receivable from employees | | 3,690 |
| (Increase) decrease in prepaid expenses | | (3,803) |
| (Increase) decrease in deposits | | (636) |
| (Increase) decrease in water storage inventory | | 39,503 |
| (Increase) decrease in advance dues deposit | | 449 |
| (Increase) decrease in net OPEB asset | | (142,351) |
| Increase (decrease) in accounts payable | | (6,002,187) |
| Increase (decrease) in accrued payroll | | 1,090 |
| Increase (decrease) in retention payable | | 39,986 |
| Increase (decrease) in accrued compensated absences | | 2,743 |
| Increase (decrease in net pension liability and related items | | (45,302) |
| Increase (decrease) in unearned revenue | | (166,775) |
| Net cash provided by operating activities | $ | 163,386 |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION** | $ | 2,315,773 |

**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**NOTES TO THE BASIC FINANCIAL STATEMENTS**
**For the Year Ended June 30, 2015**

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Organization

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

### Basis of Accounting and Financial Statement Presentation

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

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

### Use of Estimates

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

### Cash and Cash Equivalents

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

### Accounts Receivable

TVMWD grants unsecured credit to its retail 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, 2015, thus no allowance is reflected on the statement of net position.

### Property Taxes

Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent 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, 2015, thus no allowance is reflected on the statement of net position.

### Loans Receivable from Employees

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

### Prepaid Expenses and Deposits

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

### Water Storage Inventory

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

| | Six Basins | | Main San Gabriel Basin | |
|---|---|---|---|---|
| | Acre Feet | Amount | Acre Feet | Amount |
| Beginning Balance at July 1, 2014 | 1,273 | $ 349.486 | 2,622 | $ 1,539,878 |
| Acquired | 1,917 | 532,218 | 471 | 274,122 |
| Used or Sold | (1,110) | (258,513) | (1,000) | (587,330) |
| Ending Balance at June 30, 2015 | **2,080** | **$ 623,191** | **2,093** | **$1,226,670** |

### 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Capital Assets

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

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

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

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

### Compensated Absences

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

### Net Pension Liability

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

### 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. TVMWD does not currently have any restricted - net position.

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.

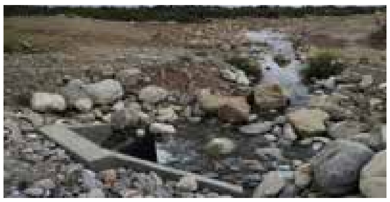
### Classification of Revenues and Expenses

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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Capital Contributions

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



### New Accounting Pronouncements

During the fiscal year ended June 30, 2015, TVMWD implemented the following GASB standards:

**GASB Statement No. 68** - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* improves the decision-usefulness of information in local government employer entity financial reports and enhances its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability are also enhanced through new note disclosures and required supplementary information.

**GASB Statement No. 71** - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The Statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions made by a local government employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

## NOTE 2 – PRIOR PERIOD ADJUSTMENT

TVMWD's financial statements have been updated to conform to newly adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions". As a result of compliance with GASB Statement No. 68, TVMWD has restated net position by $2,570,344 to reflect the balance of net pension liability as of June 30, 2014.

## NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments are presented on the Statement of Net Position as follows as of June 30, 2015:

| Type | Fair Value |
|---|---|
| **Cash and cash equivalents** | |
| Cash | $ 2,264,066 |
| Money Market Funds | 45,224 |
| Local Agency Investment Fund | 6,483 |
| **Total cash and cash equivalents** | 2,315,773 |
| **Investments** | |
| Federal Agency Securities | 3,913,732 |
| US Corporate Notes | 2,535,454 |
| US Treasury Notes | 2,152,753 |
| Collateral Mortgage Obligation | 213,739 |
| Commercial Paper | 199,803 |
| Asset Backed Security | 963,482 |
| **Total investments** | 9,978,963 |
| **Total cash and cash equivalent and investments** | $12,294,736 |

### Deposits

As of June 30, 2015, the carrying amount of TVMWD's cash deposits was $2,264,066 and the bank balances were $2,610,423. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in TVMWD's name as discussed below. TVMWD has no restricted cash deposits as of June 30, 2015.

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.

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

### Investment in State Investment Pool

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

### Investments

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

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

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

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

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

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

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

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

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

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

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


### Interest Rate Risk

TVMWD's investment policy limits investment maturities to five years or less as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2015, TVMWD had the following investment maturities:

| | | Investment Maturities (In Years) | | |
|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | 1 to 3 | 3 to 5 |
| Money Market Funds | $ 45,224 | $ 45,224 | $ - | $ - |
| Federal Agency Securities | 3,913,732 | - | 2,245,934 | 1,667,798 |
| US Corporate Notes | 2,535,454 | 147,164 | 1,363,247 | 1,025,043 |
| US Treasury Notes | 2,152,753 | - | 958,197 | 1,194,556 |
| Collateral Mortgage Obligation | 213,739 | 213,739 | - | - |
| Asset Backed Security | 963,482 | 220,325 | 533,028 | 210,129 |
| Commercial Paper | 199,803 | 199,803 | - | - |
| Local Agency Investment Fund | 6,483 | 6,483 | - | - |
| Total | $10,030,670 | $832,738 | $5,100,406 | $4,097,526 |

### 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, 2015, TVMWD's credit risks, expressed on a percentage basis, were as follows:

**Credit Quality Distribution for Securities With Credit Exposure as a Percentage of Total Investments**

| Investment Type | Moody's Credit Rating | S&P's Credit Rating | % of Investment with Interest Rate Risk |
|---|---|---|---|
| Federal Agency Securities | Aaa | AA+ | 39.02% |
| US Corporate Notes | A1 | AA- | 25.28% |
| US Treasury Notes | Aaa | AA+ | 21.46% |
| Collateral Mortgage Obligation | Aaa | AA+ | 2.13% |
| Asset Backed Security | Aaa | AAA | 9.61% |
| Commercial Paper | P-1 | A-1 | 1.99% |
| Money Market Fund | Aaa | AAA | 0.45% |
| Local Agency Investment Fund | Not rated | Not rated | 0.06% |
| **Total** | | | **100.00%** |

### 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, 2015, none of TVMWD's deposits or investments were exposed to custodial credit risk.

### 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 percent 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 4 – CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2015 is as follows:

| | Beginning Balance 06/30/2014 | Reclass* | Adjusted Beginning Balance 06/30/2014 | Additions | Retirements | Transfers | Ending Balance 06/30/2015 |
|---|---|---|---|---|---|---|---|
| **Capital assets, not being depreciated:** | | | | | | | |
| Land | $ 283,019 | $ - | $ 283,019 | $ - | $ - | $ - | $ 283,019 |
| Water Share | 301,000 | - | 301,000 | - | - | - | 301,000 |
| Construction in progress | 6,400,228 | - | 6,400,228 | 5,536,823 | (10,989) | (3,612,223) | 8,313,839 |
| **Total capital assets, not being depreciated** | 6,984,247 | - | 6,984,247 | 5,536,823 | (10,989) | (3,612,223) | 8,897,858 |
| **Capital assets, being depreciated:** | | | | | | | |
| Building and Building Improvement | 1,286,585 | 5,410,649 | 6,697,234 | - | - | 23,514 | 6,720,748 |
| Furniture, Fixtures, and Equipment | 1,536,625 | (618,344) | 918,281 | 58,193 | (53,035) | - | 923,439 |
| Infrastructure | 49,484,921 | (4,176,968) | 45,307,953 | 21,651 | (252,457) | 3,588,709 | 48,665,856 |
| Land Improvements | 1,851,192 | (615,337) | 1,235,855 | 21,984 | - | - | 1,257,839 |
| Vehicles | 382,963 | - | 382,963 | 10,901 | (44,268) | - | 349,596 |
| **Total capital assets, being depreciated** | 54,542,286 | - | 54,542,286 | 112,729 | (349,760) | 3,612,223 | 57,917,478 |
| **Less accumulated depreciation for:** | | | | | | | |
| Building and Building Improvement | 883,031 | 5,196,595 | 6,079,626 | 201,012 | - | - | 6,280,638 |
| Furniture, Fixture and Equipment | 1,206,057 | (513,187) | 692,870 | 54,685 | (47,902) | - | 699,653 |
| Infrastructure | 32,912,348 | (4,608,831) | 28,303,517 | 1,640,380 | (245,481) | - | 29,698,416 |
| Land Improvement | 748,174 | (72,594) | 675,580 | 117,582 | - | - | 793,162 |
| Vehicles | 293,217 | (1,983) | 291,234 | 17,789 | (44,268) | - | 264,755 |
| **Total accumulated depreciation** | 36,042,827 | - | 36,042,827 | 2,031,448 | (337,651) | - | 37,736,624 |
| **Total capital assets, being depreciated, net** | 18,499,459 | - | 18,499,459 | (1,918,719) | (12,109) | 3,612,223 | 20,180,854 |
| **Total capital assets, net** | $ 25,483,706 | $ - | $ 25,483,706 | $ 3,618,104 | $ 1,120 | $ - | 29,078,712 |

*Capital assets were reviewed and broken down into more meaningful individual components to assist in proper accounting for asset disposals, repairs, refurbishments and future replacement planning. This required reclassing assets to different asset classes.

Depreciation expense for the year totaled $2,031,448.

## NOTE 5 – GRANTS RECEIVABLE

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

## NOTE 6 – NOTES RECEIVABLE

TVMWD provided GSWC, formerly known as Southern California Water Company, a capital improvement loan for a pipeline project at a rate of 2% above the published rate paid on funds on deposit with LAIF. The loan had a balance as of June 30, 2015 of $107,086, and is being collected over a twenty year period ending in 2018.

## NOTE 7 – LONG TERM DEBT

### Certificates of Participation

TVMWD entered into a "First Lease - Purchase Agreement" with Central Bank Leasing, a division of Central Leasing Corporation on November 1, 1983. Under the terms of this lease agreement, TVMWD was to issue COP evidencing the proportionate interest of the owners thereof in lease payments to be made by TVMWD. TVMWD was also required to cause a facility to be constructed in accordance with the provisions of the agreement for construction, operation and maintenance of the Miramar Treatment Plant.

On October 5, 1984, TVMWD entered into an agreement with the City of La Verne and GSWC. The agreement called for the execution of a "First Miramar Project Sublease" by TVMWD and the City of La Verne and a "Second Miramar Project Sublease" by TVMWD and GSWC. The agreement provided for the allocation of capital and other project costs among the parties, for financing of those costs and for payment of each party's share of those costs. TVMWD capitalized the lease agreement as amended on March 1, 1994 as a Capital Lease Obligation. The lease, as amended, represents $21,915,000 in COP (fixed rate refunding obligation at interest rates ranging from 7.25% to 9.7%) and $6,000,000 in COP (variable rate). The principal payment for the $6,000,000 variable COP's will be paid for solely by GSWC.

