

As a matter of proper business decorum, the Board of Directors respectfully request that all cell phones be turned off or placed on vibrate. To prevent any potential distraction of the proceeding, we request that side conversations be taken outside the meeting room.

**AGENDA**  
**REGULAR BOARD MEETING**  
**THREE VALLEYS MUNICIPAL WATER DISTRICT**  
**1021 E. MIRAMAR AVENUE, CLAREMONT, CA 91711**

**Wednesday, October 2, 2019**  
**8:00 a.m.**

*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.*

**Item 1 – Call to Order**

Kuhn

**Item 2 – Pledge of Allegiance**

Kuhn

**Item 3 – Roll Call**

Executive  
Assistant

**Item 4 – Additions to Agenda** [Government Code Section 54954.2(b)(2)]

Kuhn

Additions to the agenda may be considered when two-thirds of the board members present determine a need for immediate action, and the need to act came to the attention of TVMWD after the agenda was posted; this exception requires a degree of urgency. If fewer than two-thirds of the board members are present, all must affirm the action to add an item to the agenda. *The Board shall call for public comment prior to voting to add any item to the agenda after posting.*

**Item 5 – Reorder Agenda**

Kuhn

**Item 6 – Public Comment** (Government Code Section 54954.3)

Kuhn

Opportunity for members of the public to directly address the Board on items of public interest within its jurisdiction. The public may also address the Board on items being considered on this agenda. TVMWD requests that all public speakers complete a speaker's card and provide it to the Executive Assistant.

**We request that remarks be limited to five minutes or less. Pursuant to Government Code Section 54954.3, if speaker is utilizing a translator, the total allotted time will be doubled.**

**Item 7 - Presentations**

Mr. Michael Thomas from the Pomona Valley America's Job Center, will present on training opportunities for students enrolled at Bassett Adult School in La Puente.

Goytia

The District's legislative lobbyist, Mike Arnold & Associates, will provide a year-end review of legislative activities at the state capitol.

Howie

**Item 8 – General Manager’s Report**

**Litchfield**

*The Executive Leadership Team will provide brief updates on existing matters under their purview and will be available to respond to any questions thereof.*

**8.A – FY 18-19 Audit and CAFR (Comprehensive Annual Financial Report) – [enc]**

**Linthicum**

The Board will consider approval to receive and file the FYE June 30, 2019 Audit and CAFR. A representative from LSL will attend to make a brief presentation and answer any questions.

**Item 8.A – Board Action Required – Motion No. 19-10-5243**

Staff Recommendation: Approve as presented

**8.B – FY 18-19 Final Reserves Schedule – [enc]**

**Linthicum**

The Board will review the FYE June 30, 2019 final reserve schedule and consider and approve how funds are allocated to begin FY 19-20.

**Item 8.B – Board Action Required – Motion No. 19-10-5244**

Staff Recommendation: Approve as presented

**8.C – Chino Basin Watermaster 2020 Optimum Basin Management Program Update (OBMPU) Progress Report, August 2019 – [enc]**

**Litchfield**

The Board will be provided an update on the Chino Basin Optimum Basin Management Program.

**8.D – Non-Binding Letter of Intent with Metropolitan Water District of Southern California - Regional Recycled Water Project – [enc]**

**Litchfield**

The Board will consider a proposed non-binding Letter of Intent (LOI) to enter into a future Memorandum of Understanding (MOU) between MWD and TVMWD related to the Regional Recycled Water Project (Carson Project) and provide direction to staff for action at a future meeting.

**8.E – Resolution No. 19-10-DRAFT Records Retention Schedule and Policy Update – [enc]**

**Litchfield**

The Board will be provided a revised records retention schedule and policy and provide direction to staff for action at a future meeting.

**8.F – Geographical Information Systems (GIS) Project Update – [enc]**

**Peng**

The Board will be provided a brief presentation on the ongoing GIS project and the progress made to date.

**8.G – Proposed Service Connection Applications for PM-27 and PM-29 – [enc]**

**Kellett**

The Board will be provided an update on two pending service applications off MWD's Rialto Pipeline for Thompson Creek and the San Dimas Wash locations for the purpose of groundwater recharge with State Project Water.

**8.H – MWD Solar Cup Update – [enc]**

**Howie**

The Board will be provided an update on the planning and activities for the upcoming 2020 MWD Solar Cup season.

**Item 9 – Closed Session**

Conference with Real Property Negotiators (Government Code Section 54956.8)

- Property: 1500 N. College Avenue, Claremont, California [District is considering purchase of a small portion (10,000 sq. ft.) of this parcel]
- District Negotiator: Matthew Litchfield, General Manager
- Negotiating Parties: Rancho Santa Ana Botanic Garden
- Under Negotiation: Price and terms of payment

Conference with Legal Counsel – Anticipated Litigation

- Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2)
- One potential case

**Item 10 – Future Agenda Items**

**Kuhn**

**Item 11 – Adjournment and Next Meeting**

**Kuhn**

The Board will adjourn to its next meeting scheduled for Wednesday, October 16, 2019 at 8:00 a.m.

**American Disabilities Act Compliance Statement**

*Government Code Section 54954.2(a)*



*Any request for disability-related modifications or accommodations (including auxiliary aids or services) sought to participate in the above public meeting should be directed to the TVMWD's Executive Assistant at (909) 621-5568 at least 24 hours prior to meeting.*

**Agenda items received after posting**


*Government Code Section 54957.5*

*Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review at the TVMWD office located at, 1021 East Miramar Avenue, Claremont, CA, 91711. The materials will also be posted on the TVMWD website at [www.threevalleys.com](http://www.threevalleys.com).*

*Three Valleys MWD Board Meeting packets and agendas are available for review on its website at [www.threevalleys.com](http://www.threevalleys.com).*



## Board of Directors Staff Report

**To:** TVMWD Board of Directors  
**From:** Matthew H. Litchfield, General Manager   
**Date:** October 2, 2019  
**Subject:** **FY 18-19 Audit and CAFR (Comprehensive Annual Financial Report)**

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<input checked="" type="checkbox"/> <b>For Action</b>	<input type="checkbox"/> <b>Fiscal Impact</b>	<b>\$</b>
<input type="checkbox"/> <b>Information Only</b>	<input type="checkbox"/> <b>Funds Budgeted:</b>	

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**Staff Recommendation:**

**The Board will consider approval to receive and file the attached FYE June 30, 2019 Audit and CAFR.**

**Discussion:**

Attached for Board review and approval is the FY 18-19 Audit and CAFR. The preparation for the audit and compilation of the CAFR required a significant amount of staff time, review and oversight.

TVMWD has received the Certificate of Achievement for Excellence in Financial Reporting presented by the Government Finance Officers Association for 12 consecutive years. The award is presented to government units and public employee retirement systems whose CAFR achieves the highest standards in government accounting and financial reporting. We are confident this CAFR will again qualify for the award.

Also included are the audit communication letter and report on internal controls provided by TVMWD's auditor, LSL CPAs (LSL). A representative from LSL will attend to make a brief presentation and answer any questions.

**Strategic Plan Objective(s):**

- 3.1 – Utilize and comply with a set of financial policies to maintain TVMWD's financial health
- 3.3 – Be accountable and transparent with major decisions

**Attachment(s):**

Exhibit A – Audit Communication Letter

Exhibit B – Report on Internal Controls

Exhibit C – CAFR for Fiscal Year Ended June 30, 2019



**Meeting History:**

None

NA/JL



[REDACTED], 2019

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

We have audited the financial statements of Three Valleys Municipal Water District (the District), for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 20, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2018-2019.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimates of its net pension liability and net other postemployment benefits liability based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the net pension liability and net other postemployment benefits liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.





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

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. These differences are described below. In addition, none of the misstatements detected as a result of our audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Unadjusted Audit Differences	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
Understatement of OPEB Liability	\$ (14,128)
Estimated unrecorded replacement benefit fund liability	(42,728)
Cumulative effect (before effect of prior year differences)	(56,856)
Effect of unadjusted audit difference - prior year	-
Cumulative effect (after effect of prior year differences)	\$ (56,856)

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated [REDACTED], 2019.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



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

### **Other Matters**

We applied certain limited procedures to management discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory section or statistical section, which accompany the financial statements but are not RSI. Such information has 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 it.

### **New Accounting Standards**

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2018-2019 audit:

GASB Statement No. 83, *Certain Assets Retirement Obligations*.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2019-2020

GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61*.

Fiscal year 2020-2021

GASB Statement No. 87, *Leases*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

Fiscal year 2021-2022

GASB Statement No. 91, *Conduit Debt Obligations*.



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

**Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of Three Valleys Municipal Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Lance, Soll & Lingham, LLP*

Brea, California

DRAFT



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Three Valleys Municipal Water District (The District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated [REDACTED], 2019.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

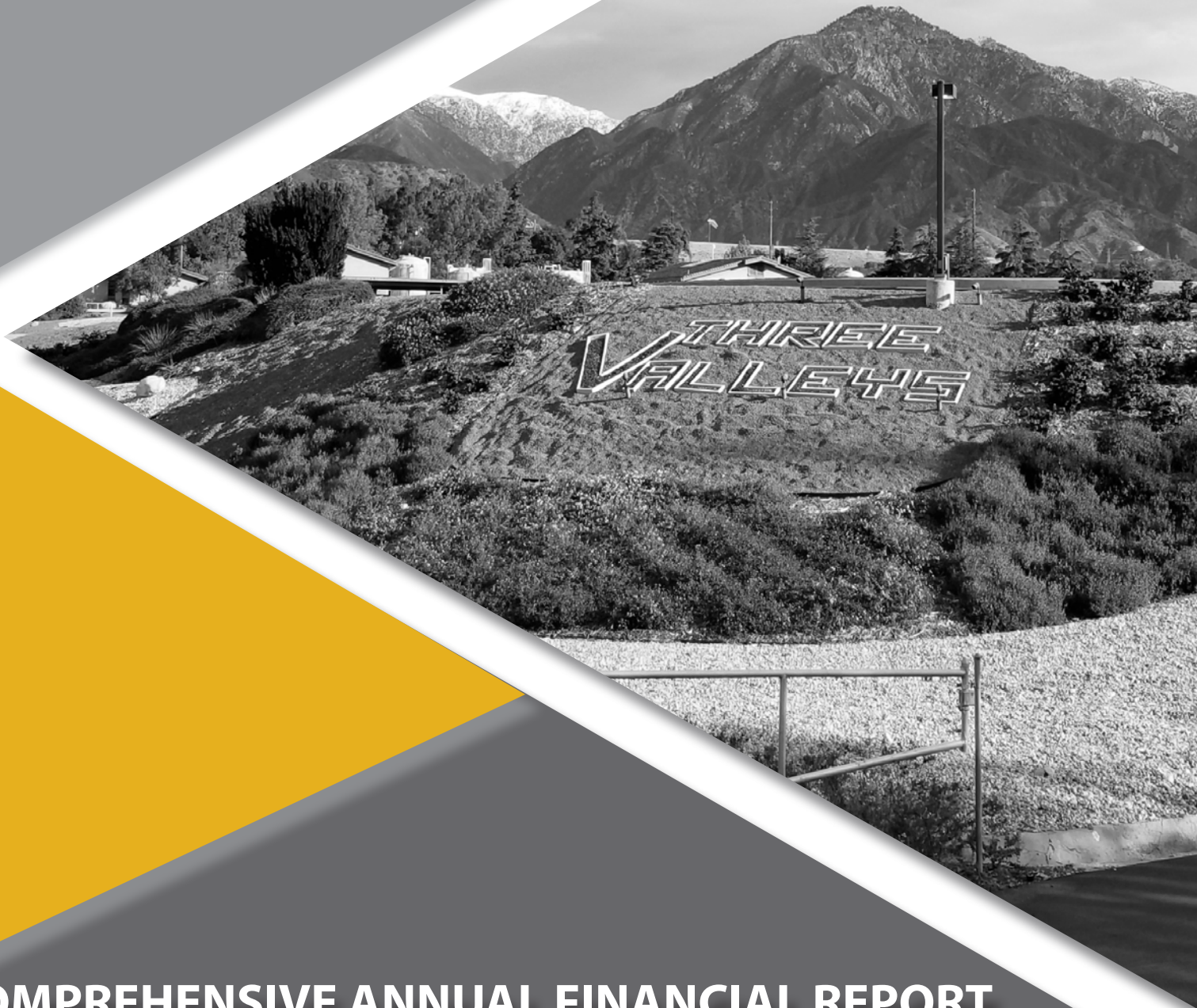
*Lance, Soll & Lingham, LLP*

Brea, California  
                                , 2019

DRAFT



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



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**JUNE 30, 2019**



***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, 2019**

## **Three Valleys Municipal Water District**

**1021 East Miramar Avenue**

**Claremont, CA 91711-2052**

**General Manager/Chief Engineer**

**Matthew H. Litchfield, P.E.**

**Prepared by the Finance Department of**

**Three Valleys Municipal**

**Water District**



# THREE VALLEYS MUNICIPAL WATER DISTRICT

## Comprehensive Annual Financial Report

Fiscal Year Ending

June 30, 2019

### TABLE OF CONTENTS

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	10
Organizational Chart.....	11
Elective Subdivision Boundary Map .....	12
TVMWD Board of Directors .....	13
Board Representation and Committee Appointments.....	14
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	16
Management's Discussion and Analysis.....	18
Basic Financial Statements:	
Statement of Net Position.....	22
Statement of Revenues, Expenses, and Changes in Net Position.....	25
Statement of Cash Flows.....	26
Statement of Fiduciary Net Position .....	28
Statement of Changes in Fiduciary Net Position.....	29
Notes to the Basic Financial Statements.....	30
<b>REQUIRED SUPPLEMENTARY SECTION</b>	
Cost Sharing Pension Plan:	
Schedule of the Plan's Proportionate Share of the Net Pension Liability.....	46
Schedule of Plan Contributions - California Public Employees Retirement Plan.....	47
OPEB Plan:	
Schedule of Changes in the Net OPEB Liability and Related Ratios .....	48
Schedule of Contributions - OPEB .....	49
Schedule of Investment Returns - OPEB Trust .....	50

# THREE VALLEYS MUNICIPAL WATER DISTRICT

## Comprehensive Annual Financial Report Fiscal Year Ending June 30, 2019

### TABLE OF CONTENTS

<b>STATISTICAL SECTION</b>	<u>Page Number</u>
Financial Trends:	
Changes in Net Position – Last Ten Fiscal Years.....	53
Components of Net Position – Last Ten Fiscal Years.....	54
Operating Revenues by Source – Last Ten Fiscal Years.....	55
Operating Expenses by Activity – Last Ten Fiscal Years.....	56
Revenue Capacity:	
Principal Water Customers Changes in Past Ten Years.....	57
Water Rates for MWD and TVMWD Water Sold – Last Ten Calendar Years.....	58
Standby Charge Assessment Per EDU – Last Ten Fiscal Years .....	59
Debt Capacity:	
Ratio of Outstanding Debt – Last Ten Fiscal Years.....	60
Debt Coverage – Last Ten Fiscal Years .....	61
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Fiscal Years .....	62
Principal Employers Changes in Past Ten Years .....	63
Operating Information:	
Personnel Trends – Last Ten Fiscal Years.....	64
Water Sales in Acre-Feet – Last Ten Fiscal Years.....	65
Miscellaneous Operating Statistics – Last Ten Fiscal Years .....	66
<b>APPENDIX</b>	
Acronyms and Abbreviations .....	67



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# INTRODUCTORY SECTION







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# Item 8.A - Exhibit C



## BOARD OF DIRECTORS

Brian Bowcock  
David D. De Jesus  
Denise Jackman  
Carlos Goytia  
Bob Kuhn  
John Mendoza  
Joseph T. Ruzicka

## GENERAL MANAGER/CHIEF ENGINEER

Matthew H. Litchfield, P.E.