The 1986 fixed rate COP's refunded the remaining balance of the 1984 fixed rate COP's. The variable rate COP's of $6,000,000 issued in 1984 payable by GSWC were not refinanced. Debt service payments on the refunded bonds were defeased by placing proceeds of the 1986 issue in an irrevocable trust to provide for all future debt service payments of the 1984 fixed rate issue. Since the 1984 bonds are considered defeased, the liability has been removed from the financial statements

The 1993 fixed rate COP's refunded the remaining balance of the 1986 fixed rate COP's. The variable rate COP's of $6,000,000 issued in 1984 payable by GSWC were not refinanced. Debt service payments on the refunded bonds were defeased by placing proceeds of the 1993 issue in an irrevocable trust to provide for all future debt service payments of the 1986 fixed rate issue including a prepayment premium of 3% to be paid on the earliest prepayment date. Since the 1986 bonds are considered defeased, the liability has been removed from the financial statements.

The 2003 fixed rate COP's refunded the remaining balance of the 1993 fixed rate COP's. The variable rate COP's of $6,000,000 issued in 1984 payable by GSWC were not refinanced. Under the refunding plan, TVMWD deposited funds from a portion of the net proceeds of the sale of the certificates and certain other funds in an escrow fund to be held by U.S. Bank National Association, Los Angeles, California, and the escrow agent. The amounts deposited in the escrow fund enabled the escrow agent to purchase investment securities. The principal and interest earned on the investment securities together with the cash concurrently deposited in the escrow fund will be sufficient to pay the regularly scheduled principal and interest of the refunded certificates as well as the prepayment price with respect to the refunded certificates.

The final payment for the 2003 fixed rate COP's was made November 1, 2013. The final payment for the 1984 variable rate COP's was made November 1, 2014 by GSWC.

Changes in the COP for the year ended June 30, 2015 are as follows:

| | Beginning Balance 7/1/2014 | Additions | Retirements | Ending Balance 6/30/2015 | Due within one year |
|---|---|---|---|---|---|
| 1986 COP | $6,000,000 | $ - | $6,000,000 | $ - | $ - |
| 2003 COP | - | - | - | - | - |
| | $6,000,000 | $ - | $6,000,000 | $ - | $ - |

## NOTE 8 – INVESTMENT IN CAPITAL ASSETS

Investment in capital assets are presented on the Statement of Net Position as follows at June 30, 2015:

| | |
|---|---|
| Net capital assets | $ 29,078,712 |
| Debt associated with capital assets: | - |
| Investment in capital assets | $ 29,078,712 |

## NOTE 9 – 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 $23,103 for the year ended June 30, 2015. The future minimum lease payments are as follows:

| Year Ending June 30 | Amount |
|---|---|
| 2016 | 20,042 |
| 2017 | 18,515 |
| **Total** | **$ 38,557** |

### Funding Support

TVMWD agreed to contribute $100,000 to Six Basins Watermaster for a completed groundwater flow model of the Six Basins. Watermaster expects to complete the model December 2015.

### 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 $858,934 of open contracts as of June 30, 2015.

The following material construction commitments existed at June 30, 2015:

| Project Name | Contract Amount | Expenditures to date as of June 30, 2015 | Remaining Commitment |
|---|---|---|---|
| SASG Spreading Pipeline Extension | $ 3,208,741 | $ 3,154,079 | $ 54,662 |
| Miramar Hydroelectric Generating Stations #2 & #3 | 850,146 | 777,514 | 72.632 |
| Live Oak Spreading Basins Expansion | 28,310 | 15,707 | 12,603 |
| Fulton Reservoir | 3,634,126 | 3,393,820 | 240,306 |
| TVMWD Well #3 | 375,000 | 7,114 | 367,886 |
| 5th Street & White Ave. Connection Replacement | 110,845 | - | 110,845 |

## NOTE 10 – POOLED ARRANGEMENTS

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

Property Loss: Insured up to replacement value with a $10,000 deductible for buildings, personal property, fixed equipment and catastrophic coverage. The deductible on mobile equipment is $1,000. The deductible on vehicles is $500. These deductibles vary based on property type. The pooled layer is up to $100,000 per occurrence and excess insurance coverage has been purchased for $100,000 up to $100 million.

General Liability: The pooled layer is up to $2 million per occurrence and excess insurance coverage has been purchased for $2 million to $60 million.

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

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

## NOTE 11 – PENSION PLANS

### Plan Descriptions

All qualified permanent, probationary and part-time vested employees are eligible to participate in TVMWD's miscellaneous employee pension plans (the Plans), cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). TVMWD sponsors two plans: a 2%@55 benefit plan for employees hired prior to December 31, 2012 and a 2%@62 plan for employees hired on or after January 1, 2013. Benefit provisions under the Plans are established by State statute and TVMWD resolution. CalPERS issues publicly available reports that include a full description of the pension plans 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 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 each plan are applied as specified by the California Public Employees' Retirement Law (PERL).

Each Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

| | Miscellaneous | |
|---|---|---|
| Hire date | Prior to December 31, 2012 | On or after January 1, 2013 |
| 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 | 11.522% | 6.25% |


### Contributions

Section 20814(c) of the California PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 6.891% of annual pay, and the average employer's contribution rate is 10.781% of annual payroll. Employer contributions rates may change if plan contracts are amended.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

| | 2% @ 55 | 2% @ 62 |
|---|---|---|
| Contributions - employer | $240,869 | $3,353 |
| Contributions - employee (paid by employer) | $ 0 | $ 0 |

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

As of June 30, 2015, TVMWD reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

| | Proportionate Share of Net Pension Liability |
|---|---|
| 2% @ 55 | $2,059,173 |
| 2% @ 62 | 728 |
| Total Net Pension Liability | $2,059,901 |

TVMWD's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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 plans relative to the projected contributions of all participating employers, actuarially determined. TVMWD's proportionate share of the net pension liability for each Plan as of June 30, 2014 was as follows:

## NOTE 11 – PENSION PLANS (continued)

| | 2% @ 55 | 2% @ 62 |
|---|---|---|
| Proportion - June 30, 2014 | 0.03309% | 0.00001% |

For the year ended June 30, 2015, TVMWD recognized pension expense of $228,719. At June 30, 2015, 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 | $272,007 | $ 0 |
| Differences between actual and expected experience | 0 | 0 |
| Changes in assumptions | 0 | 0 |
| Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 0 | (692,233) |
| Difference between actual and proportionate share | 0 | (28,295) |
| Net differences between projected and actual earnings on plan investments | 0 | (16,629) |
| Total | $272,007 | $(737,147) |

The $272,007 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending June 30 | Deferred Outflows/ (Inflows) of Resources |
|---|---|
| 2015 | $(207,289) |
| 2016 | (178,994) |
| 2017 | (177,806) |
| 2018 | (173,058) |
| 2019 | 0 |
| Thereafter | 0 |

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

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

| | Miscellaneous |
|---|---|
| Valuation Date | June 30, 2013 |
| Measurement Date | June 30, 2014 |
| Actuarial Cost Method | Entry Age Normal |
| Acturial Assumptions: | |
| Discount Rate | 7.5% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Projected Salary Increase | varies by entry age and service |
| Investment Rate of Return | 7.5% (1) |
| Mortality | (2) |
| Post Retirement Benefit Increase | 2% |

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

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

All other actuarial assumptions used in the June 30, 2013 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.

### Discount Rate

The discount rate used to measure the total pension liability was 7.5% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 7.5% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

## NOTE 11 – PENSION PLANS (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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.

| | New Strategic Allocation | Real Return Years 1-10[1] | Real Return Years 11+[2] |
|---|---|---|---|
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 12.0% | 6.83% | 6.95% |
| Real Estate | 11.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.0% | 4.50% | 5.13% |
| Liquidity | 2.0% | (0.55)% | (1.05)% |

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period

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

The following presents TVMWD's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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:

| | 2% @ 55 | 2% @ 62 |
|---|---|---|
| 1% Discount | 6.5% | 6.5% |
| Net Pension Liability | $3,668,809 | $1,298 |
| Current Discount Rate | 7.5% | 7.5% |
| Net Pension Liability | $2,059,173 | $728 |
| 1% Increase | 8.5% | 8.5% |
| Net Pension Liability | $723,328 | $255 |

### Pension Plan Fiduciary Net Position

Detailed information about each 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, 2015, TVMWD reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

## NOTE 12 – DEFERRED COMPENSATION AND PENSION 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 $1,716 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

## NOTE 12 – DEFERRED COMPENSATION AND PENSION PLANS (Continued)

to claims of TVMWD's general creditors. Market value of all plan assets held in trust by the two TVMWD plans amounted to $4,801,127 at June 30, 2015.

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

### 401(a) Defined Contribution Plan

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

Accordingly, TVMWD is in compliance with this legislation. Therefore, these assets are not the legal property of TVMWD and are not subject to claims of TVMWD's general creditors. Market value of all plan assets held in trust by TVMWD plan amounted to $139,245 at June 30, 2015.

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 13 – OTHER POST-EMPLOYMENT BENEFITS

### Plan Description and Provision

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

### Funding Policy

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 of Directors. Any additional amounts for pre-funding are deposited into CERBT, an IRC Section 115 trust fund administered by CalPERS. The CERBT is an irrevocable trust from which funds can only be used to pay for retiree medical coverage. Separate financial statements for the CERBT may be obtained by writing to CalPERS at 400 Q Street, Sacramento, CA 95811 or by visiting the CalPERS website at www.calpers.ca.gov.

For FY 14-15, TVMWD contributed $17,247 for current premiums.

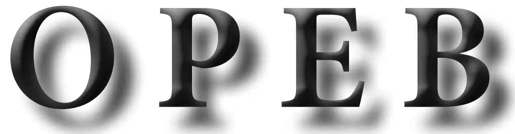
### Annual OPEB Cost and Net OPEB Obligation

TVMWD's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of TVMWD's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in TVMWD's net OPEB obligation.

| | |
|---|---|
| Annual required contribution | $ 54,435 |
| Interest on net OPEB obligation (asset) | (10,076) |
| Adjustment to ARC | 11,993 |
| Annual OPEB cost | 56,352 |
| Contribution made | (198,703) |
| (Decrease) Increase in net OPEB obligation | (142,351) |
| Net OPEB obligation (asset) June 30, 2014 | (132,408) |
| Net OPEB obligation (asset) June 30, 2015 | $(274,759) |

For the FY 14-15, TVMWD's annual OPEB cost (expense) was $56,352. The Net OPEB Obligation for the current and prior two fiscal years is presented below:

| Fiscal Year End | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|---|---|---|---|
| 6/30/2013 | $ 23,263 | 94% | $ (155,597) |
| 6/30/2014 | $ 25,004 | 7% | $ (132,408) |
| 6/30/2015 | $ 56,352 | 353% | $ (274,759) |




## NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

### Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This is presented for the periods beginning July 1, 2009, July 1, 2011, and July 2013 as TVMWD obtains a biennial actuarial valuation. The change in the actuarial liability calculation for the July 1, 2013 valuation compared to the July 1, 2009 valuation is due to no value being added for the implied subsidy as this is not required for ACWA/JPIA plans since they are community rated plans.

The UAAL and funded ratio for July 2013 were revised based on the plan change noted above for employees retiring after January 1, 2015.

| Type of Valuation | Actual | Actual | Actual |
|---|---|---|---|
| Actuarial Valuation Date | 7/1/2009 | 7/1/2011 | 7/1/2013 |
| Actuarial Value of Assets | $ - | $ - | $422,580 |
| Unfunded Actuarial Accrued Liability (UAAL) | $854,960 | $429,288 | $251,206 |
| Funded Ratio | 0.00% | 0.00% | 63% |
| Covered Payroll | $1,990,355 | $2,154,087 | $2,239,122 |
| UAAL as a % of Covered Payroll | 43% | 20% | 3% |
| Interest Rate | 5.00% | 7.61% | 7.61% |
| Salary Scale | 3.25% | 3.25% | 3.25% |


### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the Projected Unit Credit funding method was used. The actuarial assumptions included a 7.61% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, an annual healthcare cost trend rate of 8% reduced by increments to an ultimate rate of 5% after six years, a projected salary increase of 3.25%, and a 3.0% inflation rate. The actuarial value of assets is set equal to the reported market value assets. The UAAL is being amortized as a level dollar of payroll over 30 years. The amortization period is closed. The remaining amortization period at June 30, 2015 was 25 years. As of the actuarial date, TVMWD had 23 active participants and 5 retirees.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE 1

**Three Valleys Municipal Water District**
Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

| | 2%@55 Plan | 2%@62 Plan |
|---|---|---|
| Plan's Proportion of the Net Pension Liability/(Asset) | 0.03309% | 0.00001% |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) | $ 2,059,173 | $ 728 |
| Plan's Covered-Employee Payroll | $ 2,219,910 | $ 46,919 |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll | 92.76% | 1.55% |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 83.03% | 83.04% |
| Plan's Proportionate Share of Aggregate Employer Contributions | $ 272,421 | $ 96 |

**Notes to Schedule**

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

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

**SOURCE:** CalPERS GASB 68 Accounting Valuation 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.

## SCHEDULE 2

### Three Valleys Municipal Water District

Schedule of Plan Contributions - California Public Employees Retirement Plan
For the Year Ended June 30, 2015

| | 2%@55 Plan | 2%@62 Plan |
|---|---|---|
| Actuarially Determined Contributions | $ 266,605 | $ 5,402 |
| Contributions in Relation to the Actuarially Determined Contributions | $ (266,605) | $ (5,402) |
| Contribution Deficiency (Excess) | $ - | $ - |
| Covered-Employee Payroll | $ 2,313,876 | $ 86,437 |
| Contributions as a Percentage of Covered-Employee Payroll | 11.52% | 6.25% |

**SOURCE:** CalPERS GASB 68 Accounting Valuation 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.

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# STATISTICAL SECTION

**THREE VALLEYS MUNICIPAL WATER DISTRICT**
**STATISTICAL SECTION**
**For the Year Ended June 30, 2015**

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

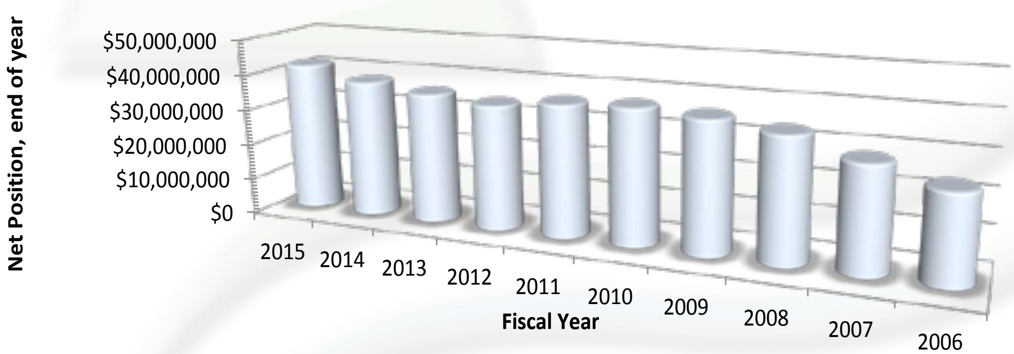
These schedules offer demographic and economic indicators to help the reader understand the environment within which TVMWD's financial activities take place and to help make comparisons over time and with other agencies.

### 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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** |
| Operating revenues (see Schedule 3) | $ 58,657,568 | $ 66,759,939 | $ 59,240,205 | $ 50,665,608 | $ 48,780,881 | $ 42,547,611 | $ 44,607,527 | $ 42,351,366 | $ 39,103,442 | $ 35,716,571 |
| Operating expenses (see Schedule 4) | 61,091,237 | 68,546,823 | 60,088,682 | 53,638,803 | 51,179,455 | 43,935,929 | 45,397,036 | 41,165,430 | 37,985,351 | 34,847,247 |
| Total operating income (loss) | (2,433,669) | (1,786,884) | (848,477) | (2,973,195) | (2,398,574) | (1,388,318) | (789,509) | 1,185,936 | 1,118,091 | 869,324 |
| Nonoperating revenues (expenses) | | | | | | | | | | |
| Property tax revenue | 2,014,754 | 1,886,998 | 1,958,128 | 1,783,167 | 1,636,394 | 1,674,451 | 1,792,410 | 1,548,863 | 1,560,507 [1] | 650,726 |
| Sublease income | 5,775,000 | 821,303 | 832,593 | 832,946 | 844,434 | 838,412 | 914,446 | 1,008,893 | 1,036,911 | 996,706 |
| Investment income | 136,976 | 236,128 | 72,974 | 311,222 | 352,529 | 656,200 | 945,448 | 1,488,814 | 1,460,157 | 508,464 |
| Intergovernmental grants revenue | 46,924 | 115,962 | | | | | | | | |
| Intergovernmental grants expense | (46,924) | (115,962) | | | | | | | | |
| Interest expense | - | (29,787) | (221,353) | (327,853) | (398,839) | (460,411) | (598,486) | (733,833) | (780,165) | (669,784) |
| Amortization of deferred bond costs/refunding | - | (195,647) | (183,225) | (221,097) | (221,096) | (221,096) | (221,096) | (221,096) | (249,703) | (249,703) |
| Reimbursements revenue | - | - | - | - | 33,945 | 56,093 | 135,418 | 37,069 | 62,877 | 68,435 |
| Gain (loss) on sale of assets | (12,109) | (104,254) | (3,297) | (2,339) | - | - | 7,953 | 3,009 | 5,000 | 5,000 |
| Other non-operating revenues (expenses) | - | - | - | - | - | - | - | (4,191) | (68,642) [2] | (5,267) |
| Total nonoperating revenues (expenses) | 7,914,621 | 2,614,741 | 2,455,820 | 2,376,046 | 2,247,367 | 2,543,649 | 2,976,093 | 3,127,528 | 3,026,942 | 1,304,577 |
| Net income before capital contributions and change in accounting principle | 5,480,952 | 827,857 | 1,607,343 | (597,149) | (151,207) | 1,155,331 | 2,186,584 | 4,313,464 | 4,145,033 | 2,173,901 |
| Capital contributions | 618,666 | 1,742,423 | - | - | - | - | 32,018 | 1,384,041 | 635,877 | 467,640 |
| Change in net position | 6,099,618 | 2,570,280 | 1,607,343 | (597,149) | (151,207) | 1,155,331 | 2,218,602 | 5,697,505 | 4,780,910 | 2,641,541 |
| Net Position, beginning of year | 38,463,002 | 36,506,223 | 34,949,375 | 36,894,832 | 37,581,089 | 36,425,758 | 34,207,156 | 28,974,258 | 24,193,348 | 21,551,807 |
| Prior period adjustment | (2,570,344) [8] | (613,501) [7] | (50,495) [6] | (1,348,308) [5] | (535,050) [4] | - | - | (464,607) [3] | - | - |
| **Net Position, end of year, as restated (see Schedule 2)** | **$ 41,992,276** | **$ 38,463,002** | **$ 36,506,223** | **$ 34,949,375** | **$ 36,894,832** | **$ 37,581,089** | **$ 36,425,758** | **$ 34,207,156** | **$ 28,974,258** | **$ 24,193,348** |




[1] Fluctuating property tax revenue due to State shifts in subvention revenues (restored in FY 07).
[2] Increase due to higher project and operations/maintenance reimbursements from member agencies.
[3] Prior Period Adjustment related to construction in progress, property tax revenues, bond insurance costs, and investment interest.
[4] Prior Period Adjustment related to disposal of capital assets.
[5] Prior Period Adjustment related to removal of prepaid pension asset.
[6] Prior Period Adjustment related to change in accounting principle.
[7] Prior Period Adjustment related to removal of MWD assets.
[8] Prior Period Adjustment related to GASB 68.