October XX, 20XX

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, 2019. TVMWD staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB), worked collectively to prepare this financial report. TVMWD is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. We believe the data presented is accurate in all material respects. This report is designed in a manner that we believe is necessary to enhance your understanding of TVMWD's financial position and activities.

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

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

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

### **Agency Profile**

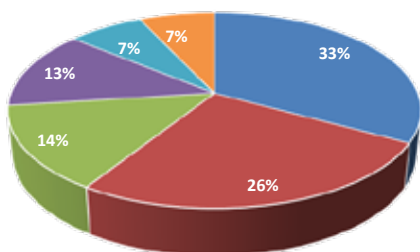
TVMWD is a special district formed by public election in 1950 and is the area's primary source of supplemental water covering the Pomona, Walnut and East San Gabriel Valleys. TVMWD is one of 26 member agencies of the Metropolitan Water District of Southern California (MWD) that is authorized to deliver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

TVMWD's operations consist of a conventional surface water treatment plant, a state certified laboratory, two groundwater wells, five hydroelectric generators rated with a potential of 1.1 megawatts, residual solids removal, groundwater recharge pipelines, spreading grounds, pump stations, and transmission pipelines. Water is treated at the Miramar Treatment Plant and wholesaled to local agencies by way of several miles of pipeline. TVMWD receives a Tier 1 water supply allotment from MWD of 80,688 AFY.

TVMWD is governed by a Board of Directors elected by the registered voters residing within TVMWD's boundaries. The Board averages over 12 years of experience with TVMWD. The executive management team has a combined 70 years of experience with TVMWD and 108 years of experience in the water industry. This stability provides a tremendous benefit to TVMWD.

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

Golden State Water Company (Claremont)	33%
City of La Verne	26%
Golden State Water Company (San Dimas)	14%
Walnut Valley Water District	13%
Rowland Water District	7%
City of Pomona	7%



## Local Economy<sup>1</sup>

TVMWD serves a population of approximately 515,000 residing within the eastern region of Los Angeles County (the County). With over one in four Californians living in the County, it is no surprise that whatever happens in Los Angeles greatly affects and influences the rest of the state. The County's current improving prosperity, on aggregate, and the recent real income gains that the County has long awaited are indicators of the trends taking place across California.

The County's real GDP growth for 2018 was 2.8%, slightly higher than the projected 2.4%. Real GDP growth is expected to be 3.0% in 2019 and then decrease to 2.7% in 2020, roughly keeping pace with the state economy and exceeding national growth of 2.2% and 2.4% respectively.

The forecasted expansion of GDP growth will be tied to robust employment increases in key service areas such as professional and business services, health care, and hospitality, which are expected to create roughly 60,000 jobs per year in the County. This job growth will help continue the long-term decline in the unemployment rate currently at 4.6%, then down to an estimated 4.4% in 2019 and 4.3% in 2020. Despite the downward trend in the unemployment rate, the County remains higher than the national average.

Real personal income growth in the County is expected to stay strong, increasing from 1.4% annually in 2018 to 2.6% in 2019, then back down to 2.1% in 2020. The County will lag behind California as a whole due to the relatively higher unemployment rate and greater degree of labor market slack.

The County's economic recovery and growth is a good news story, but the County is at the forefront of California's housing shortage emergency. Over 57% of renter households in the Los Angeles metropolitan area spend one-third or more of their income on rental costs and almost a full third spend half or more of their income on rental costs. This crisis poses the greatest long-term threat to local economic mobility and bottom-up prosperity. Households have less money to save, invest, consume or otherwise contribute to the economy. In addition, inadequate transportation infrastructure along with housing affordability could have significant impacts on economic growth.

<sup>1</sup> Source: Los Angeles County Economic Development Corporation's 2019-2020 Economic Forecast and Industry Outlook

## Industry Outlook

MWD imports water supplies to Southern California from two main sources: the Sacramento and San Joaquin Rivers through the State Water Project (SWP) and the Colorado River via the Colorado River Aqueduct (CRA). The SWP is operated and maintained by the California Department of Water Resources (DWR), who allocates water annually to each of the twenty-nine SWP contractors throughout the state. MWD is the largest contractor of the SWP, receiving about 50% of the supplies. The CRA is owned, operated and maintained by MWD. Operation of the CRA is dictated by The Law of the Colorado River, which provides for the benefit of the seven western states that rely on the Colorado River or its tributaries.

Robust winter storms this year resulted in above average snowpack in the Sierra Nevada Mountains, the Upper Colorado Basin and in most reservoir levels. As of June 2019, the statewide Sierra snowpack was 202% of normal. This is California's fifth largest snowpack since 1950. The wet winter and more than 30 atmospheric river weather events since the start of the water year helped bring much needed water supplies to California's reservoirs, pushing them to above their historical average.

Between the SWP 75% allocation and the CRA 74% allocation of imported water supplies, MWD has just over 2.4 million acre-feet of water supply available. At the same time, MWD's demands for water have dropped slightly to about 1.5 million acre-feet, allowing MWD to store the difference in local reservoirs, groundwater basins, and through other programs. This will fortify reserves for future drought years or emergencies. MWD's total dry-year storage balance at the end of 2019 is expected to be approximately 3.2 million acre-feet, which is the highest storage balance in their history.

## Item 8.A - Exhibit C

California experienced a change in leadership with Gavin Newsom taking over as Governor beginning in January 2019. The California WaterFix, a Delta conveyance improvement project originally designed as a twin tunnel project, has been scrapped by Governor Newsom in favor of a less expensive one tunnel approach. Although this change was not MWD's preference, MWD appreciates that Governor Newsom is still committed to improving California's water delivery infrastructure with a single tunnel project.

In order to ensure water supply reliability for Southern Californians and to expand and diversify the region's water supply portfolio, MWD is investing in the future development of local water supplies by its member agencies. On January 8, 2019, MWD's Board approved providing \$3.5 million under their Future Supply Actions Funding Program for research to facilitate the future development of seawater desalination, groundwater, stormwater capture, and recycled water projects. MWD considers this program key in helping MWD address an uncertain water future.

MWD continues to be proactive in helping Southern Californians understand that water efficiency and conservation has become a way of life. Last year MWD brought back their popular Turf Removal Rebate program. On February 12, 2019, MWD approved to double the rebate provided for turf replacement. In addition, MWD adopted other changes which make it easier for customers to participate in the program. MWD utilizes its multi-million dollar "365" campaign to encourage Southern Californians to learn about available rebate programs, how to conserve water every day, and how to save money.

California was fortunate to have an above normal water year which was a good news story for everyone in the state. Even though the drought may be considered over, California must deal with a climate that fluctuates from year to year and the reality that dry conditions will come back in future years. Many of Southern California groundwater basins are still at or near historic low levels. Unpredictable and extreme weather brings about ongoing water supply reliability issues and challenges across the state.

TVMWD continues to support MWD in advancing the delta conveyance improvement project in order to ensure Southern California has a reliable water source. TVMWD realizes the serious nature of water supply reliability and is proactive in finding new local sources of water supplies. TVMWD is in the process of constructing our third well which is expected to be fully operational by January 2020 and is in the planning stages for a fourth well with an estimated completion in 2022. TVMWD is also working with MWD and our member agencies to develop water storage agreements and come up with other means to ensure our region maintains a reliable and affordable water supply. Planning for future generations and preserving and strengthening our water supplies for the future and in case of emergencies such as a catastrophic earthquake are at the forefront of TVMWD's goals.





# MAJOR INITIATIVES AND PROJECTS

TVMWD began, continued, or completed many projects and programs in FY 2018-2019. These included, but were not limited to:

**Filter Aid Dry Chemical System:** The system batch-processes polymers used in the treatment process. The system became obsolete and unsupported. The new system provides more automated controls, a more accurate means of measuring chemicals to batch-process the polymer filter aid, and a better mixing system that will not degrade the product prior to use. TVMWD staff took delivery of the equipment, performed the entire installation, and put into operation.



**6th & White Meter Connection and Electrical Upgrade:** The 6th & White #5 meter connection underwent major upgrades. The existing venturi meter was replaced with a modern magnet meter. The rusted cabinet and its electrical components were replaced. TVMWD performed various parts of the demo, preparation and installation. The upgrade increased available space for newer technology and improved security of our equipment.





# MAJOR INITIATIVES AND PROJECTS

**JWL Control Valve:** Final design and construction for this control valve was completed in FY 2018-2019. The new 18-inch pressure reducing and flow control device at the Joint Water Line (JWL) connection will serve to regulate flow in the pipeline between the Fulton Reservoir and the delivery point to the JWL. The ability to better control deliveries with such a valve will also help to utilize the Fulton Reservoir for potential improvements that could enhance water quality.



# MAJOR INITIATIVES AND PROJECTS

**Reservoir Effluent Pump Station:** The pumping equipment for this proposed pump station was installed in October 2018. The completion of this project occurred in November 2018 after successful testing, start-up, and training of operations staff. TVMWD is now able to take advantage of reservoir detention time to enhance the disinfection process through the plant. In addition, the administration building now receives its potable water supply from the Reservoir Effluent Pump Station.



**Hydropneumatic Tank Replacement:** The replacement of the hydropneumatic tank at the Miramar Plant was completed in mid FY 2018-2019. The three variable speed plant process pumps were rebuilt and took the place of the circa 1987 steel pressurized tank system. These pumps operate in a lead-lag to feed process water to the plant and onsite irrigation system. Removing the obsolete hydropneumatic tank system was a natural step due to the catastrophic failures the industries utilizing this hydropneumatic tank design have experienced.





# MAJOR INITIATIVES AND PROJECTS

**Grand Avenue Well:** Phase I (drilling) and Phase 2 (well equipping and pipeline design) were completed in FY 2018-2019. Construction began in May 2019 and is scheduled to be completed by January 2020, with anticipated production of 750 gpm.



## Relevant Financial Policies

### Internal Control Structure

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

### Financial Policies

Prior to June 30th each fiscal year, TVMWD adopts an annual appropriated budget for planning, control, and evaluation purposes. The budget includes proposed expenses and the means of financing them. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. The Board of Directors approve total budgeted appropriations and any significant amendments to the appropriations throughout the year. Formal budgetary integration is employed as a management control device during the year. The Board of Directors requires the preparation of an annual budget, but TVMWD is not legally required to report on the budget. Encumbrance accounting is used to account for commitments related to unperformed or incomplete contracts for construction and services. Consistent with the State of California Government Code, TVMWD annually adopts an investment policy that is intended to minimize credit and market risks while maintaining a competitive yield on its overall portfolio. TVMWD's cash management system is also designed to forecast revenues and expenditures accurately, and to invest surplus funds to the fullest extent possible. During FY 2018-2019, all funds were invested in accordance with this policy. These investments primarily consisted of United States Government Securities/Instrumentalities.

### Long-Term Financial Planning

TVMWD's main expense is for treated and untreated water from MWD. Since MWD is forecasting rate increases in the future of 3% to 4.1%, TVMWD's rates are expected to mirror those increases. TVMWD's financial forecast is to continue leveraging costs so that TVMWD can offer water at a \$10 discount per acre-feet below MWD for the foreseeable future.