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

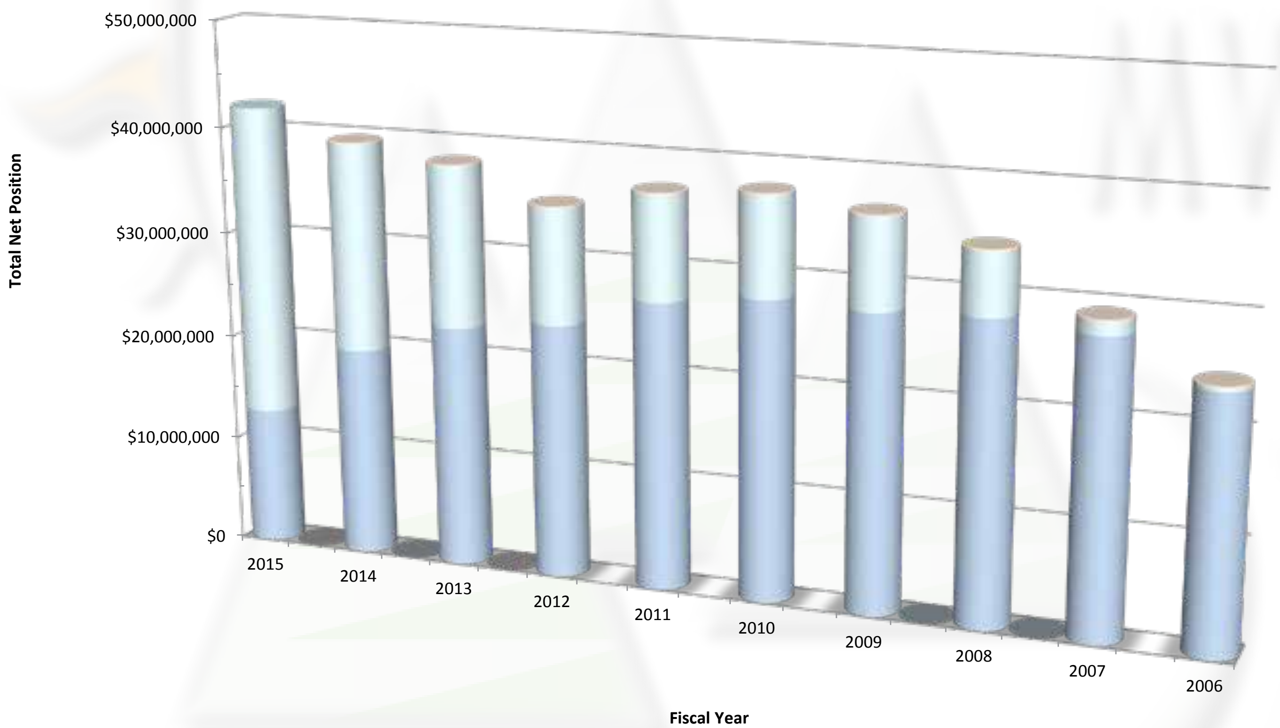
**SCHEDULE 2**

**Three Valleys Muncipal Water District**

Changes in Net Position and Components of Net Position

Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net investment in capital assets** | $ 29,078,712 [1] | $ 19,483,706 [1] | $ 15,073,992 | $ 10,791,926 | $ 9,747,308 | $ 9,288,517 | $ 8,406,471 [1] | $ 5,796,735 | $ 1,200,002 | $ 284,649 |
| **Restricted for debt service** | - | 225,000 | 227,163 | 227,203 | 226,165 | 226,153 | 229,572 | 227,964 | 227,964 | 226,615 |
| **Unrestricted** | 12,913,564 | 19,714,296 | 22,761,916 | 23,930,246 | 26,921,359 | 28,066,419 | 27,789,715 | 28,182,457 | 27,546,292 | 23,682,084 |
| **Total Net Position** | $ 41,992,276 | $ 39,423,002 | $ 38,063,071 | $ 34,949,375 | $ 36,894,832 | $37,581,089 | $ 36,425,758 | $ 34,207,156 | $ 28,974,258 | $ 24,193,348 |



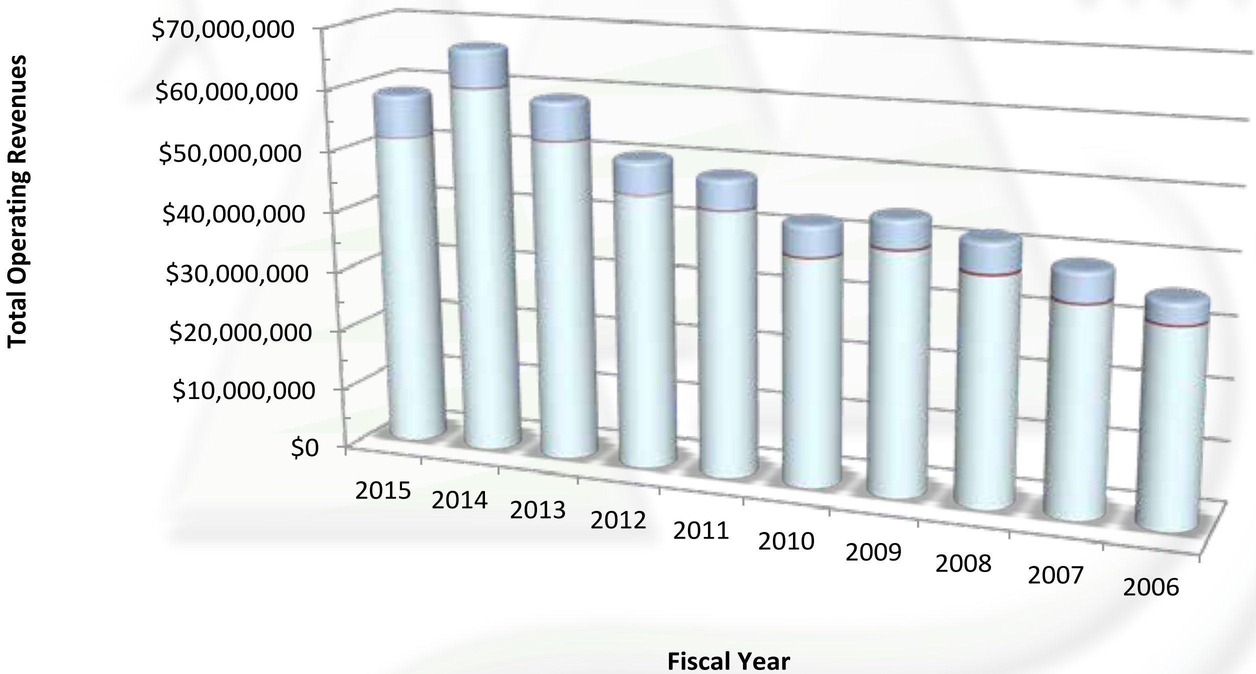

[1] Increase due to significant increase in capital assets and construction in progress during fiscal year.

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

**SCHEDULE 3**

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

| Fiscal Year | Water Sales[1] | Hydroelectric Sales | Water Use and Connection Charges | Total Operating Revenues |
|---|---|---|---|---|
| **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 | **50,665,607** |
| **2011** | 43,658,124 | 203,608 | 4,919,149 | **48,780,881** |
| **2010** | 37,256,856 | 281,703 | 5,009,053 | **42,547,612** |
| **2009** | 39,678,826 | 332,772 | 4,595,929 | **44,607,527** |
| **2008** | 37,092,944 | 380,632 | 4,877,790 | **42,351,366** |
| **2007** | 33,951,445 | 316,291 | 4,835,706 | **39,103,442** |
| **2006** | 31,854,868 | 326,880 | 3,534,823 | **35,716,571** |



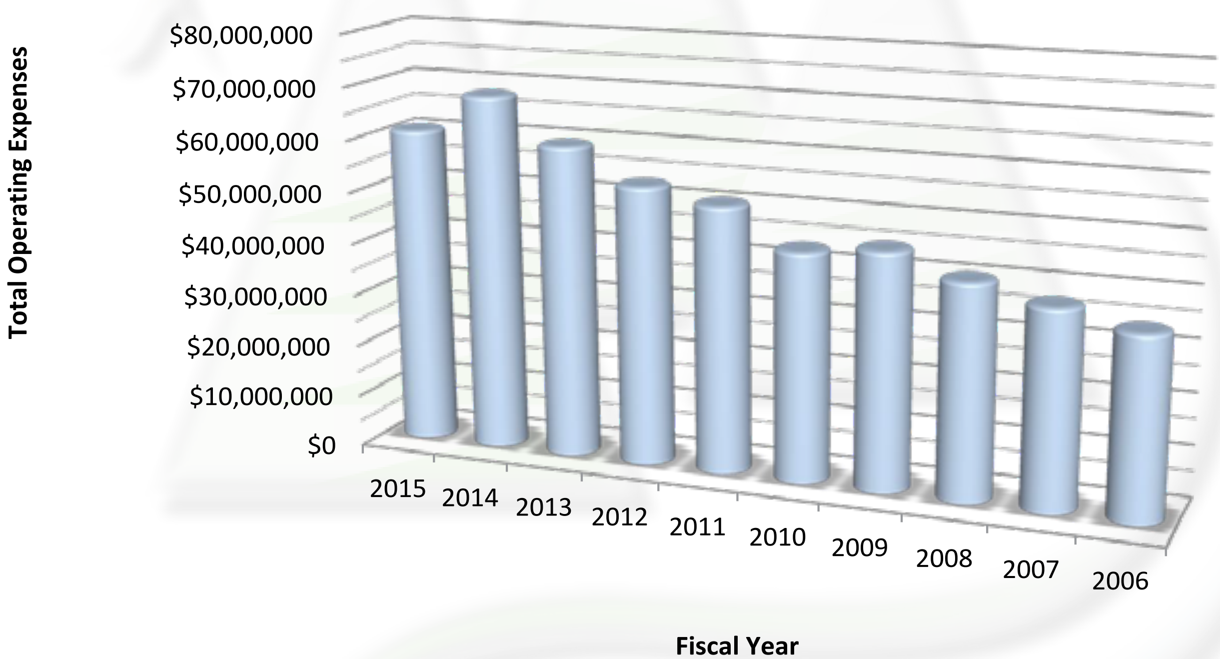

[1] Water sales will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

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

**SCHEDULE 4**

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

| Fiscal Year | Water Purchases[1] | Water Treatment and Distribution | Water Use and Connection | General and Administration | Depreciation | Total Operating Expenses |
|---|---|---|---|---|---|---|
| **2015** | $ 46,955,630 | $ 2,711,483 | $ 6,182,531 | $ 3,210,144 | $ 2,031,448 | **$ 61,091,237** |
| **2014** | 55,401,389 | 2,648,714 | 5,254,027 | 3,347,977 | 1,894,716 | **68,546,823** |
| **2013** | 47,625,454 | 2,402,677 | 4,863,177 | 3,206,754 | 1,990,620 | **60,088,682** |
| **2012** | 41,371,120 | 2,316,509 | 4,645,695 | 3,377,341 | 1,928,138 | **53,638,803** |
| **2011** | 39,809,995 | 2,173,056 | 4,136,576 | 3,171,603 | 1,888,225 | **51,179,454** |
| **2010** | 33,442,860 | 2,084,430 | 3,512,201 | 3,021,927 | 1,874,511 | **43,935,929** |
| **2009** | 35,221,976 | 2,215,845 | 3,022,880 | 2,895,877 | 2,040,459 | **45,397,037** |
| **2008** | 31,808,635 | 2,119,292 | 2,949,672 | 2,693,030 | 1,594,801 | **41,165,430** |
| **2007** | 29,151,787 | 1,945,121 | 3,041,929 | 2,270,353 | 1,576,161 | **37,985,351** |
| **2006** | 26,058,129 | 1,822,323 | 3,049,562 | 2,473,861 | 1,443,372 | **34,847,247** |