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

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

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

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

### Other References

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

## Contact TVMWD

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

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TVMWD for its CAFR for the fiscal year ended June 30, 2018. This was the twelfth 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,



Matthew H. Litchfield, 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, 2018**

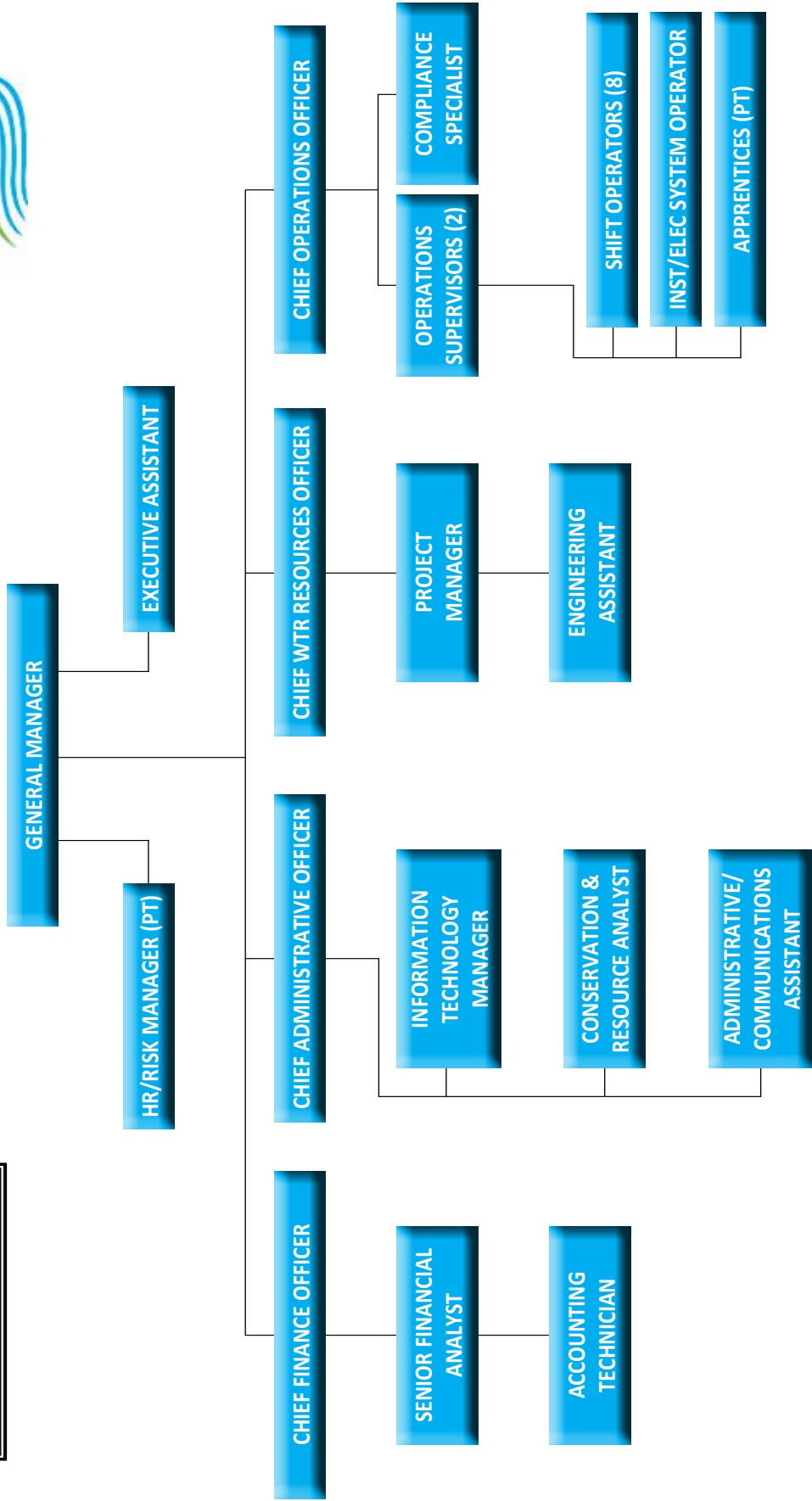
*Christopher P. Morrill*

Executive Director/CEO



VOTING ELECTORATE  
BOARD OF DIRECTORS

**Organizational Chart**



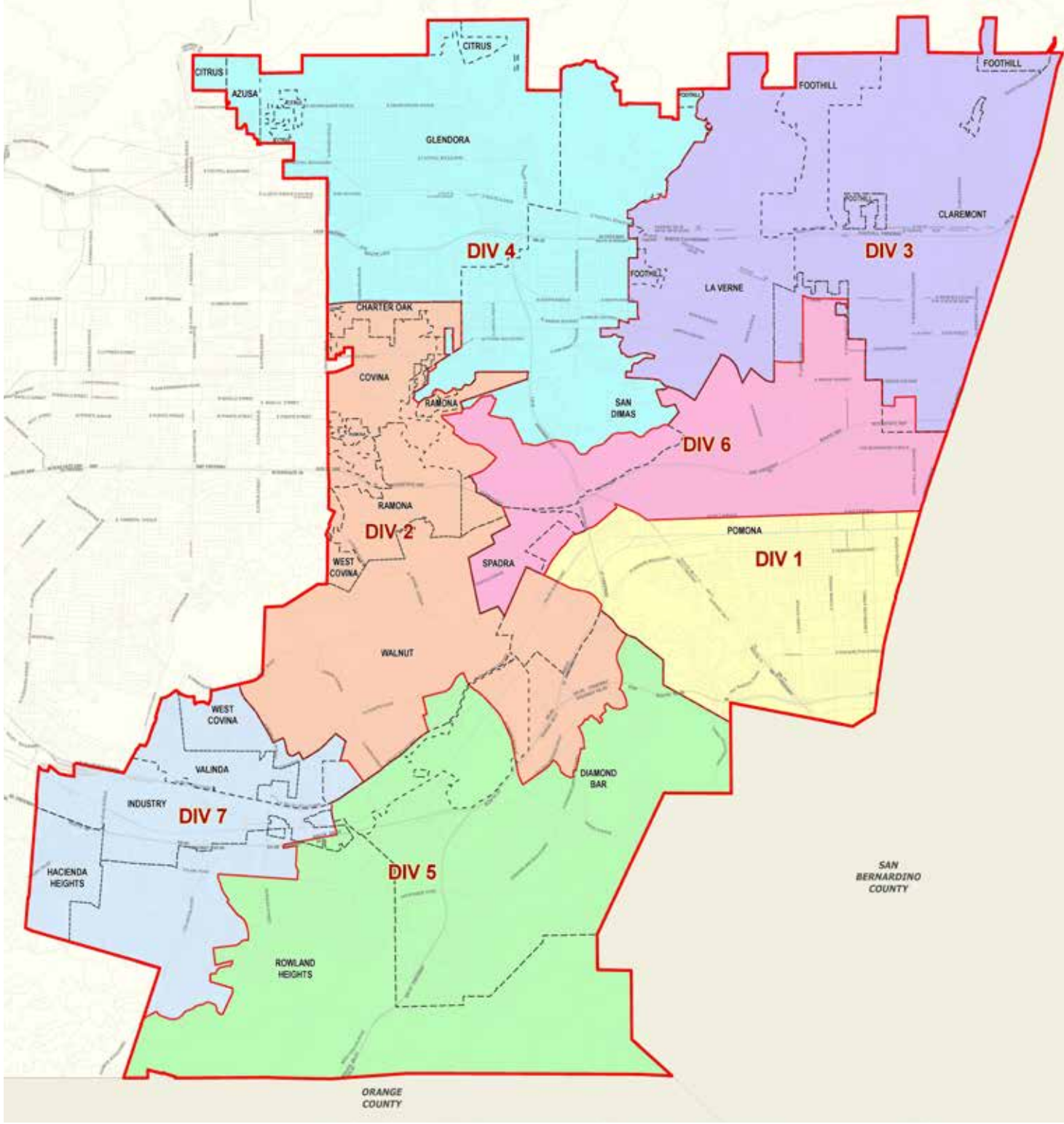
Matthew Litchfield, P.E.  
General Manager

May 15, 2019 FTE 25

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, La Verne



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



**Director Denise Jackman**  
**Division 7**  
Rowland Heights, West Covina,  
City of Industry, Hacienda Heights  
January 2019 - Present



**Director John Mendoza**  
**Division 6**  
Northern Pomona



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



**Director Dan Horan**  
**Division 7**  
Rowland Heights, West Covina,  
City of Industry, Hacienda Heights  
July 2018 - December 2018





## **BOARD REPRESENTATION**

(Revised at the January 2019 Board Meeting)

<b><u>NAME</u></b>	<b><u>REPRESENTING</u></b>	<b><u>POSITION</u></b>
<b>Bob Kuhn</b>	<b>Division IV</b>	<b>President</b>
<b>David De Jesus</b>	<b>Division II</b>	<b>Vice President</b>
<b>Brian Bowcock</b>	<b>Division III</b>	<b>Secretary</b>
<b>Joseph Ruzicka</b>	<b>Division V</b>	<b>Treasurer</b>
<b>Denise Jackman</b>	<b>Division VII</b>	<b>Director</b>
<b>John Mendoza</b>	<b>Division VI</b>	<b>Director</b>
<b>Carlos Goytia</b>	<b>Division I</b>	<b>Director</b>

## **2019 COMMITTEE/REPRESENTATION APPOINTMENTS**

(Revised at the December 5, 2018 Board Meeting)

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

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

<sup>(2)</sup>Resolution No. 18-09-831 was submitted to the San Gabriel Valley Water Quality Authority to appoint a delegate and alternate to serve for a four year term.

<sup>(3)</sup>For CY 2019 TVMWD will be the delegate.

# FINANCIAL SECTION





## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Three Valleys Municipal Water District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 business-type activities, each major fund, and the aggregate remaining fund information of Three Valleys Municipal Water District, as of June 30, 2019, and the respective





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

changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the plan's proportionate share of the net pension liability, the schedule of pension plan contributions – California Public Employees Retirement Plan, the schedule of changes in Net OPEB liability and related ratios, the schedule of contributions - OPEB, and the schedule investment returns – OPEB Trust on pages 18-21 and 46-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED], 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Lance, Soll & Loughard, LLP*

Brea, California

[REDACTED], 2019



**THREE VALLEYS MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2019**

This section of TVMWD's annual financial report presents our analysis of TVMWD's financial performance during the fiscal year ended on June 30, 2019. 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 in 2019. This is offset by a significant increase in untreated water sales along with rates increasing by 3%.
- Accounts payable increased \$1.1 million as a result of water stored in Main San Gabriel Basin in June 2019. TVMWD requested delivery of the water but is not required to pay MWD until December 2019.
- Investment income increased significantly due to changes in the investment market that caused unrealized gains in TVMWD's investment portfolio.
- Total Nondepreciable Assets increased \$1.1 million mainly due to continued work on the Grand Avenue Well.
- Total Depreciable Assets increased \$500,000 as a result of completion of the following Projects: The Reservoir Effluent Pump Station, the Hydropneumatic Tank Replacement and the Filter Aid Dry Chemical System.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Required Financial Statements**

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

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

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

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

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

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

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



**THREE VALLEYS MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2019**

**TABLE A-1  
Condensed Statement of Net Position  
Fiscal Years 2019 and 2018**

	<b>2019</b>	<b>2018</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
<b>Current and noncurrent assets</b>				
Cash and cash equivalents	\$ 3,968,050	\$ 1,803,767	\$ 2,164,283	120 %
Accounts receivable	10,485,682	9,915,140	570,542	6 %
Interest receivable	54,872	53,721	1,151	2 %
Interest receivable - <i>restricted</i>	75	151	(76)	(51) %
Taxes receivable	67,580	135,536	(67,956)	(50) %
Other receivables	5,373	30,448	(25,075)	(82) %
Loans receivable from employees	4,803	4,290	513	12 %
Prepaid expenses and deposits	81,828	104,286	(22,458)	(22) %
Water storage inventory	2,553,120	3,368,550	(815,430)	(24) %
Investments	10,056,595	10,015,648	40,947	0 %
Investments - <i>restricted</i>	415,362	340,950	74,412	22 %
<b>Capital assets</b>				
Depreciable assets	25,606,507	26,304,496	(697,989)	(3) %
Nondepreciable assets	4,383,747	3,253,881	1,129,866	35 %
<b>Total Assets</b>	<b>\$ 57,683,594</b>	<b>\$ 55,330,864</b>	<b>\$ 2,352,730</b>	<b>4 %</b>
<b>Deferred outflows of resources</b>				
Deferred OPEB and pension related items	\$ 1,445,586	\$ 1,608,652	\$ (163,066)	(10) %
<b>Current liabilities</b>				
Accounts payable	\$ 10,860,640	\$ 9,785,036	\$ 1,075,604	11 %
Retention payable	-	41,610	(41,610)	(100) %
Accrued payroll	157,130	189,876	(32,746)	(17) %
Accrued compensated absences	190,415	102,015	88,400	87 %
<b>Long-term liabilities</b>				
Accrued compensated absences	268,943	339,703	(70,760)	(21) %
Net pension liability	3,452,268	3,518,869	(66,601)	(2) %
Net OPEB liability	536,357	517,532	18,825	4 %
<b>Total Liabilities</b>	<b>\$ 15,465,753</b>	<b>\$ 14,494,641</b>	<b>\$ 971,112</b>	<b>7 %</b>
<b>Deferred inflows of resources</b>				
Deferred OPEB and pension related items	\$ 328,478	\$ 309,337	\$ 19,141	7 %
<b>Investment in capital assets</b>	<b>\$ 29,990,254</b>	<b>\$ 29,558,377</b>	<b>\$ 431,877</b>	<b>1 %</b>
<b>Restricted for pensions</b>	<b>415,437</b>	<b>341,101</b>	<b>74,336</b>	<b>22 %</b>
<b>Unrestricted</b>	<b>12,929,258</b>	<b>12,236,060</b>	<b>693,198</b>	<b>6 %</b>
<b>Total Net Position</b>	<b>\$ 43,334,949</b>	<b>\$ 42,135,538</b>	<b>\$ 1,199,411</b>	<b>3 %</b>

As depicted in Table A-1, the following significant changes occurred during FY 2018-2019:

- Accounts payable increased \$1.1 million as a result of water stored in Main San Gabriel Basin in June 2019. TVMWD requested delivery of the water but is not required to pay MWD until December 2019.
- Water storage inventory decreased as a result of \$2.5 million of sales offset by water purchases of \$1.7 million.

**THREE VALLEYS MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2019**

**TABLE A-2  
Condensed Statements of Revenues, Expenses and Changes in Net Position  
Fiscal Years 2019 and 2018**

	<b>2019</b>	<b>2018</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
<b>Operating revenues</b>				
Water and hydroelectric sales	\$ 61,874,355	\$ 58,752,407	\$ 3,121,948	5 %
Water use and connection capacity charges	5,365,364	5,499,472	(134,108)	(2) %
<b>Nonoperating revenues</b>				
Property tax revenue	2,481,726	2,291,505	190,221	8 %
Investment income	513,710	3,089	510,621	16530 %
<b>Total Revenues</b>	<b>70,235,155</b>	<b>66,546,473</b>	<b>3,688,682</b>	<b>6 %</b>
<b>Operating expenses</b>				
Water purchases	55,670,169	52,987,129	2,683,040	5 %
Water use and connection capacity	4,720,544	4,887,541	(166,997)	(3) %
Water treatment and transmission	2,848,109	2,891,079	(42,970)	(1) %
Administrative expenses	4,321,058	3,928,897	392,161	10 %
Depreciation	1,521,811	1,578,054	(56,243)	(4) %
<b>Nonoperating expenses</b>				
Loss on sale/disposal of assets	52,553	40,400	12,153	30 %
<b>Total Expenses</b>	<b>69,134,244</b>	<b>66,313,100</b>	<b>2,821,144</b>	<b>4 %</b>
<b>Net income (loss) before contributions</b>	<b>1,100,911</b>	<b>233,373</b>	<b>867,538</b>	<b>372 %</b>
<b>Contributions</b>	<b>98,500</b>	<b>2,000</b>	<b>96,500</b>	<b>4825 %</b>
<b>Changes in net position</b>	<b>1,199,411</b>	<b>235,373</b>	<b>964,038</b>	<b>410 %</b>
<b>Beginning net position</b>	<b>42,135,538</b>	<b>41,900,165</b>	<b>235,373</b>	<b>1 %</b>
<b>Ending net position</b>	<b>\$ 43,334,949</b>	<b>\$ 42,135,538</b>	<b>\$ 1,199,411</b>	<b>3 %</b>

As depicted in Table A-2, the following significant changes occurred during FY 2018-2019:

- Treated water sales revenue and the related water purchased decreased in 2019. This is offset by a significant increase in untreated water sales along with rates increasing by 3%.
- Investment income increased significantly due to changes in the investment market that caused unrealized gains in TVMWD's investment portfolio.
- Contributions increased due to a grant for the Cadiz Project.

**THREE VALLEYS MUNICIPAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2019**

**TABLE A-3  
Capital Assets  
Fiscal Years 2019 and 2018**

	<b>2019</b>	<b>2018</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
<b>Nondepreciable Assets</b>				
Land	\$ 1,633,704	\$ 1,633,704	\$ -	0 %
Water Share	301,000	301,000	-	0 %
Construction in Progress	2,449,043	1,319,177	1,129,866	86 %
<b>Total Nondepreciable Assets</b>	<b>4,383,747</b>	<b>3,253,881</b>	<b>1,129,866</b>	<b>35 %</b>
<b>Depreciable Assets</b>				
Building	7,521,416	7,521,416	-	0 %
Furniture, Fixtures, & Equipment	964,296	954,141	10,155	1 %
Infrastructure	57,157,301	56,669,340	487,961	1 %
Land Improvements	1,257,839	1,257,839	-	0 %
Vehicles	449,804	414,648	35,156	8 %
<b>Total Depreciable Assets</b>	<b>67,350,656</b>	<b>66,817,384</b>	<b>533,272</b>	<b>1 %</b>
<b>Less Accumulated Depreciation</b>	<b>(41,744,149)</b>	<b>(40,512,888)</b>	<b>(1,231,261)</b>	<b>3 %</b>
<b>Net Depreciable Assets</b>	<b>25,606,507</b>	<b>26,304,496</b>	<b>(697,989)</b>	<b>(3) %</b>
<b>Total Capital Assets, Net</b>	<b>\$ 29,990,254</b>	<b>\$ 29,558,377</b>	<b>\$ 431,877</b>	<b>1 %</b>

As depicted in Table A-3, the following significant changes occurred during FY 2018-2019:

- Total Nondepreciable Assets increased \$1.1 million mainly due to continued work on the Grand Avenue Well.
- Total Depreciable Assets increased \$500,000 as a result of completion of the following Projects: The Reservoir Effluent Pump Station, the Hydropneumatic Tank Replacement and the Filter Aid Dry Chemical System.
- More information about TVMWD's capital assets is presented in Note 3 of the Notes to the Basic Financial Statements.

**THREE VALLEYS MUNICIPAL WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

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**ASSETS****Current assets**

Cash and cash equivalents (Note 2)	\$ 3,968,050
Accounts receivable (Note 1)	10,485,682
Interest receivable	54,872
Interest receivable - restricted (Note 1)	75
Investments (Note 2)	818,714
Investments - restricted (Note 1)	415,362
Taxes receivable (Note 1)	67,580
Other receivables	5,373
Loans receivable from employees (Note 1)	4,803
Prepaid expenses (Note 1)	56,321
Deposits (Note 1)	16,531
Water storage inventory (Note 1)	2,553,120
Total current assets	<u>18,446,483</u>

**Noncurrent assets**

Advance dues deposit (Note 1)	8,976
Investments (Note 2)	9,237,881
Capital assets (Note 3)	
Depreciable assets, net	25,606,507
Nondepreciable assets	4,383,747
Total noncurrent assets	<u>39,237,111</u>
<b>TOTAL ASSETS</b>	<u>\$ 57,683,594</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension related items (Note 7)	1,144,108
Deferred OPEB related items (Note 9)	301,478
Total deferred outflows of resources	<u>\$ 1,445,586</u>

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

**THREE VALLEYS MUNICIPAL WATER DISTRICT**  
**STATEMENT OF NET POSITION (continued)**  
**June 30, 2019**

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**LIABILITIES**

**Current liabilities**

Accounts payable	\$ 10,860,640
Accrued payroll	157,130
Current portion of accrued compensated absences (Note 1)	190,415
Total current liabilities	<u>11,208,185</u>

**Noncurrent liabilities**

Accrued compensated absences, net of current portion (Note 1)	268,943
Net pension liability (Note 7)	3,452,268
Net OPEB (Note 9)	536,357
Total noncurrent liabilities	<u>4,257,568</u>

**TOTAL LIABILITIES**

\$ 15,465,753

**DEFERRED INFLOWS OF RESOURCES**

Deferred pension related items (Note 7)	328,478
Total deferred inflows of resources	<u>\$ 328,478</u>

**NET POSITION**

Investment in capital assets	29,990,254
Restricted for pensions	415,437
Unrestricted	12,929,258
<b>TOTAL NET POSITION</b>	<u><u>\$ 43,334,949</u></u>

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





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**THREE VALLEYS MUNICIPAL WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2019**

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**OPERATING REVENUES**

Water sales - MWD	\$ 43,413,063
Water and hydroelectric sales - Miramar	18,461,292
Water use and connection capacity charges	5,365,364
	<hr/>
Total operating revenues	67,239,719
	<hr/>

**OPERATING EXPENSES**

Water purchases - MWD	43,649,391
Water purchases - Miramar	12,020,778
Water use and connection capacity	4,720,544
Water treatment and distribution	2,848,109
Administrative expenses	4,321,058
Depreciation	1,521,811
	<hr/>
Total operating expenses	69,081,691
	<hr/>

**OPERATING LOSS**

(1,841,972)

**NONOPERATING REVENUES (EXPENSES)**

Property tax revenue	2,481,726
Investment income	513,710
Loss on sale/disposal of assets	(52,553)
	<hr/>
Net nonoperating revenues	2,942,883
	<hr/>

**NET INCOME BEFORE CONTRIBUTIONS**

1,100,911

**CONTRIBUTIONS** (Note 1)

98,500

**CHANGES IN NET POSITION**

1,199,411

**NET POSITION AT BEGINNING OF YEAR**

42,135,538

**NET POSITION AT END OF YEAR**

\$ 43,334,949

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

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**THREE VALLEYS MUNICIPAL WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2019**

---

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 67,509,682
Cash payments to suppliers of goods or services	(61,785,696)
Cash payments to employees for services	(4,598,920)
Net cash provided by operating activities	<u>1,125,066</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Proceeds from property taxes	<u>2,549,682</u>
Net cash provided by noncapital financing activities	<u>2,549,682</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from contributions	98,500
Proceeds from sale of capital assets	541
Acquisitions of capital assets	(744,531)
Cost of construction in progress additions	(1,262,251)
Net cash used by capital and related financing activities	<u>(1,907,741)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments in government securities	(2,789,975)
Proceeds from sales of investments in government securities	2,957,771
Investment income	229,480
Net cash provided by investing activities	<u>\$ 397,276</u>

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

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**THREE VALLEYS MUNICIPAL WATER DISTRICT**  
**STATEMENT OF CASH FLOWS (continued)**  
**For the Year Ended June 30, 2019**

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**NET INCREASE (DECREASE)**

<b>IN CASH AND CASH EQUIVALENTS</b>	\$ 2,164,283
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,803,767
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 3,968,050</u>

**RECONCILIATION OF INCOME FROM OPERATIONS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Income from operations	\$ (1,841,972)
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	1,521,811
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(570,542)
(Increase) decrease in other receivables	25,075
(Increase) decrease in loans receivable from employees	(513)
(Increase) decrease in prepaid expenses	16,460
(Increase) decrease in deposits	5,998
(Increase) decrease in water storage inventory	815,430
Increase (decrease) in accounts payable	1,075,604
Increase (decrease) in accrued payroll	(32,746)
Increase (decrease) in accrued OPEB liability and related items	62,198
Increase (decrease) in retention payable	(41,610)
Increase (decrease) in accrued compensated absences	17,640
Increase (decrease) in net pension liability and related items	72,233
Net cash provided by operating activities	<u>\$ 1,125,066</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS  
TO STATEMENT OF NET POSITION**

Cash and cash equivalents	\$ 3,968,050
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**NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Loss on sale/disposal of assets	(53,094)
Changes in fair value of investments	283,155

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

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**THREE VALLEYS MUNICIPAL WATER DISTRICT  
OTHER POST EMPLOYMENT BENEFITS PLAN TRUST  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

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**ASSETS:**

Mutual funds ( <i>Note 9</i> )	\$	928,625
Interest receivable ( <i>Note 9</i> )		264
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>928,889</b>

**NET POSITION RESTRICTED FOR OPEB BENEFITS**

Restricted for OPEB benefits	\$	928,889
<b>TOTAL NET POSITION RESTRICTED FOR OPEB BENEFITS</b>	<b>\$</b>	<b>928,889</b>

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

**THREE VALLEYS MUNICIPAL WATER DISTRICT  
OTHER POST EMPLOYMENT BENEFITS PLAN TRUST  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

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**ADDITIONS:**

Employers' contributions	\$ -
Investment Income:	
Interest and dividends	22,094
Net appreciation in fair value of investments	36,288
Less: investment expense	<u>(2,996)</u>
Net investment income	<u>55,386</u>
TOTAL ADDITIONS	<u>55,386</u>

**DEDUCTIONS:**

Administrative expenses	<u>(2,212)</u>
TOTAL DEDUCTIONS	<u>(2,212)</u>
CHANGE IN NET POSITION	53,174

**NET POSITION RESTRICTED  
FOR OPEB BENEFITS:**

BEGINNING OF YEAR	<u>875,715</u>
END OF YEAR	<u><u>\$ 928,889</u></u>

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

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## THREE VALLEYS MUNICIPAL WATER DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Organization

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

#### Basis of Accounting and Financial Statement Presentation

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

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

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

#### Use of Estimates

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

#### Cash and Cash Equivalents

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

### Restricted Investments and Interest Receivable

Amounts shown as restricted are associated with an irrevocable trust established to collect and invest additional funds for TVMWD's pension plan as explained in Note 7.

#### Accounts Receivable

TVMWD grants unsecured credit to its member agencies. Bad debts are accounted for by the reserve method, which establishes an allowance for doubtful accounts based upon historical losses and a review of past due accounts. All receivables are considered collectible as of June 30, 2019, thus no allowance is reflected on the statement of net position.

#### Property Taxes

Property tax in California is levied in accordance with Article 13A of the State Constitution at 1% of county-wide assessed valuations. Taxes are collected by Los Angeles County for each fiscal year on taxable real and personal property which is situated within TVMWD as of the preceding January 1. For assessment and collection purposes, property is classified as either secured or unsecured. Taxes receivable at year-end are related to property taxes collected by Los Angeles County which have not been received by TVMWD as of June 30. All taxes receivable are considered collectible as of June 30, 2019, 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-Foot	Amount	Acre-Foot	Amount
Beginning Balance at July 1, 2018	2,904	\$ 554,869	4,075	\$ 2,813,681
Acquired	1,142	157,553	2,144	1,550,148
Used or Sold	(968)	(179,699)	(3,392)	(2,343,432)
Ending Balance at June 30, 2019	<b>3,078</b>	<b>\$ 532,723</b>	<b>2,827</b>	<b>\$ 2,020,397</b>

**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

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

**Investments**

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

**Capital Assets**

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

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

**Deferred Outflows/Inflows of Resources**

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

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

**Compensated Absences**

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

**Net Pension Liability**

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

**Net OPEB Liability**

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

**Net Position**

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

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

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

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





**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

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

**Classification of Revenues and Expenses**

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

**Contributions**

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

**NOTE 2 – CASH AND CASH EQUIVALENTS AND  
INVESTMENTS**

**Deposits**

As of June 30, 2019, the carrying amount of TVMWD's cash deposits was \$2,901,737 and the bank balances were \$2,948,161. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in TVMWD's name as discussed below.

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

TVMWD's Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an

Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an Agent of Depository has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local government agency.

Cash and cash equivalents and investments are presented on the Statement of Net Position as follows as of June 30, 2019:

Type	Fair Value
<b>Cash and cash equivalents</b>	
Cash	\$ 2,901,737
Money Market Funds	30,576
California Asset Management Trust	1,007,147
Local Agency Investment Fund	<u>28,590</u>
<b>Total cash and cash equivalents</b>	<u>3,968,050</u>
<b>Investments</b>	
Federal Agency Securities	4,292,637
US Corporate Notes	2,576,422
US Treasury Notes	2,220,417
Supranational	639,964
Asset Backed Security	327,155
Mutual Funds*	<u>1,343,987</u>
<b>Total investments</b>	<u>11,400,582</u>
<b>Total cash and cash equivalent and investments</b>	<u>\$ 15,368,632</u>

\*Mutual Funds consist of funds with irrevocable trusts for pension and OPEB liabilities.