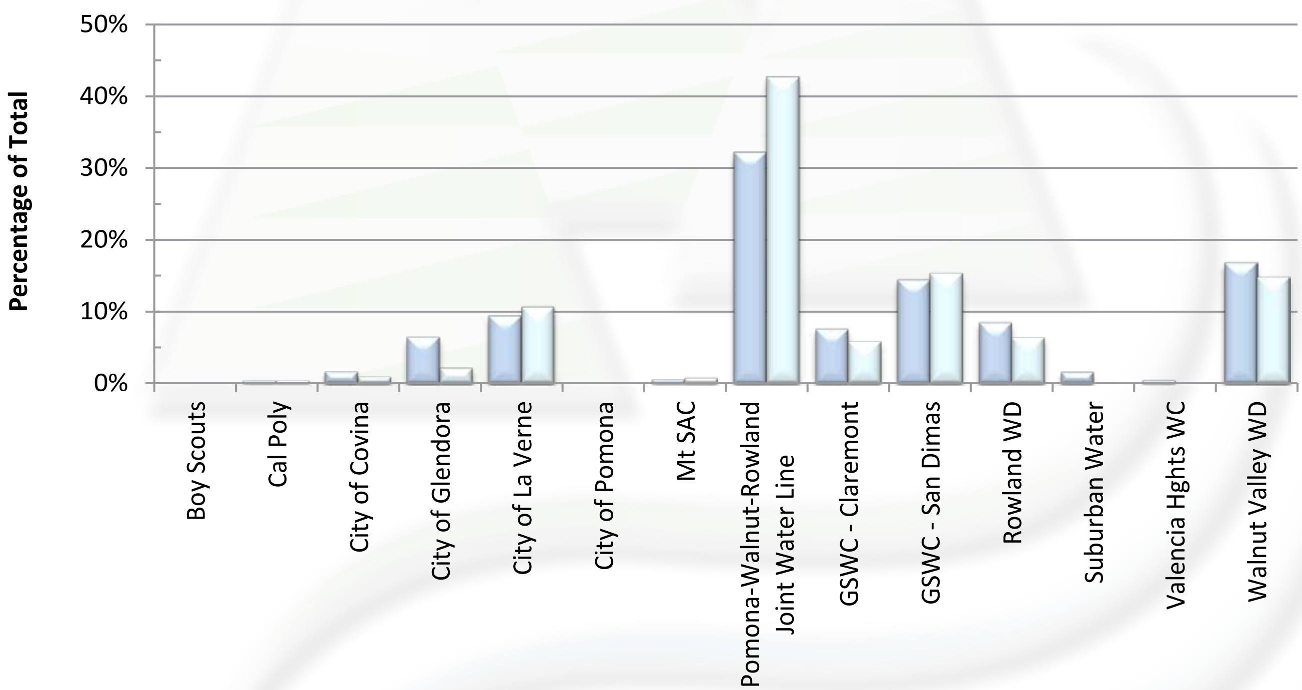

[1] Water purchases will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

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

**SCHEDULE 5**

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

| Member Agency | Acre Feet Sold FY 2015 | Percentage of total | Acre Feet Sold FY 2006 | Percentage of total |
|---|---|---|---|---|
| Boy Scouts of America - Firestone Reservation | 41 | **0.07%** | 24 | **0.04%** |
| California State Polytechnic University, Pomona | 219 | **0.38%** | 224 | **0.36%** |
| City of Covina | 967 | **1.66%** | 574 | **0.91%** |
| City of Glendora | 3,789 | **6.51%** | 1,357 | **2.15%** |
| City of La Verne | 5,467 | **9.39%** | 6,717 | **10.66%** |
| City of Pomona | - | **0.00%** | - | **0.00%** |
| Mt. San Antonio College | 335 | **0.58%** | 483 | **0.77%** |
| Pomona-Walnut-Rowland Joint Water Line | 18,719 | **32.16%** | 26,855 | **42.63%** |
| Golden State Water Company - Claremont | 4,428 | **7.61%** | 3,706 | **5.88%** |
| Golden State Water Company - San Dimas | 8,386 | **14.41%** | 9,679 | **15.37%** |
| Rowland Water District | 4,915 | **8.44%** | 4,033 | **6.40%** |
| Suburban Water Systems | 934 | **1.60%** | - | **0.00%** |
| Valencia Heights Water Company | 237 | **0.41%** | - | **0.00%** |
| Walnut Valley Water District | 9,764 | **16.78%** | 9,338 | **14.83%** |
| | 58,201 | **100.00%** | 62,990 | **100.00%** |

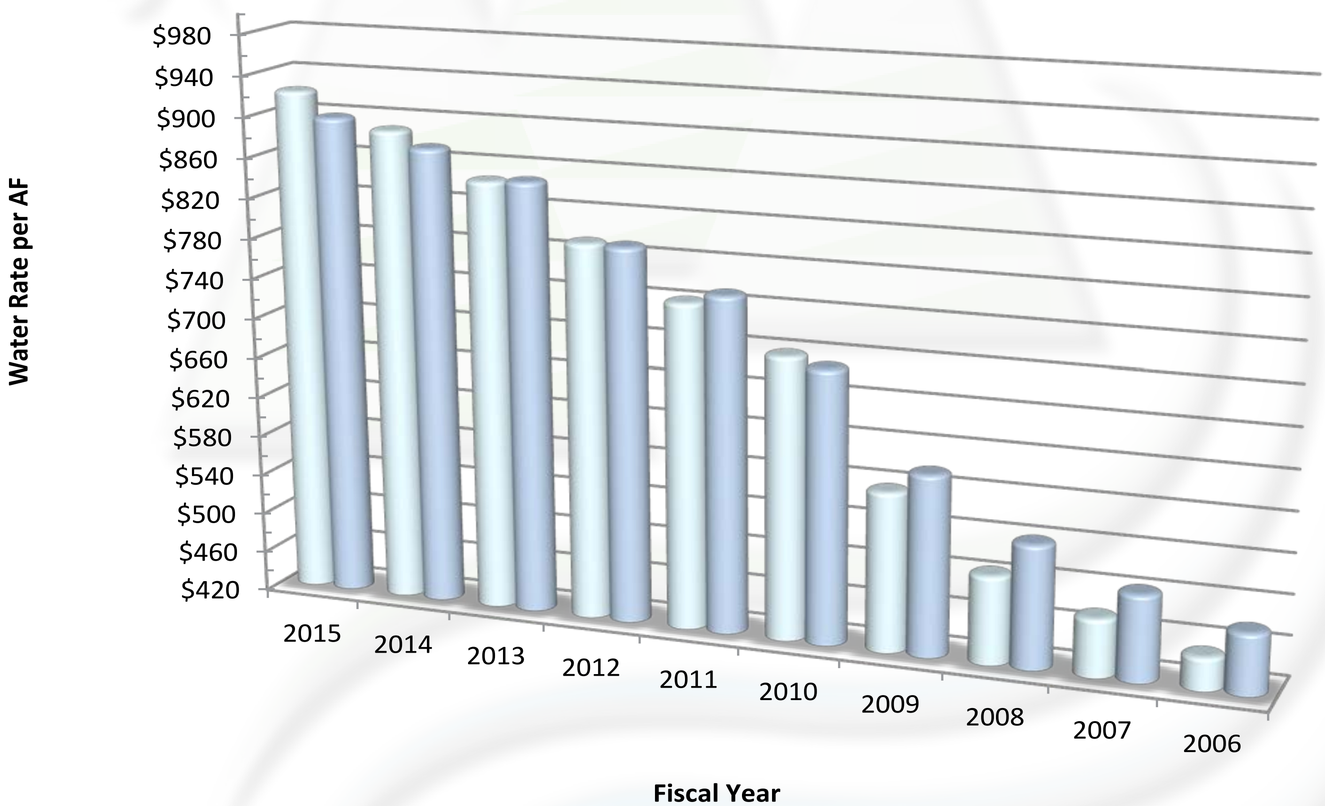



**SOURCE:** TVMWD - Finance Department

**SCHEDULE 6**

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

| Calendar Year | MWD Water Rate | TVMWD Water Rate |
|---|---|---|
| 2015 | $ 923 | $ 899 |
| 2014 | 890 | 875 |
| 2013 | 847 | 849 |
| 2012 | 794 | 793 |
| 2011 | 744 | 754 |
| 2010 | 701 | 692 |
| 2009 | 579 | 600 |
| 2008 | 508 | 543 |
| 2007 | 478 | 506 |
| 2006 | 453 | 481 |



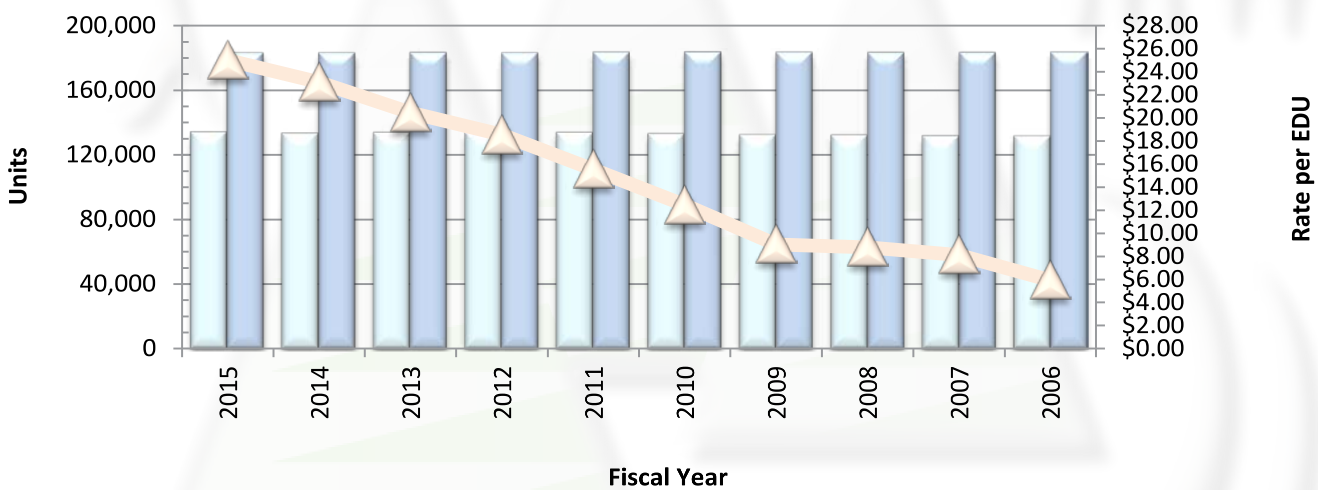

**Note:** All amounts are per acre foot.

**SOURCE:** TVMWD - Finance Department

**SCHEDULE 7**

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

| Fiscal Year | Parcels[1] | EDUs[2] | Rate per EDU |
|---|---|---|---|
| **2015** | **133,653** | **182,768.00** | **$25.02** |
| **2014** | **132,918** | **182,732.00** | **$23.11** |
| **2013** | **133,421** | **182,902.00** | **$20.46** |
| **2012** | **133,406** | **182,893.00** | **$18.54** |
| **2011** | **133,428** | **183,118.00** | **$15.55** |
| **2010** | **132,594** | **183,324.66** | **$12.45** |
| **2009** | **132,041** | **183,236.00** | **$9.04** |
| **2008** | **131,723** | **183,046.25** | **$8.79** |
| **2007** | **131,445** | **182,938.80** | **$8.12** [3] |
| **2006** | **131,220** | **183,121.05** | **$5.92** |