**Local Agency Investment Fund**

TVMWD is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of TVMWD's investment in this pool is reported in the accompanying financial statements at amounts based on TVMWD's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio.) The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not registered with the SEC and is not rated. Deposits and withdrawals in LAIF are made based on one dollar and not fair value.

**California Asset Management Program (CAMP)**

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

**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

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

**Investments**

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

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

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

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

**Investments**

TVMWD's investment policy limits investment maturities to five years or less as a means of managing its exposure to fair value losses arising from increasing rates. As June 30, 2019, TVMWD had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 3	3 to 5
Money Market Funds	\$ 30,576	\$ 30,576	\$ -	\$ -
Federal Agency Securities	4,292,637	299,242	2,627,437	1,365,958
US Corporate Notes	2,576,422	444,558	1,200,653	931,211
US Treasury Notes	2,220,417	74,915	1,343,053	802,449
Supranational	639,964	-	413,503	226,461
Asset Backed Security	327,155	-	144,513	182,642
Mutual Funds	1,343,987	1,343,987	-	-
California Asset Management Trust	1,007,147	1,007,147	-	-
Local Agency Investment Fund	28,590	28,590	-	-
<b>Total</b>	<b>\$12,466,895</b>	<b>\$3,229,015</b>	<b>\$5,729,159</b>	<b>\$3,508,721</b>

## THREE VALLEYS MUNICIPAL WATER DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2019

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

#### Credit Risk

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

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by NRSROs. It is TVMWD's policy to limit its investments in these investment types to rated "A" or better issued by NRSROs, including raters S&P's and Moody's Investors Service. As of June 30, 2019, 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+	36.80%
Federal Agency Securities	NR	AA+	1.79%
US Corporate Notes	Aaa	AA+	1.08%
US Corporate Notes	Aa1	AA+	1.13%
US Corporate Notes	Aa2	AA	2.39%
US Corporate Notes	Aa3	A+	0.72%
US Corporate Notes	A1	AA-	1.03%
US Corporate Notes	A1	A+	1.71%
US Corporate Notes	A1	A	3.33%
US Corporate Notes	A2	A+	1.23%
US Corporate Notes	A2	A	4.91%
US Corporate Notes	A2	A-	4.51%
US Corporate Notes	A3	A	1.12%
Supranational	Aaa	AAA	3.94%
Supranational	Aaa	NR	1.81%
Asset Backed Security	Aaa	AAA	1.20%
Asset Backed Security	Aaa	NR	1.37%
Asset Backed Security	NR	AAA	0.36%
Money Market Fund	Aaa	AAA	0.23%
Mutual Funds	Aaa	AAA	10.79%
California Asset Management Trust	NR	AAAm	9.05%
Local Agency Investment Fund	NR	NR	0.26%

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

#### Fair Value Measurements

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

TVMWD has the following recurring fair value measurements as of June 30, 2019:

Investments by Fair Value Level	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
Federal Agency Securities	\$ 4,292,637	\$ -	\$ 4,292,637	\$ -
US Corporate Notes	2,576,422	-	2,576,422	-
US Treasury Notes	2,220,417	-	2,220,417	-
Supranational	639,964	-	639,964	-
Asset Backed Security	327,155	-	327,155	-
Mutual Funds	1,343,987	-	1,343,987	-
California Asset Management Trust	1,007,147	-	1,007,147	-
Local Agency Investment Fund	28,590	-	28,590	-
<b>Totals</b>	<b>\$12,436,319</b>	<b>\$ -</b>	<b>\$12,436,319</b>	<b>\$ -</b>
<b>Investments Measured at Amortized Cost</b>				
Money Market Fund	30,576			
<b>Total Investments</b>	<b>\$12,466,895</b>			

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

#### Concentration of Credit Risk

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

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

**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

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

**Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside agency. TVMWD's policy is to diversify its investments by security type and institution. As of June 30, 2019, none of TVMWD's deposits or investments were exposed to custodial credit risk.

**NOTE 3 – CAPITAL ASSETS**

A summary of the changes in capital assets for the year ended June 30, 2019 is as follows:

	Beginning Balance 06/30/2018	Additions	Retirements*	Transfers	Ending Balance 06/30/2019
<b>Capital assets, not being depreciated:</b>					
Land	\$ 1,633,704	\$ -	\$ -	\$ -	\$ 1,633,704
Water Share	301,000	-	-	-	301,000
Construction in progress	1,319,177	1,262,251	-	(132,385)	2,449,043
<b>Total capital assets, not being</b>	<b>3,253,881</b>	<b>1,262,251</b>	<b>-</b>	<b>(132,385)</b>	<b>4,383,747</b>
<b>Capital assets, being depreciated:</b>					
Building and Building Improvement	7,521,416	-	-	-	7,521,416
Furniture, Fixtures, and Equipment	954,141	29,961	(19,806)	-	964,296
Infrastructure	56,669,340	679,414	(323,838)	132,385	57,157,301
Land Improvements	1,257,839	-	-	-	1,257,839
Vehicles	414,648	35,156	-	-	449,804
<b>Total capital assets, being depreciated</b>	<b>66,817,384</b>	<b>744,531</b>	<b>(343,644)</b>	<b>132,385</b>	<b>67,350,656</b>
<b>Less accumulated depreciation for:</b>					
Building and Building Improvement	6,620,971	29,184	-	-	6,650,155
Furniture, Fixture and Equipment	805,432	25,612	(16,345)	-	814,699
Infrastructure	31,658,543	1,359,429	(274,205)	-	32,743,767
Land Improvement	1,121,806	68,824	-	-	1,190,630
Vehicles	306,136	38,762	-	-	344,898
<b>Total accumulated depreciation</b>	<b>40,512,888</b>	<b>1,521,811</b>	<b>(290,550)</b>	<b>-</b>	<b>41,744,149</b>
<b>Total capital assets, being depreciated,</b>	<b>26,304,496</b>	<b>(777,280)</b>	<b>(53,094)</b>	<b>132,385</b>	<b>25,606,507</b>
<b>Total capital assets, net</b>	<b>\$ 29,558,377</b>	<b>\$ 484,971</b>	<b>\$ 53,094</b>	<b>\$ -</b>	<b>\$ 29,990,254</b>

\*Replacement of the Filter Aid System, Hydropneumatic Tank and 6th and White Connection.

Depreciation expense for the year totaled \$1,521,811.



**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 5 – POOLED ARRANGEMENTS**

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

**Property:** Insured up to replacement value. Coverage includes Special Form with Exclusions, Accidental Mechanical Breakdown (Sublimit \$100 million), Mobile Equipment Physical Damage and Vehicle Comprehension/Collision. The pooled layer is up to \$100,000 per occurrence and excess insurance coverage up to \$500 million.

**General, Auto and Public Officials Liability:** The pooled layer is up to \$5 million per occurrence and excess insurance coverage of up to \$60 million.

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

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

**NOTE 6 – RELATED PARTY TRANSACTIONS**

**Covina Irrigating Company (CIC)**

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

TVMWD began selling water to CIC in November 2015. The amount of water sold to CIC for FY 2018-2019 was 8,693 acre-feet. These sales occurred in the same manner as would occur with any TVMWD member agency. TVMWD expects sales to CIC to continue in the future.

TVMWD's rates are set annually for the calendar year and approved by the TVMWD Board of Directors. The rate charged to CIC is the same rate charged to any TVMWD member agency. The rates for 2018 and 2019 were \$695 and \$731, respectively, per acre foot. The pipeline used to deliver water to CIC is owned by San Gabriel Valley Municipal Water District (SGVMWD). SGVMWD charges a fee of \$5 per acre foot, so TVMWD (and ultimately CIC) was also responsible for this fee. For FY 2018-2019, total water sales revenue, capacity charges and fixed charges from CIC was \$6,297,058.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**Grant Awards**

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

**Operating Leases**

TVMWD leases office equipment under non-cancelable leases. Total costs for such leases were \$25,324 for the year ended June 30, 2019. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 26,813
2021	29,104
2022	31,611
2023	3,401
<b>Total</b>	<b><u>\$ 90,929</u></b>

**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 \$3,716,963 of open contracts as of June 30, 2019.

The following material construction commitments existed at June 30, 2019:

<b>Project Name</b>	<b>Contract Amount</b>	<b>Expenditures to date as of June 30, 2019</b>	<b>Remaining Commitment</b>
Grand Avenue Well	\$3,998,563	\$1,214,305	\$2,784,258
West Baseline Well	450,000	154,172	295,828
JWL Control Valve	216,912	19,528	197,384
Cadiz Project Study	197,628	-	197,628
GIS System	150,000	-	150,000
MiraGrand Well	91,865	-	91,865



**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)**

TVMWD allows its member agencies approximately 45 days to pay for monthly water purchases. As such, TVMWD had a receivable outstanding at June 30, 2019 from CIC for June 2019 water sales, capacity charges and fixed charges of \$373,819. This receivable, due August 26, 2019, was paid by CIC on July 22, 2019.

**SGV-COG Joint Powers Agreement**

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

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

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

As a Member of the Council, TVMWD has limited financial liability as outlined in the Council's Fourth Amended and Restated Joint Exercise of Powers Agreement adopted on December 19, 2017. The debts, liabilities and obligations of the Council are debts, liabilities or obligations of the Council alone. No Member of the Council shall be responsible, directly or indirectly, for any obligation, debt or liability of the Council whatsoever, to the fullest extent allowed by law. No Member of the Council shall be responsible for the debts or liabilities of any other Member solely by reason of membership on the Council. Implementation agreements to provide for the design and/or construction of projects with other Members or other agencies shall provide for indemnification of the individual Members of the Council who are not parties to the contracts. TVMWD has no debt, liabilities or obligations associated with the Council as of June 30, 2019.

**NOTE 7 – PENSION PLANS**

**Plan Descriptions**

All qualified permanent, probationary and part-time vested employees are eligible to participate in TVMWD's miscellaneous employee pension plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. TVMWD sponsors a plan with two tiers:

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

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

**Benefits Provided**

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

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



## THREE VALLEYS MUNICIPAL WATER DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2019

### NOTE 7 – PENSION PLANS (continued)

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
	Prior to 1/1/13	On or after 1/1/13
CalPERS membership date		
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	9.409%	6.842%

### Contributions

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

For the year ended June 30, 2019, the contributions recognized as reductions to net pension liability for the Plan were as follows:

Contributions - employer	\$363,282
Contributions - employee (paid by employer)	\$0

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

As of June 30, 2019, TVMWD reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability</b>
Total Net Pension Liability	<b>\$3,452,268</b>

TVMWD established an irrevocable trust through PARS in an effort to reduce the pension liability and to stabilize pension costs. The trust will enable TVMWD to meet future contribution requirements to CalPERS. As of June 30, 2019 the market value of all assets held in the trust amounted to \$415,437 (including accrued interest), which in essence reduces the net pension liability.

TVMWD's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. TVMWD's proportion of the net pension liability was based on a projection of TVMWD's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. TVMWD's proportionate share of the net pension liability for the Plan as of June 30, 2018 was as follows:

<b>Proportion - June 30, 2018</b>	<b>0.0009707</b>
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For the year ended June 30, 2019, TVMWD recognized pension expense of \$498,945. At June 30, 2019, 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	\$426,711	\$0
Differences between actual and expected experience	140,362	(47,764)
Changes in assumptions	417,056	(102,212)
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	141,893	0
Difference between actual and proportionate share	0	(178,502)
Net differences between projected and actual earnings on plan investments	18,086	0
Total	\$1,144,108	\$(328,478)



## THREE VALLEYS MUNICIPAL WATER DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2019

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

### NOTE 7 – PENSION PLANS (continued)

The \$426,711 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2019	\$339,176
2020	194,466
2021	(111,819)
2022	(32,904)
2023	-
Remaining	-
Total	<u>\$388,919</u>

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

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

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. Both the June 30, 2017 total pension liability and the June 30, 2018 total pension liability were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	varies by entry age and service
Investment Rate of Return	7.15% <sup>(1)</sup>
Mortality	<sup>(2)</sup>
Post Retirement Benefit Increase	2.50%

<sup>(1)</sup> Net of pension plan investment expenses, including inflation

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

### Change of Assumptions

In December 2017, the CalPERS Board approved new mortality assumptions for plans participating in the Public Employees' Retirement Fund (PERF). The new mortality table derives from the December 2017 experience study. It includes 15 years of mortality improvements using 90% of scale MP 2016 by the Society of Actuaries. The inflation assumption was reduced from 2.75% to 2.50% and payroll growth was reduced from 3% to 2.75%. These assumption changes are shown in the results for fiscal year 2017-2018.

### Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%.

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

**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 7 – PENSION PLANS (continued)**

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

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of 1%.

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.

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

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

<sup>2</sup>An expected inflation of 2.00% used for this period.

<sup>3</sup>An expected inflation of 2.92% used for this period.

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

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

<b>Net Pension Liability</b>		
<b>Discount Rate-1%</b>	<b>Current Discount Rate</b>	<b>Discount Rate+1%</b>
<b>6.15%</b>	<b>7.15%</b>	<b>8.15%</b>
\$ 5,670,207	\$ 3,452,268	\$ 1,621,395

**Pension Plan Fiduciary Net Position**

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

**Payable to the Pension Plan**

At June 30, 2019, TVMWD reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

**NOTE 8 – DEFERRED COMPENSATION PLANS**

**457 Deferred Compensation Savings Plan**

TVMWD participates in two 457 Deferred Compensation Programs (Programs) administered by Lincoln Financial Services and CalPERS. Both plans qualify as defined contribution pension plans. The purpose is to provide deferred compensation for employees that elect to participate in the Programs. Generally, eligible employees may voluntarily defer receipt of a portion of their salary until termination, retirement, death or unforeseen emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. TVMWD matches employee contributions up to \$4,800 per year. The plan is authorized and may be amended by the Board of Directors. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, TVMWD is in compliance with this legislation. Therefore, these assets are not the legal property of TVMWD and are not subject to claims of TVMWD's general creditors. Market value of all plan assets held in trust by the two TVMWD plans amounted to \$6,394,776 at June 30, 2019.

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.

**R E T I R E M E N T**

**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 8 – DEFERRED COMPENSATION PLANS  
(continued)**

Accordingly, TVMWD is in compliance with this legislation. Therefore, these assets are not the legal property of TVMWD and are not subject to claims of TVMWD's general creditors. Market value of all plan assets held in trust by TVMWD plan amounted to \$51,116 at June 30, 2019.

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

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS**

**Plan Administration**

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

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

**Plan membership**

At June 30, 2019, TVMWD Retiree Benefits Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	9
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	25
<b>Total</b>	<b>34</b>

**Benefits**

TVMWD offers continued medical coverage to employees who retire from TVMWD at age 50 or older with a minimum of 10 years of service. The retired employee may continue medical coverage through either their own personal medical insurance or ACWA/JPIA. For eligible retirees hired prior to January 1, 2005, TVMWD provides 50% (plus an additional 10% for each additional year of service at retirement in excess of 10 years – not to exceed 100%) of the lesser of \$355 per month or the

cost for single medical coverage. For eligible retirees hired on or after January 1, 2005 with 10 years of TVMWD service, TVMWD provides 50% (plus an additional 5% for each additional year of service at retirement in excess of 10 years – not to exceed 100%) of the lesser of \$355 per month or the cost for single medical coverage. For employees retiring on or after January 1, 2015, the monthly benefits cap increased from \$355 to \$600. Employees retiring on or after January 1, 2015 may cover dependents, but the retiree must pay the entire dependents premiums. Retirees must pay the portion of the coverage, if any not covered by their benefits. Employees retiring on or after December 5, 2018, may claim dental and vision premiums in addition to medical premiums, not to exceed the \$600 cap. The dental and vision plans must be obtained by the retirees on their own. This plan is authorized and may be amended by the Board of Directors.

**Contributions**

The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to pre-fund benefits as determined annually by the Board. Plan members are not required to contribute to the plan. Any additional amounts for pre-funding are deposited into an irrevocable trust from which funds can only be used to pay for retiree medical coverage. Separate financial statements for the irrevocable trust may be obtained by writing to PARS at 4350 Von Karman Ave., Suite 100 Newport Beach, CA 92660-2043 or by visiting the PARS website at [www.pars.org](http://www.pars.org). For the year ended June 30, 2019, TVMWD's average contribution rate was 1.56% of covered-employee payroll.

**Investments**

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

The following was the Board's adopted asset allocation policy as of June 30, 2019:

<b>Asset Class</b>	<b>Target Allocation</b>
Mutual Funds-Equity	51%
Mutual Funds-Fixed Income	45%
Cash and Equivalents	4%
<b>Total</b>	<b>100%</b>

**Rate of return**

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.



**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

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

**Net OPEB Liability**

The components of the Net OPEB Liability at June 30, 2019 were as follows:

Total OPEB Liability	\$1,465,246
Plan fiduciary net position	(928,889)
TVMWD's net OPEB Liability	<u>\$ 536,357</u>
Plan fiduciary net position as a percentage of the total OPEB liability	63%

Deferred outflows and inflows of resources related to OPEB as of June 30, 2019 were:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$87,104	\$0
Changes in assumptions	211,880	0
Net differences between projected and actual earnings on OPEB investments	2,494	0
Total	\$301,478	\$0

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

<u>Year Ending June 30</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2020	\$41,775
2021	41,777
2022	41,729
2023	40,505
2024	40,823
Thereafter	94,869
Total	<u>\$301,478</u>

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

**Actuarial assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to June 30, 2019. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.07%, net of OPEB plan investment expense, including inflation. At 6-30-2019 the rate was 6.07%
Healthcare cost trend rates	5% for 2019, 5% for all later years

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

**Discount rate**

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

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

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

<b>Net OPEB Liability</b>		
<b>1% Decrease 5.15%</b>	<b>Discount Rate 6.15%</b>	<b>1% Increase 7.15%</b>
\$ 755,724	\$ 536,357	\$ 358,067

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

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

<b>Net OPEB Liability</b>		
<b>1% Decrease 4%</b>	<b>Healthcare Cost Trend Rate 5%</b>	<b>1% Increase 6%</b>
\$ 457,627	\$ 536,357	\$ 622,338

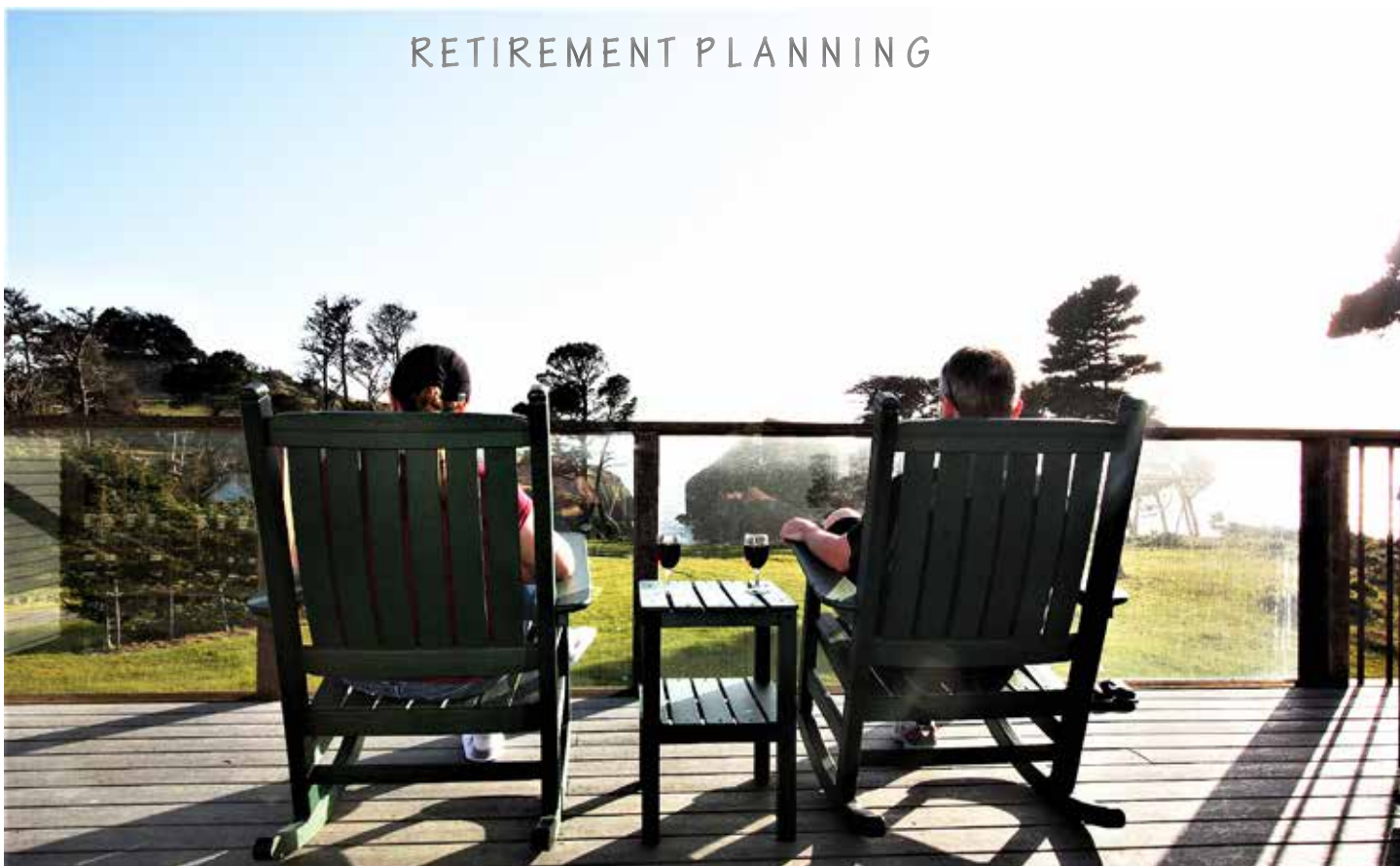
**THREE VALLEYS MUNICIPAL WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

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

The long-term expected rate of return of 6.07% on OPEB plan investments was calculated the following way:

1. The expected return of each asset class is determined through a combination of historical rates of returns, valuation projections, and economic expectations. Expected rates of return are provided by Wilshire Associates Incorporated and HighMark proprietary research. Expected rates of return are developed and annually reviewed by HighMark's Asset Allocation Committee.
2. With thirty year forecasts for U.S. Treasuries, Wilshire's ten year forecast for U.S. Treasuries is used as the assumed return for the first ten years of the thirty year period. Over the following twenty years (years 11-thirty) U.S. Treasuries are assumed to return a historical long run (1926-2014) risk premium over inflation. The resulting combination of the assumed return on U.S. Government bonds over the two periods becomes HighMark's thirty year forecast. All other taxable fixed income asset classes are derived from the expected return on U.S. Treasuries plus a credit or term premium consistent with those of the ten year forecasts.
3. With thirty year forecasts for global equity, Wilshire's ten year forecast for global equity is used as the assumed return for the first ten years of the thirty year period. Over the following twenty years (years 11-30) global equities are assumed to return historical long run (1926-2014) risk premiums over cash. The return on cash over this period is derived from the ten and thirty year cash assumptions. The resulting combination of the assumed global equity returns over the two periods becomes HighMark's thirty year forecast.
4. Returns reflect the reinvestment of dividends, interests, and other distributions.
5. An expected return is then calculated by weighting the returns for each asset class according to the exposure as determined by HighMark's current strategic allocation.

## RETIREMENT PLANNING





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# REQUIRED SUPPLEMENTARY INFORMATION



## SCHEDULE 1

**Three Valleys Municipal Water District**  
Miscellaneous Cost-Sharing Pension Plan  
Schedule of the Plan's Proportionate Share of the Net Pension Liability  
As of June 30, For The Last Ten Fiscal Years <sup>(1)</sup>

FY	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
2019	0.09707%	\$ 3,452,268	\$ 2,662,296	129.67%	78.94%
2018	0.09680%	\$ 3,518,869	\$ 2,539,815	138.55%	75.38%
2017	0.09532%	\$ 2,953,009	\$ 2,419,392	122.06%	75.87%
2016	0.07819%	\$ 2,145,000	\$ 2,400,313	89.36%	79.82%
2015	0.03310%	\$ 2,059,901	\$ 2,287,837	90.04%	78.40%

**Notes to Schedule:**

Benefit Changes: None.

Change of Assumption: New mortality table, 15 years of mortality improvements using 90% of scale MP 2016 by the Society of Actuaries.

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

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

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



## SCHEDULE 2

**Three Valleys Municipal Water District**  
Miscellaneous Cost-Sharing Pension Plan  
Schedule of the Plan Contributions - California Public Employees Retirement Plan  
For the Year Ended June 30, 2019

FY	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll	Valuation date
2019	\$ 426,711	\$ (426,711)	\$ -	\$ 2,750,395	15.515%	6/30/2017
2018	\$ 363,282	\$ (363,282)	\$ -	\$ 2,662,296	13.645%	6/30/2016
2017	\$ 324,213	\$ (324,213)	\$ -	\$ 2,539,815	12.765%	6/30/2015
2016	\$ 286,627	\$ (286,627)	\$ -	\$ 2,419,392	11.847%	6/30/2014
2015	\$ 272,007	\$ (272,007)	\$ -	\$ 2,400,313	11.332%	6/30/2013

**Note to Schedule:**

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll and direct rate smoothing
Asset valuation method	Market value
Inflation	2.50%
Salary increases	varies by entry age and service
Investment rate of return	7.15%
Retirement age	50-63 for 2% @ 55 and 52-67 for 2% @ 62
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% of scale MP 2016 by Society of Actuaries. For more details on this table, please refer to the December 2017 experience study report.

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

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

## SCHEDULE 3

**Three Valleys Municipal Water District**  
 Schedule of Changes in Net OPEB Liability and Related Ratios  
 For the Year Ended June 30, 2019

FISCAL YEAR	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 35,365	\$ 34,335	\$ 22,989
Interest	84,221	65,379	63,032
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	110,332	-
Changes of assumptions	-	140,935	143,737
Benefit payments	(47,588)	(41,611)	(23,007)
Net changes in total OPEB liability	<u>71,998</u>	<u>309,370</u>	<u>206,751</u>
Total OPEB liability - beginning	<u>\$1,393,247</u>	<u>\$1,083,877</u>	<u>\$ 877,126</u>
Total OPEB liability - ending (a)	<u><u>\$1,465,245</u></u>	<u><u>\$1,393,247</u></u>	<u><u>\$1,083,877</u></u>
<b>Plan fiduciary net position</b>			
Contributions-employer	\$ 47,588	\$ 41,611	\$ 138,561
Net investment income	55,386	45,031	52,341
Benefit payments	(47,588)	(41,611)	(23,007)
Administrative expense	(2,212)	(2,158)	(1,157)
Net changes in plan fiduciary net position	<u>53,174</u>	<u>42,873</u>	<u>166,738</u>
Plan fiduciary net position-beginning	<u>875,715</u>	<u>832,842</u>	<u>666,104</u>
Plan fiduciary net position-ending (b)	<u><u>\$ 928,889</u></u>	<u><u>\$ 875,715</u></u>	<u><u>\$ 832,842</u></u>
Net OPEB liability	<u><u>\$ 536,357</u></u>	<u><u>\$ 517,532</u></u>	<u><u>\$ 251,035</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	63%	63%	77%
Covered-employee payroll	\$2,750,395	\$2,662,296	\$2,539,815
TVMWD's net OPEB liability as a percentage of covered-employee payroll	19.50%	19.44%	9.88%

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

**SOURCE:** OPEB Actuarial Valuation

## SCHEDULE 4

**Three Valleys Municipal Water District**  
 Schedule of Contributions - OPEB  
 For the Year Ended June 30, 2019

FY	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contribution as a Percentage of Covered-Employee Payroll	Valuation date
<b>2019</b>	\$ 47,588	\$ (30,971)	\$ 16,617	\$ 2,750,395	1.73%	7/1/2017
<b>2018</b>	\$ 41,611	\$ (27,470)	\$ 14,141	\$ 2,662,296	1.56%	7/1/2017
<b>2017</b>	\$ 39,410	\$ (39,410)	\$ -	\$ 2,539,815	1.55%	7/1/2015