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

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

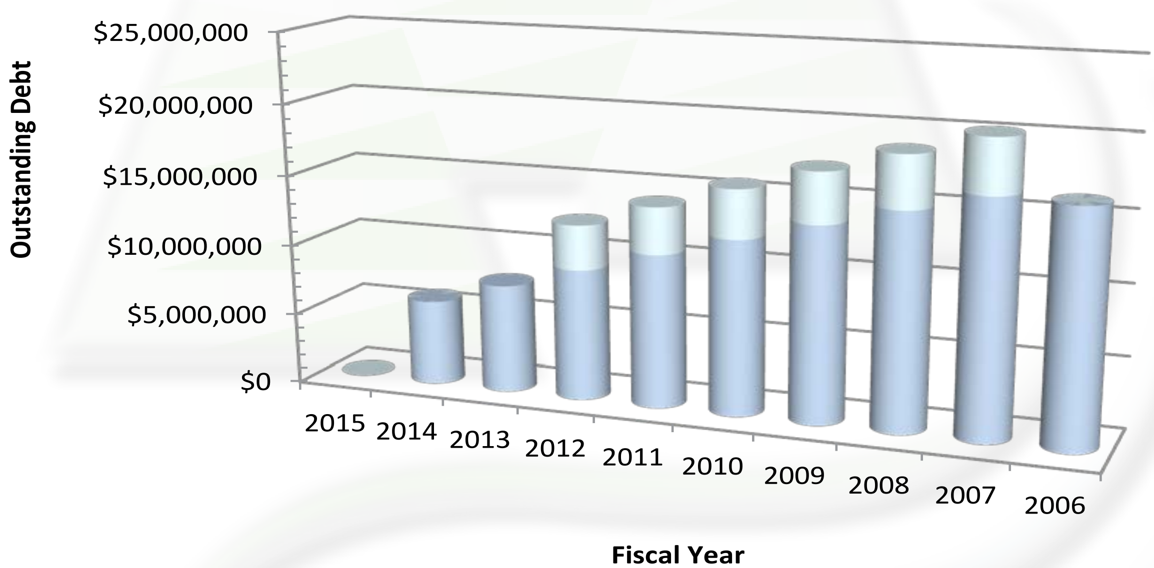
[3] MWD imposed a Readiness to Serve (RTS) charge on TVMWD to pay for capital improvements at MWD. TVMWD adopted a Standby Charge to pass the RTS charge through, at cost, to property owners within its service area. In the years prior to FY 06/07, the Standby Charge rate per EDU remained unchanged, even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

**SOURCE:** TVMWD - Finance Department

**SCHEDULE 8**

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

| Fiscal Year | Certificates of Participation | Installment Sales Agreement | Per Capita | Outstanding Debt as a Share of Personal Income |
|---|---|---|---|---|
| **2015** | **$ -** | **$ -** | $ - | 0.00% |
| **2014** | **6,000,000** | **-** | 11.81 | 0.02% |
| **2013** | **7,654,353** | **-** | 15.06 | 0.03% |
| **2012** | **9,266,129** | **3,167,070** | 24.54 | 0.05% |
| **2011** | **10,817,903** | **3,306,356** | 27.95 | 0.06% |
| **2010** | **12,324,678** | **3,438,978** | 31.29 | 0.07% |
| **2009** | **13,761,453** | **3,565,257** | 34.49 | 0.08% |
| **2008** | **15,153,228** | **3,685,501** | 37.45 | 0.09% |
| **2007** | **16,485,004** | **3,800,000** | 40.26 | 0.10% |
| **2006** | **16,301,778** | **-** | 32.31 | 0.08% |




**SOURCE:** TVMWD - Finance Department

**SCHEDULE 9**

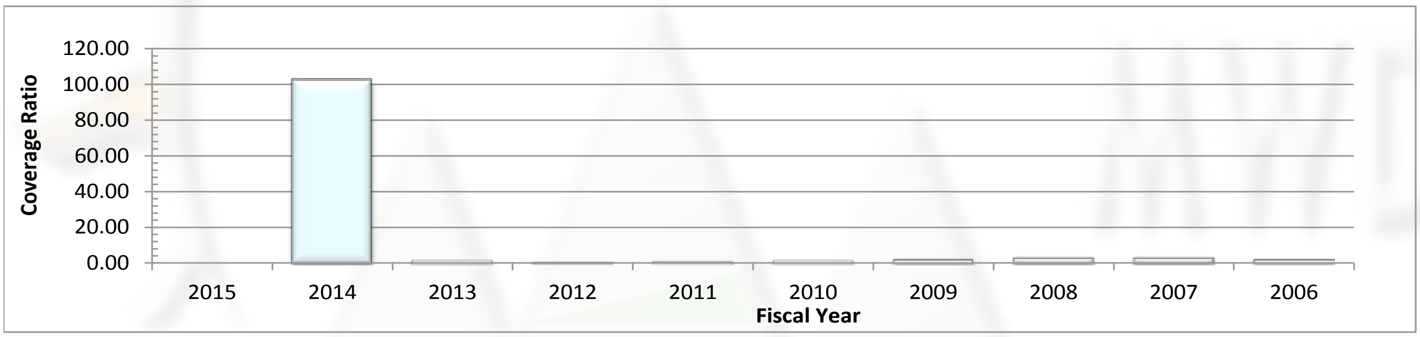
**Three Valleys Municipal Water District**

Debt Coverage

Last Ten Fiscal Years

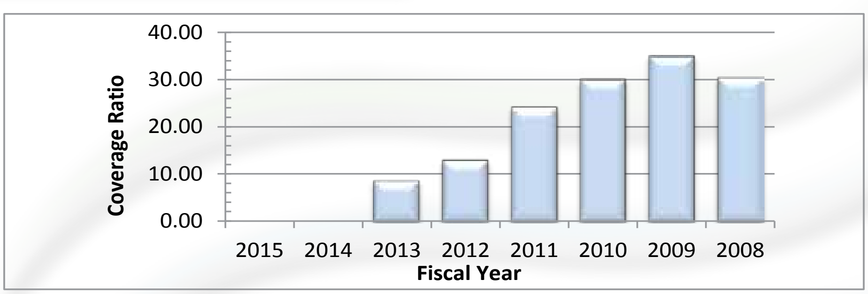
**2003 COP**

| Fiscal Year | Revenues[1] | Expenses[2] | Net Available Revenue | Debt Service Principal | Debt Service Interest | Total | Coverage Ratio[3] |
|---|---|---|---|---|---|---|---|
| **2015** | $ 66,619,113 | $ 59,059,789 | $7,559,323 | $ - | $ - | $ - | 0.00 |
| **2014** | 69,716,076 | 66,652,107 | $3,063,969 | - | 29,787 | 29,787 | 102.86 |
| **2013** | 62,100,603 | 58,098,062 | $4,002,541 | 1,850,000 | 104,599 | 1,954,599 | 2.05 |
| **2012** | 53,590,604 | 51,710,665 | $1,879,939 | 1,735,000 | 166,310 | 1,901,310 | 0.99 |
| **2011** | 51,648,183 | 49,291,230 | $2,356,953 | 1,690,000 | 228,903 | 1,918,903 | 1.23 |
| **2010** | 45,772,767 | 42,061,418 | $3,711,349 | 1,620,000 | 285,699 | 1,905,699 | 1.95 |
| **2009** | 48,413,233 | 43,366,607 | $5,046,626 | 1,575,000 | 340,725 | 1,915,725 | 2.63 |
| **2008** | 46,433,823 | 39,570,629 | $6,863,194 | 1,515,000 | 424,950 | 1,939,950 | 3.54 |
| **2007** | 43,204,333 | 36,453,271 | $6,751,062 | 1,485,000 | 462,075 | 1,947,075 | 3.47 |
| **2006** | 38,416,094 | 33,406,875 | $5,009,219 | 1,450,000 | 498,325 | 1,948,325 | 2.57 |




**2007 Installment Sale Agreement**

| Fiscal Year | Unencumbered Cash and Cash Equivalents | Debt Service Principal | Debt Service Interest | Total | Coverage Ratio[3] |
|---|---|---|---|---|---|
| **2015** | $ 2,315,773 | $ - | $ - | $ - | **0.00** |
| **2014** | 3,509,585 | - | - | - | **0.00** |
| **2013** | 2,643,326 | 146,289 | 156,269 | 302,558 | **8.74** |
| **2012** | 3,937,407 | 139,286 | 161,543 | 300,829 | **13.09** |
| **2011** | 7,356,510 | 132,622 | 169,936 | 302,558 | **24.31** |
| **2010** | 9,072,259 | 126,279 | 174,712 | 300,991 | **30.14** |
| **2009** | 10,609,613 | 120,244 | 182,314 | 302,558 | **35.07** |
| **2008** | 9,235,917 | 114,499 | 188,059 | 302,558 | **30.53** |