**Note to Schedule:**

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

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	21 years
Asset valuation method	Fair value
Inflation	2.75%
Healthcare cost trend rates	5.5% for 2019, 5% for all later years
Salary increases	3.00% per year
Investment rate of return	6.07%, net of OPEB plan investment expense, including inflation.
Retirement age	Probabilities of retirement at different ages are taken from the 2014 CalPERS OPEB Assumptions Model
Mortality	Mortality rates were taken from the 2014 CalPERS OPEB Assumptions Model

## SCHEDULE 5

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

<b>Year</b>	<b>Annual Money-Weighted Rate of Return, Net of Investment Expense</b>
2019	6.07%
2018	6.15%
2017	7.94%

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

**SOURCE:** TVMWD - Finance Department

# STATISTICAL SECTION





**THREE VALLEYS MUNICIPAL WATER DISTRICT  
STATISTICAL SECTION  
For the Year Ended June 30, 2019**

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

## **Contents**

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

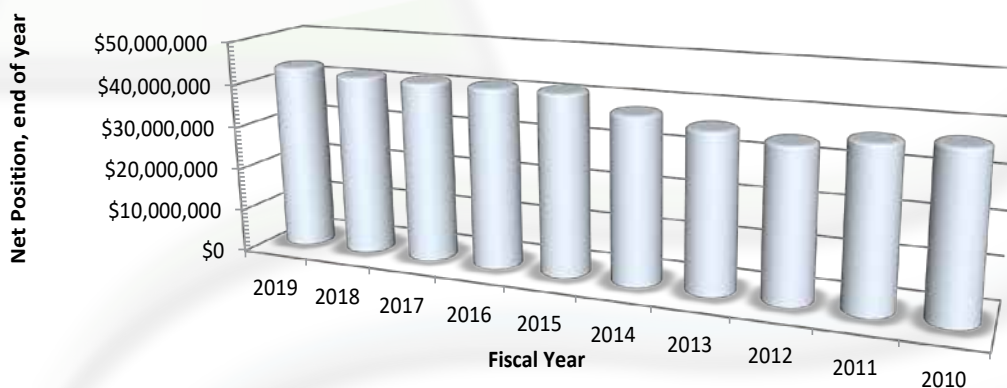
### **Operating Information**

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

## SCHEDULE 1

**Three Valleys Municipal Water District**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating revenues (see Schedule 3)	\$ 67,239,719	\$ 64,251,879	\$ 65,041,248	\$ 55,387,218	\$ 58,657,568	\$ 66,759,939	\$ 59,240,205	\$ 50,665,608	\$ 48,780,881	\$ 42,547,611
Operating expenses (see Schedule 4)	69,081,691	66,272,700	66,736,601	57,910,157	61,091,237	68,546,823	60,088,682	53,638,803	51,179,455	43,935,929
Total operating income (loss)	(1,841,972)	(2,020,821)	(1,695,353)	(2,522,939)	(2,433,669)	(1,786,884)	(848,477)	(2,973,195)	(2,398,574)	(1,388,318)
Nonoperating revenues (expenses)										
Property tax revenue	2,481,726	2,291,505	2,266,019	2,091,254	2,014,754	1,886,998	1,958,128	1,783,167	1,636,394	1,674,451
Sublease income	-	-	-	-	5,775,000	821,303	832,593	832,946	844,434	838,412
Investment income	513,710	3,089	25,793	226,747	136,976	236,128	72,974	311,222	352,529	656,200
Intergovernmental grants revenue	-	-	-	6,121	46,924	115,962	-	-	-	-
Intergovernmental grants expense	-	-	-	(6,121)	(46,924)	(115,962)	-	-	-	-
Interest expense	-	-	-	-	-	(29,787)	(221,353)	(327,853)	(398,839)	(460,411)
Amortization of deferred bond costs/refunding	-	-	-	-	-	(195,647)	(183,225)	(221,097)	(221,096)	(221,096)
Reimbursements revenue	-	-	-	-	-	-	-	-	33,945	56,093
Gain (loss) on sale of assets	(52,553)	(40,400)	(88,421)	(40,173)	(12,109)	(104,254)	(3,297)	(2,339)	-	-
Other non-operating revenues (expenses)	-	-	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	2,942,883	2,254,194	2,203,391	2,277,828	7,914,621	2,614,741	2,455,820	2,376,046	2,247,367	2,543,649
Net income before contributions and change in accounting principle	1,100,911	233,373	508,038	(245,111)	5,480,952	827,857	1,607,343	(597,149)	(151,207)	1,155,331
Contributions	98,500	2,000	5,250	111,150	618,666	1,742,423	-	-	-	-
Change in net position	1,199,411	235,373	513,288	(133,961)	6,099,618	2,570,280	1,607,343	(597,149)	(151,207)	1,155,331
Net Position, beginning of year	42,135,538	41,900,165	41,858,315	41,992,276	38,463,002	36,506,223	34,949,375	36,894,832	37,581,089	36,425,758
Prior period adjustment	-	-	(471,438) <sup>6</sup>	-	(2,570,344) <sup>5</sup>	(613,501) <sup>4</sup>	(50,495) <sup>3</sup>	(1,348,308) <sup>2</sup>	(535,050) <sup>1</sup>	-
<b>Net Position, end of year, as restated (see Schedule 2)</b>	<b>\$ 43,334,949</b>	<b>\$ 42,135,538</b>	<b>\$ 41,900,165</b>	<b>\$ 41,858,315</b>	<b>\$ 41,992,276</b>	<b>\$ 38,463,002</b>	<b>\$ 36,506,223</b>	<b>\$ 34,949,375</b>	<b>\$ 36,894,832</b>	<b>\$ 37,581,089</b>



<sup>1</sup> Prior Period Adjustment related to disposal of capital assets.

<sup>2</sup> Prior Period Adjustment related to removal of prepaid pension asset.

<sup>3</sup> Prior Period Adjustment related to change in accounting principle.

<sup>4</sup> Prior Period Adjustment related to removal of MWD assets.

<sup>5</sup> Prior Period Adjustment related to GASB 68.

<sup>6</sup> Prior Period Adjustment related to GASB 75.

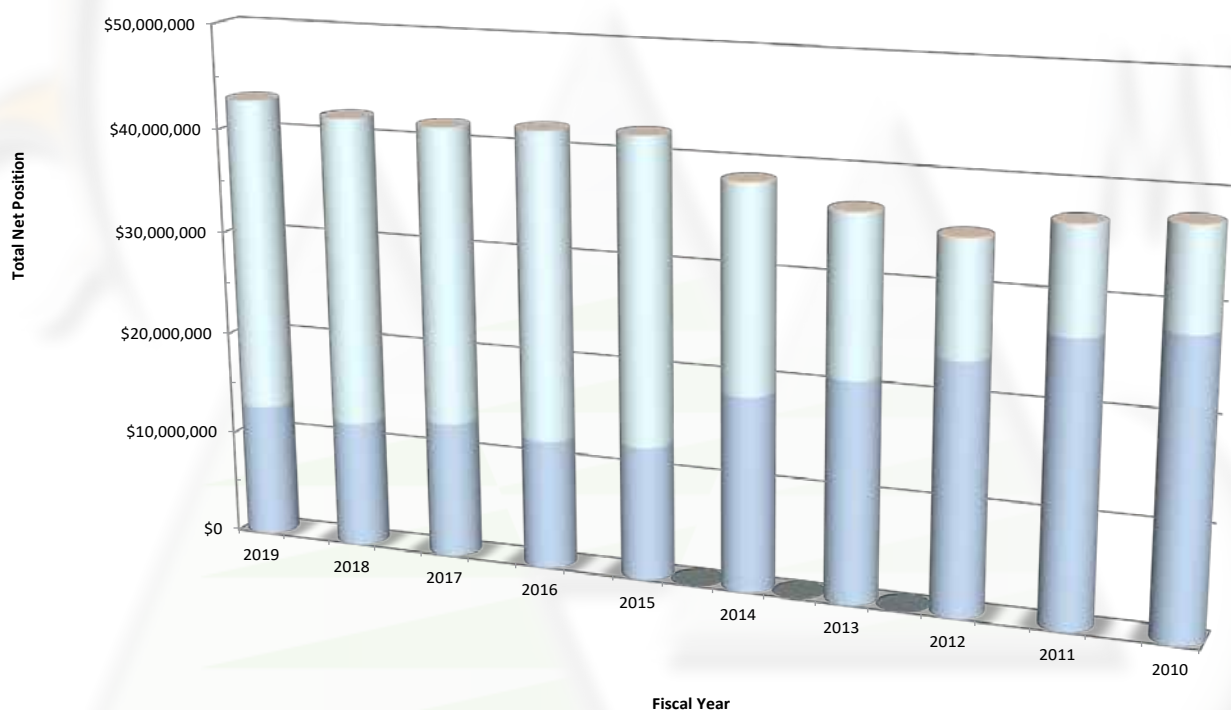
NOTE: Revenues and expenses in prior years may be reclassified to conform to current year presentation.

SOURCE: TVMWD - Finance Department

SCHEDULE 2

Three Valleys Municipal Water District  
Components of Net Position  
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net investment in capital assets	\$ 29,990,254	\$ 29,558,377	\$ 28,369,643	\$ 29,354,853	\$ 29,078,712	\$ 19,483,706	\$ 15,073,992	\$ 10,791,926	\$ 9,747,308	\$ 9,288,517
Restricted for debt service	-	-	-	-	-	225,000	227,163	227,203	226,165	226,153
Restricted for pensions	415,437	341,101	338,096	-	-	-	-	-	-	-
Unrestricted	12,929,258	12,236,060	13,192,426	12,503,462	12,913,564	18,754,296	21,205,068	23,930,246	26,921,359	28,066,419
<b>Total Net Position</b>	<b>\$ 43,334,949</b>	<b>\$ 42,135,538</b>	<b>\$ 41,900,165</b>	<b>\$ 41,858,315</b>	<b>\$ 41,992,276</b>	<b>\$ 38,463,002</b>	<b>\$ 36,506,223</b>	<b>\$ 34,949,375</b>	<b>\$ 36,894,832</b>	<b>\$ 37,581,089</b>



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

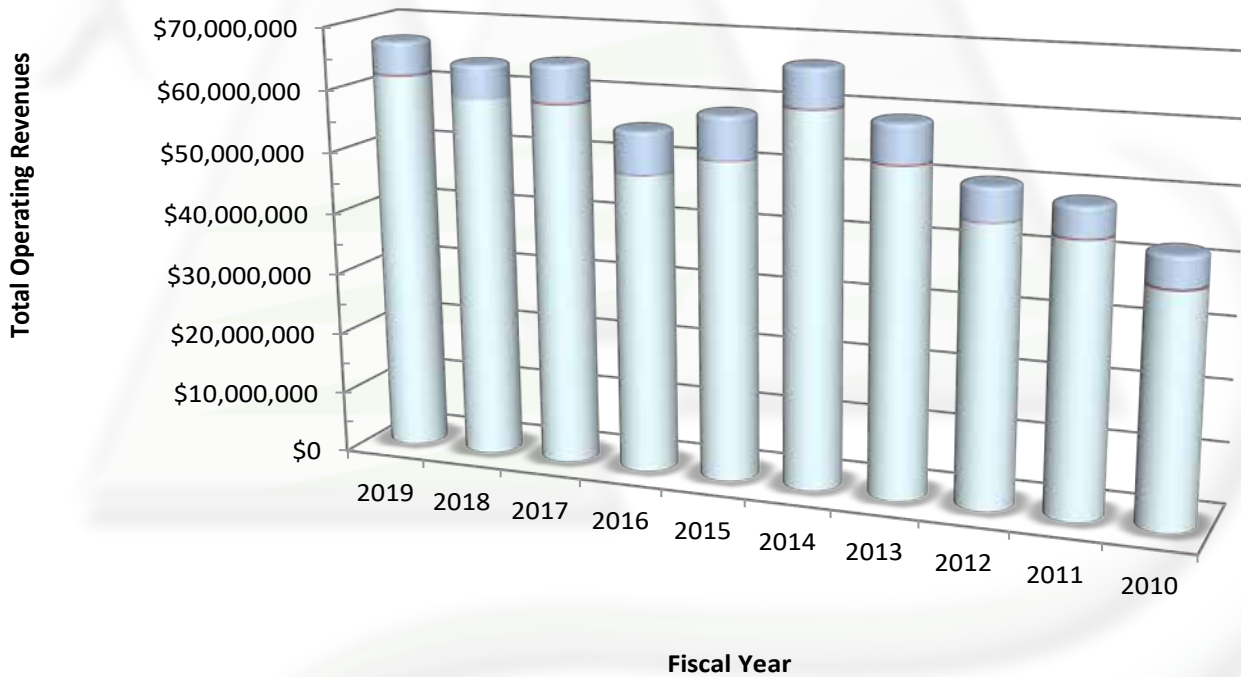
NOTE: Revenues and expenses in prior years may be reclassified to conform to current year presentation.

SOURCE: TVMWD - Finance Department

SCHEDULE 3

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

Fiscal Year	Water Sales <sup>1</sup>	Hydroelectric Sales	Water Use and Connection Charges	Total Operating Revenues
2019	\$ 61,659,318	\$ 215,037	\$ 5,365,364	\$ 67,239,719
2018	58,728,537	23,870	5,499,472	64,251,879
2017	58,662,799	204,856	6,173,593	65,041,248
2016	48,374,543	98,142	6,914,533	55,387,218
2015	51,527,963	122,614	7,006,991	58,657,568
2014	60,281,711	190,561	6,287,667	66,759,939
2013	52,729,124	196,465	6,314,616	59,240,205
2012	45,097,918	117,593	5,450,097	50,665,608
2011	43,658,124	203,608	4,919,149	48,780,881
2010	37,256,856	281,702	5,009,053	42,547,611



<sup>1</sup> 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 in prior years may be reclassified to conform to current year presentation.