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

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

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

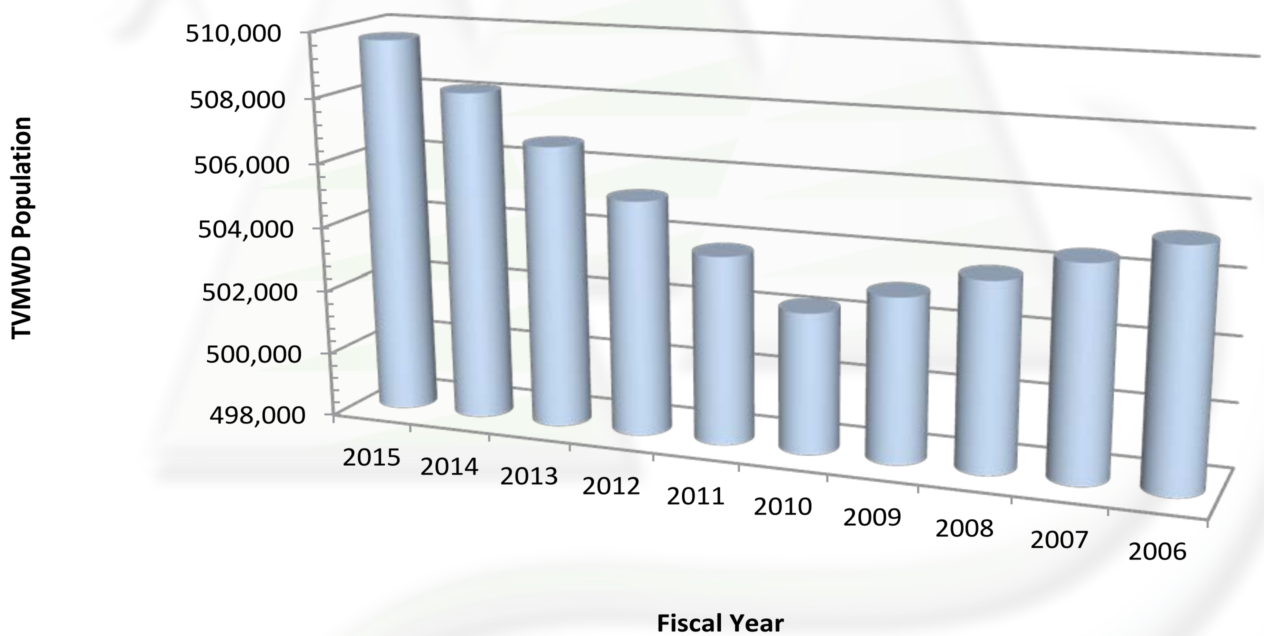
**NOTE:** Revenues and expenses in prior years may be reclassified to conform to current year presentation.

**SOURCE:** TVMWD - Finance Department

**SCHEDULE 10**

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

| Fiscal Year | TVMWD Population Estimate [1] | County of Los Angeles | | | |
|---|---|---|---|---|---|
| | | Unemployment Rate | Population | Personal Income (in thousands) | Personal Income per Capita |
| **2015** | 509,655 | 7.3% | 10,123,800 | 506,400,000 | 50,000 |
| **2014** | 508,186 | 8.3% | 10,069,000 | 485,900,000 | 48,300 |
| **2013** | 506,721 | 9.8% | 10,013,300 | 466,100,000 | 46,530 |
| **2012** | 505,260 | 10.9% | 9,946,900 | 455,800,000 | 45,800 |
| **2011** | 503,803 | 12.2% | 9,862,400 | 425,700,000 | 43,062 |
| **2010** | 502,351 | 12.5% | 9,825,000 | 404,500,000 | 41,163 |
| **2009** | 503,077 | 11.6% | 9,805,200 | 403,960,000 | 40,396 |
| **2008** | 503,804 | 7.6% | 9,796,800 | 421,650,000 | 42,165 |
| **2007** | 504,530 | 5.1% | 9,773,900 | 410,580,000 | 41,058 |
| **2006** | 505,257 | 4.8% | 9,787,300 | 384,700,000 | 39,508 |




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

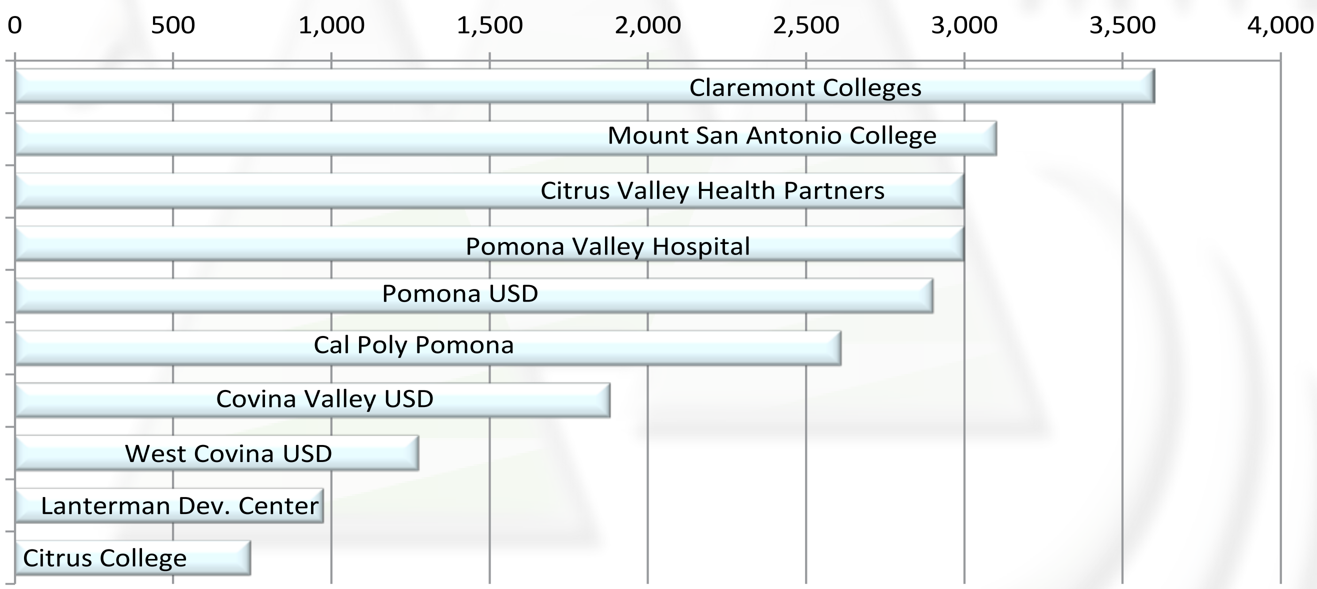
**NOTE:** Certain economic indicators such as unemployment rate and personal income are not calculated separately for TVMWD. Therefore, TVMWD has chosen to use the County of Los Angeles data, which is representative of the conditions and experiences of TVMWD.

**SOURCES:** LAEDC 2016-2020 Economic Forecast and Indutry Outlook September 2015

**SCHEDULE 11**

**Three Valleys Municipal Water District**
Principal Employers
Calendar Year 2015

| Rank | Employer | Number of Employees | Percentage of Total Employment |
|---|---|---|---|
| 1 | Claremont Colleges | 3,600 | 1.8% |
| 2 | Mount San Antonio College | 3,103 | 1.6% |
| 3 | Citrus Valley Health Partners | 3,000 | 1.5% |
| 4 | Pomona Valley Hospital | 3,000 | 1.5% |
| 5 | Pomona Unified School District | 2,902 | 1.5% |
| 6 | Cal State Polytechnic University Pomona | 2,612 | 1.3% |
| 7 | Covina Valley Unified School District | 1,882 | 1.0% |
| 8 | West Covina Unified School District | 1,277 | 0.7% |
| 9 | Lanterman Developmental Center | 976 | 0.5% |
| 10 | Citrus College | 746 | 0.4% |




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

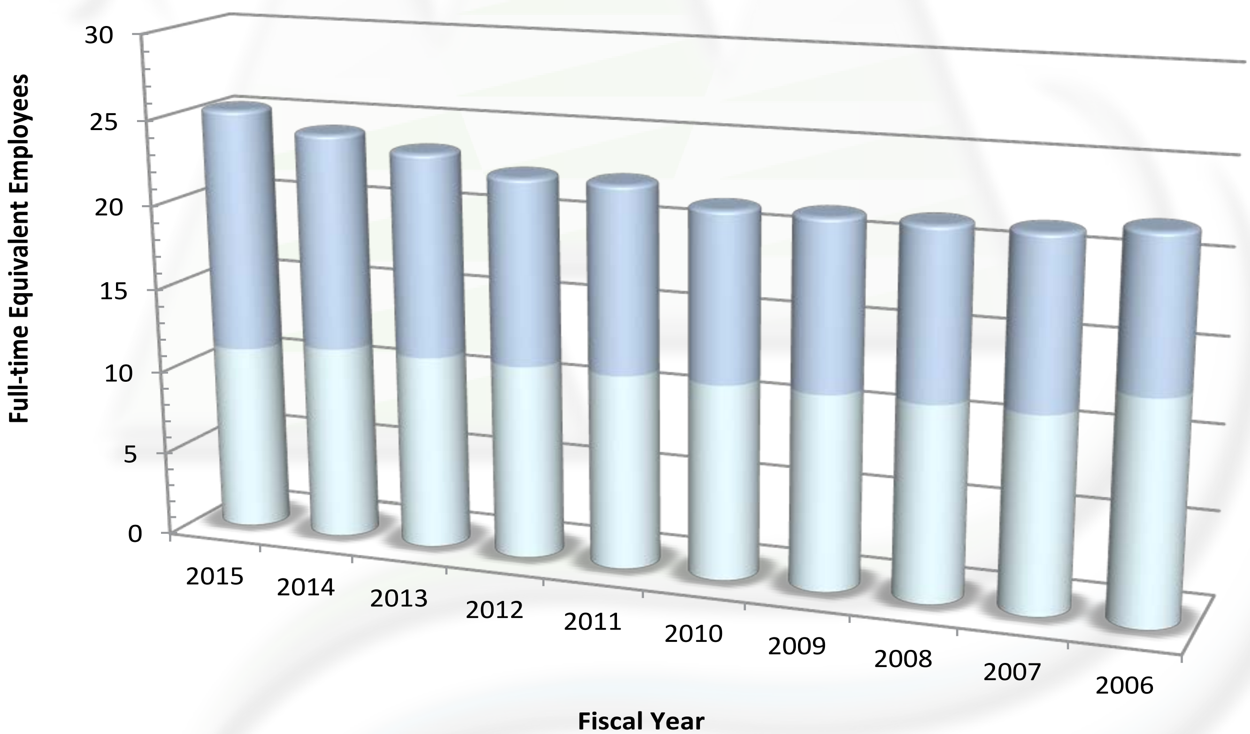
**NOTE:** The percentage of total employment is based on an estimate of 195,000 jobs in TVMWD's area.

**SOURCE:** City websites served by TVMWD

**SCHEDULE 12**

**Three Valleys Muncipal Water District**
Personnel Trends
Last Ten Fiscal Years

| Fiscal Year | Full-time Equivalent Employees by Department | | |
|---|---|---|---|
| | Administration | Operations | TOTAL |
| 2015 | 11.00 | 14.33 | 25.33 |
| 2014 | 11.50 | 12.75 | 24.25 |
| 2013 | 11.50 | 12.00 | 23.50 |
| 2012 | 11.50 | 11.00 | 22.50 |
| 2011 | 11.50 | 11.00 | 22.50 |
| 2010 | 11.50 | 10.00 | 21.50 |
| 2009 | 11.50 | 10.00 | 21.50 |
| 2008 | 11.50 | 10.00 | 21.50 |
| 2007 | 11.50 | 10.00 | 21.50 |
| 2006 | 13.00 | 9.00 | 22.00 |

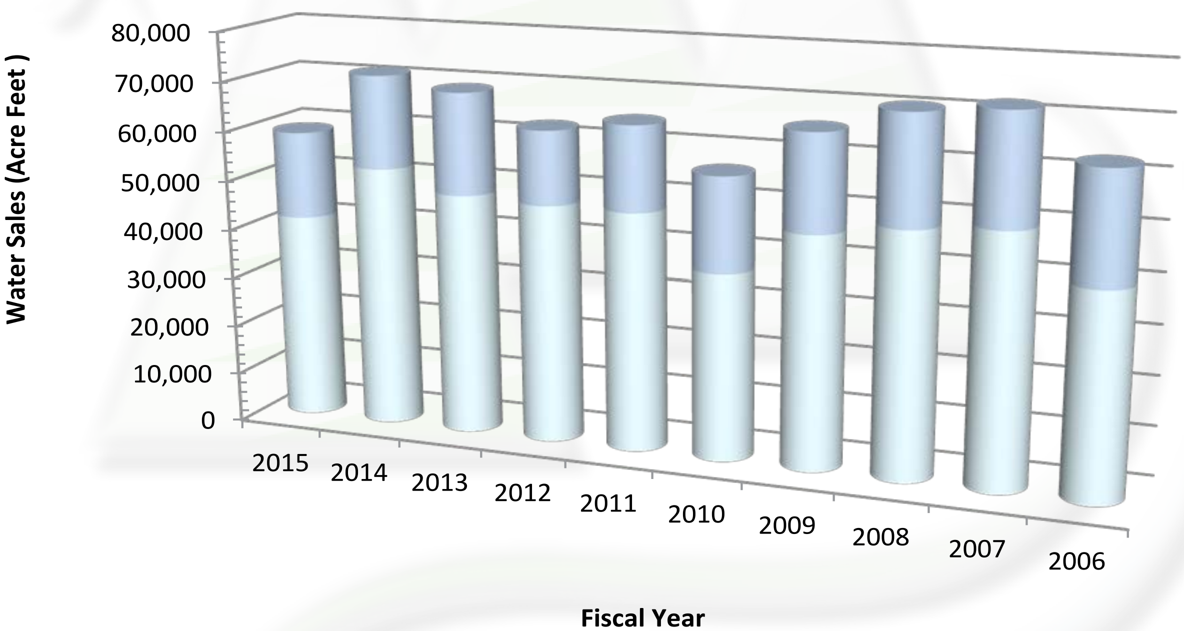



**SOURCE:** TVMWD - Finance Department

## SCHEDULE 13

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

| Fiscal Year | Total MWD acre feet sold | Total Miramar acre feet sold | Total acre feet sold |
|---|---|---|---|
| **2015** | **41,512** | **17,458** | **58,970** |
| **2014** | **52,718** | **18,791** | **71,509** |
| **2013** | **48,659** | **20,508** | **69,167** |
| **2012** | **47,985** | **14,870** | **62,855** |
| **2011** | **47,952** | **17,096** | **65,048** |
| **2010** | **37,487** | **18,980** | **56,467** |
| **2009** | **46,596** | **19,419** | **66,015** |
| **2008** | **48,982** | **21,868** | **70,850** |
| **2007** | **50,269** | **22,034** | **72,303** |
| **2006** | **40,993** | **22,099** | **63,092** |




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

**SOURCE:** TVMWD - Finance Department

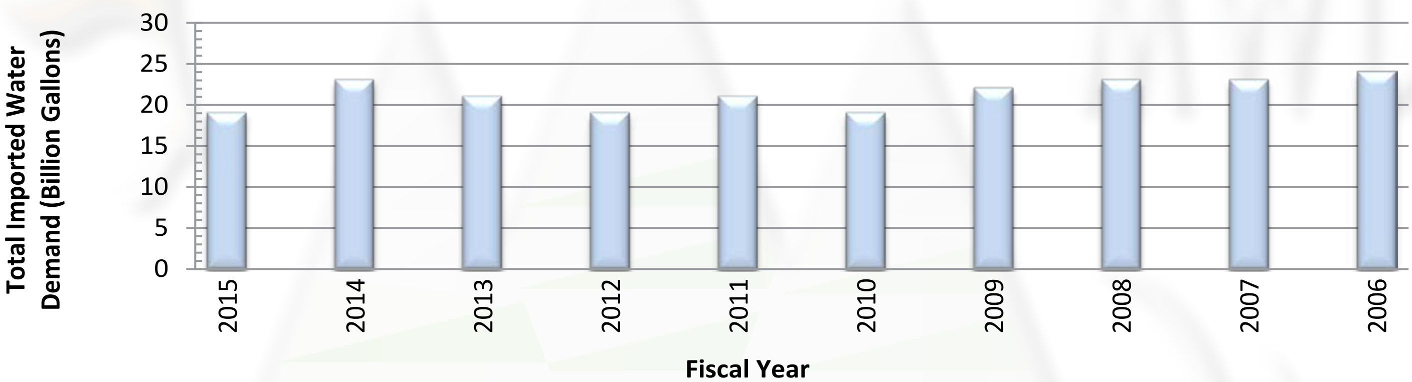
## SCHEDULE 14

**Three Valleys Muncipal Water District**

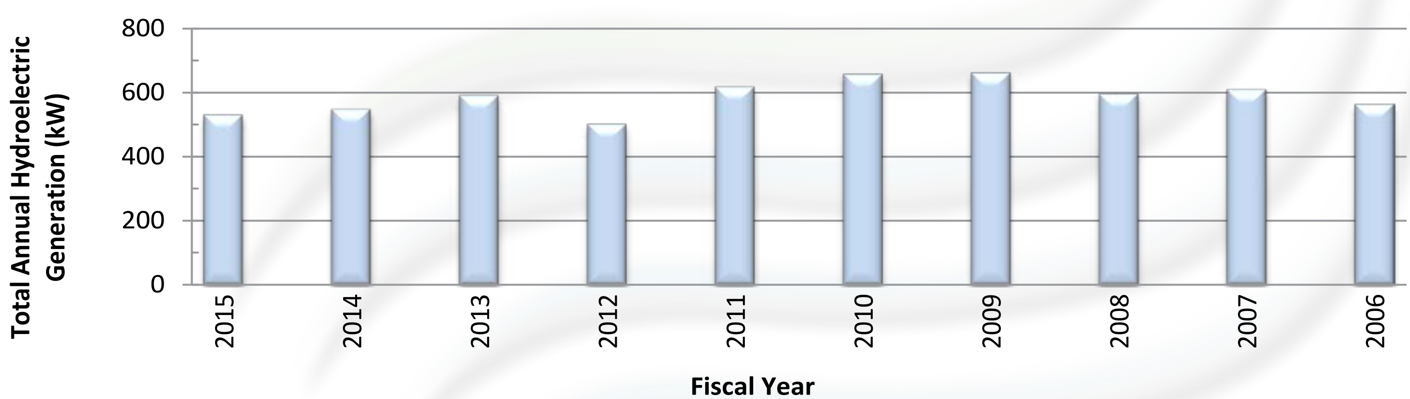
Miscellaneous Operating Statistics

Last Ten Fiscal Years

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** |
| **THREE VALLEYS SERVICE AREA:** | | | | | | | | | | |
| Number of member agencies | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Number of cities/communities | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Approximate Area (in square miles) | 133 | 133 | 133 | 133 | 133 | 133 | 133 | 133 | 133 | 133 |
| Number of connections (imported) | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Peak system capacity (imported) | | | | | | | | | | |
| Cubic feet per second | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 |
| Million gallons per day | 320 | 320 | 320 | 320 | 320 | 320 | 320 | 320 | 320 | 320 |
| Billion gallons | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 |
| Imported (Acre-feet) | 57,116 | 70,061 | 64,858 | 59,471 | 64,193 | 55,737 | 66,015 | 70,850 | 72,303 | 63,092 |
| **Imported (billion gallons)** | **19** | **23** | **21** | **19** | **21** | **19** | **22** | **23** | **23** | **24** |
| Local (groundwater, recycled) (Acre-feet) | 52,935 | 66,484 | 55,957 | 55,643 | 57,301 | 52,426 | 43,260 | 49,200 | 54,509 | 57,254 |
| Local (groundwater, recycled) (billion gallons) | 17 | 22 | 18 | 18 | 19 | 17 | 14 | 16 | 16 | 18 |
| Total water demand | 110,051 | 136,545 | 120,815 | 115,114 | 121,494 | 108,163 | 109,275 | 120,050 | 126,812 | 120,346 |




| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** |
| **MIRAMAR WATER AND HYDROELECTRIC FACILITIES:** | | | | | | | | | | |
| Length of pipeline (in miles) | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Annual production (Acre-feet) | 17,458 | 18,791 | 20,508 | 14,870 | 17,096 | 18,980 | 19,419 | 21,868 | 22,034 | 22,099 |
| Annual production (billion gallons) | 6 | 6 | 7 | 5 | 6 | 7 | 7 | 6 | 7 | 7 |
| Number of connections | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 11 | 11 |
| Hydroelectric Facilities | | | | | | | | | | |
| Number of generating stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| **Average annual generation (kW)** | **530** | **548** | **590** | **501** | **617** | **657** | **661** | **596** | **609** | **563** |




**SOURCE:** TVMWD - Finance Department

# ACRONYMS AND ABBREVIATIONS

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

# 65th Anniversary


Three Valleys MWD
CELEBRATING
65 YEARS
OF SERVICE
HYDROELECTRIC STATION
65
YEARS
OF SERVICE
Three Valleys MWD
Three Valleys MWD

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