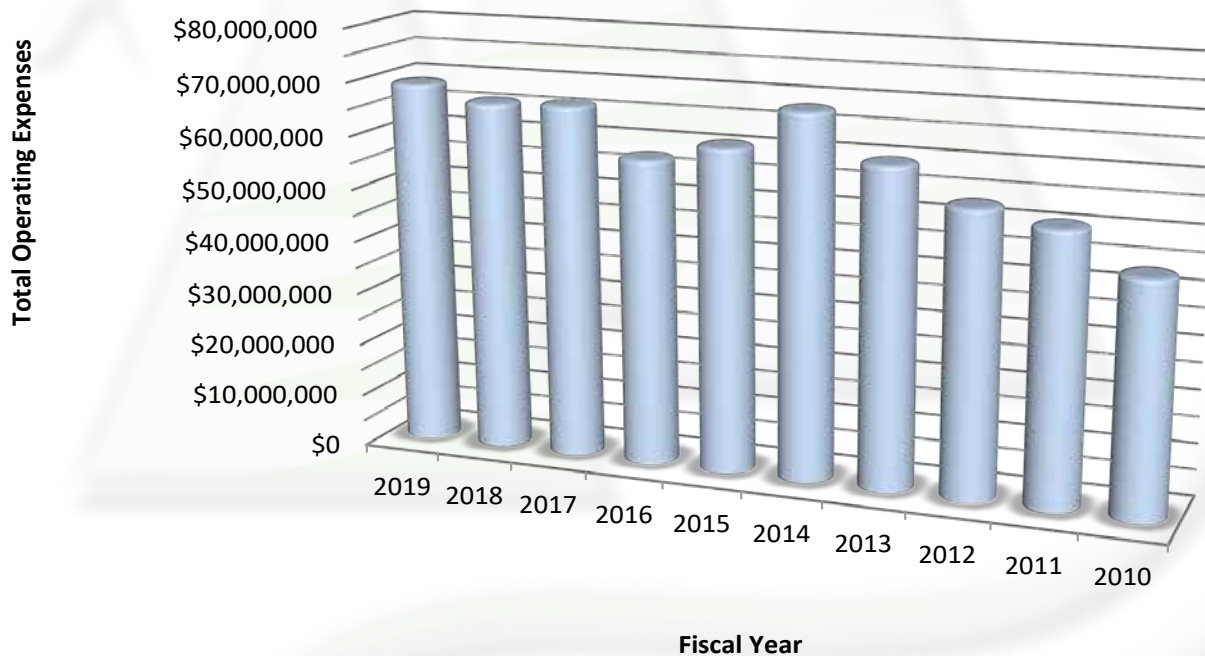
**SOURCE:** TVMWD - Finance Department



## SCHEDULE 4

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

Fiscal Year	Water Purchases <sup>1</sup>	Water Treatment and Distribution	Water Use and Connection	General and Administration	Depreciation	Total Operating Expenses
2019	\$ 55,670,169	\$ 2,848,109	\$ 4,720,544	\$ 4,321,058	\$ 1,521,811	\$ 69,081,691
2018	52,987,129	2,891,079	4,887,541	3,928,897	1,578,054	66,272,700
2017	52,807,504	2,891,120	5,490,812	3,639,407	1,907,758	66,736,601
2016	43,514,064	2,543,649	6,323,886	3,304,582	2,223,976	57,910,157
2015	46,955,630	2,711,483	6,182,531	3,210,145	2,031,448	61,091,237
2014	55,401,389	2,648,714	5,254,027	3,347,977	1,894,716	68,546,823
2013	47,625,454	2,402,677	4,863,177	3,206,754	1,990,620	60,088,682
2012	41,371,120	2,316,509	4,645,695	3,377,341	1,928,138	53,638,803
2011	39,809,995	2,173,056	4,136,576	3,171,603	1,888,225	51,179,455
2010	33,442,860	2,084,430	3,512,201	3,021,927	1,874,511	43,935,929



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

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

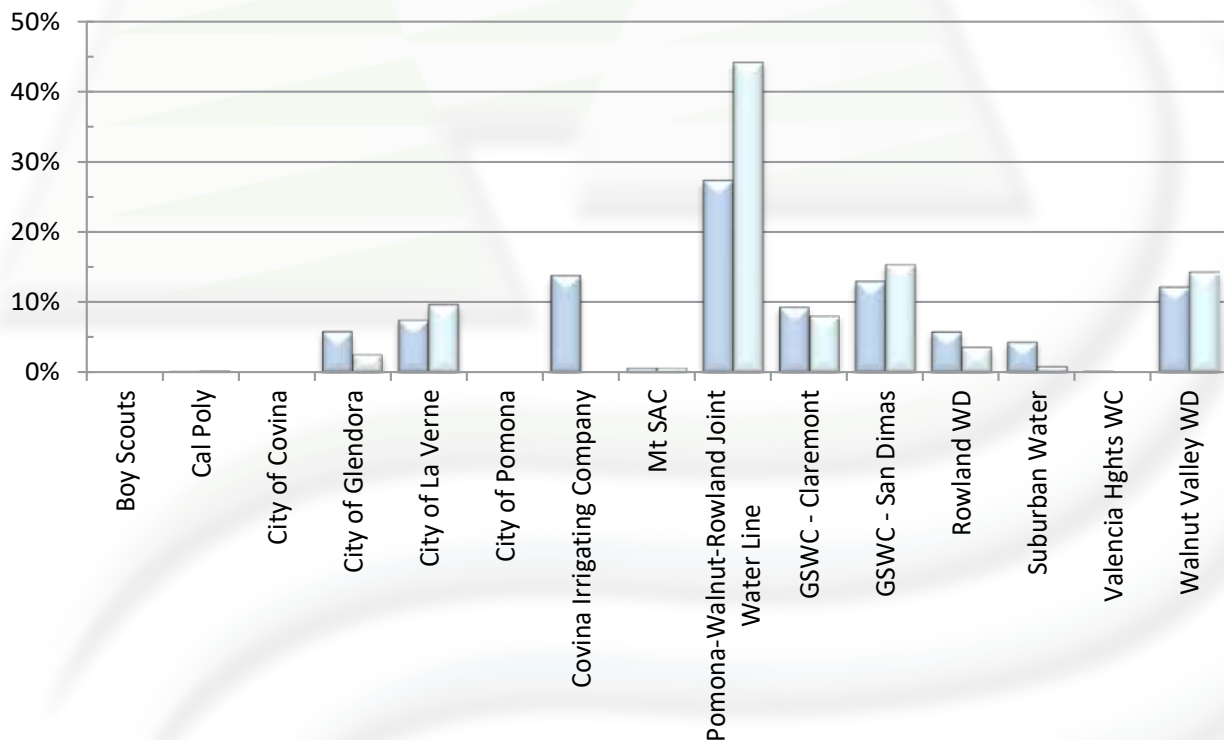
**SOURCE:** TVMWD - Finance Department



SCHEDULE 5

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

Member Agency	Acre-Feet Sold FY 2019	Percentage of total	Acre-Feet Sold FY 2010	Percentage of total
Boy Scouts of America - Firestone Reservation	19	0.03%	15	0.03%
California State Polytechnic University, Pomona	105	0.17%	150	0.27%
City of Covina	-	0.00%	29	0.05%
City of Glendora	3,683	5.85%	1,465	2.60%
City of La Verne	4,725	7.50%	5,488	9.72%
City of Pomona	-	0.00%	-	0.00%
Covina Irrigating Company	8,693	13.81%	-	0.00%
Mt. San Antonio College	431	0.68%	389	0.69%
Pomona-Walnut-Rowland Joint Water Line	17,154	27.25%	24,928	44.15%
Golden State Water Company - Claremont	5,847	9.29%	4,544	8.05%
Golden State Water Company - San Dimas	8,144	12.93%	8,721	15.44%
Rowland Water District	3,629	5.76%	2,050	3.63%
Suburban Water Systems	2,735	4.34%	530	0.94%
Valencia Heights Water Company	130	0.21%	58	0.09%
Walnut Valley Water District	7,668	12.18%	8,100	14.34%
	<b>62,963</b>	<b>100.00%</b>	<b>56,467</b>	<b>100.00%</b>

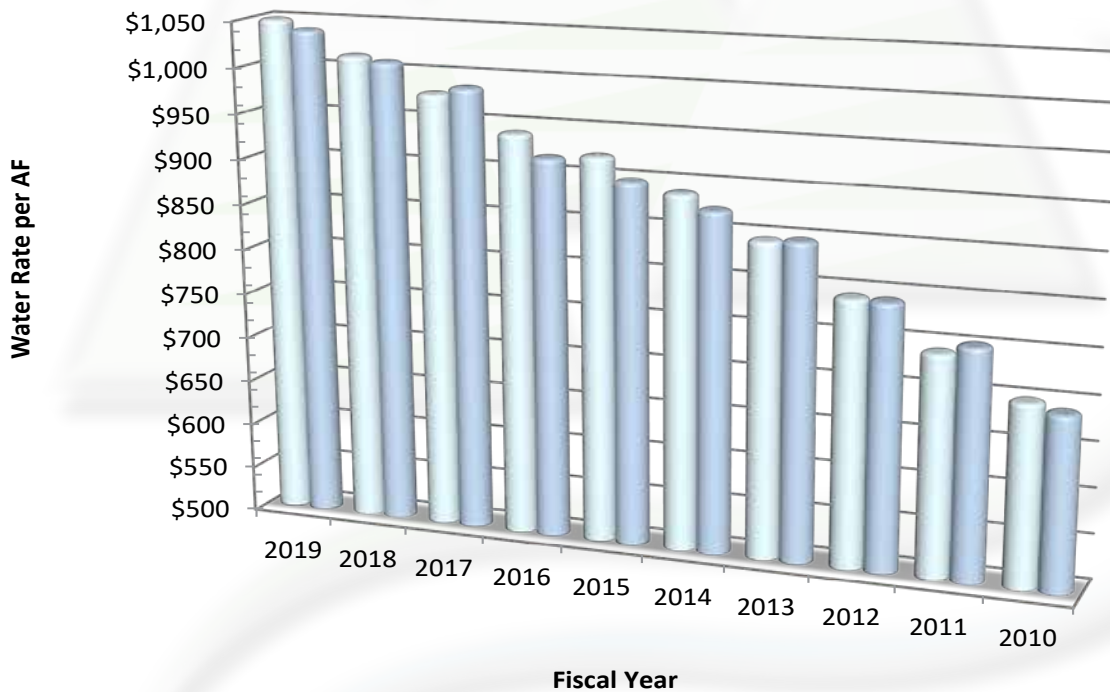


SOURCE: TVMWD - Finance Department

SCHEDULE 6

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

Calendar Year	MWD Water Rate	Surcharge / Discount	TVMWD Water Rate
2019	\$ 1,050	\$ (10)	\$ 1,040
2018	1,015	(5)	1,010
2017	979	8	987
2016	942	(24)	918
2015	923	(24)	899
2014	890	(15)	875
2013	847	2	849
2012	794	(1)	793
2011	744	10	754
2010	701	(9)	692



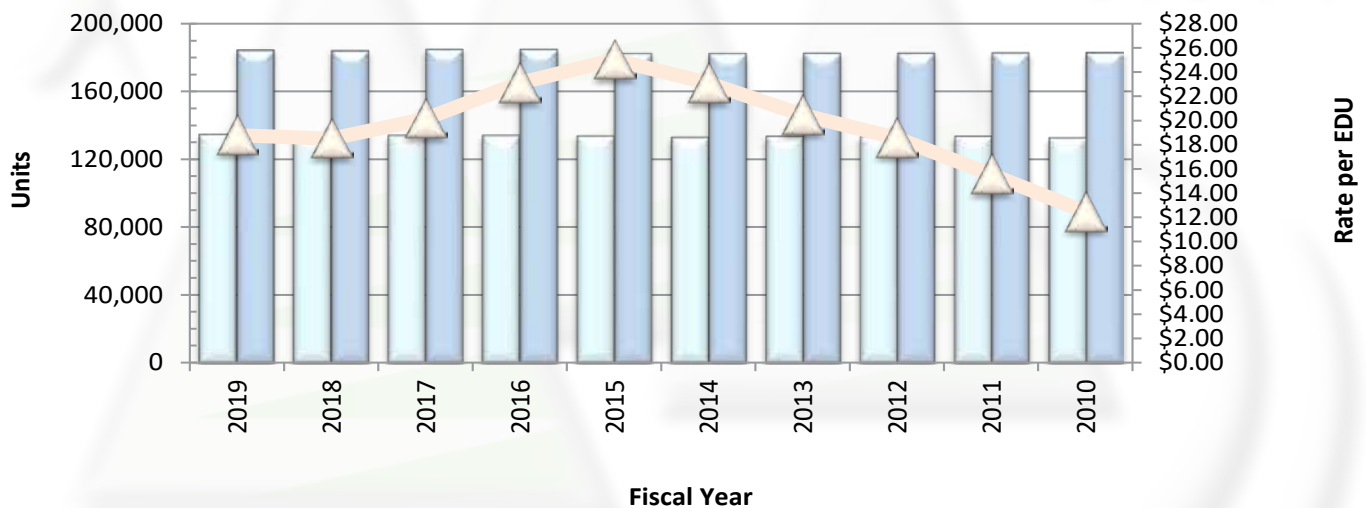
Note: All amounts are per acre foot.

SOURCE: TVMWD - Finance Department

SCHEDULE 7

**Three Valleys Municipal Water District**  
 Standby Charge Assessment Per Equivalent Dwelling Unit (EDU)  
 Last Ten Fiscal Years

Fiscal Year	Parcels <sup>1</sup>	EDUs <sup>2</sup>	Rate per EDU <sup>3</sup>
2019	134,530	184,693	\$18.79
2018	134,019	184,484	\$18.51
2017	133,986	185,153	\$20.16
2016	133,949	185,144	\$23.09
2015	133,653	182,768	\$25.02
2014	132,918	182,732	\$23.11
2013	133,421	182,902	\$20.46
2012	133,406	182,893	\$18.54
2011	133,428	183,118	\$15.55
2010	132,594	183,325	\$12.45



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

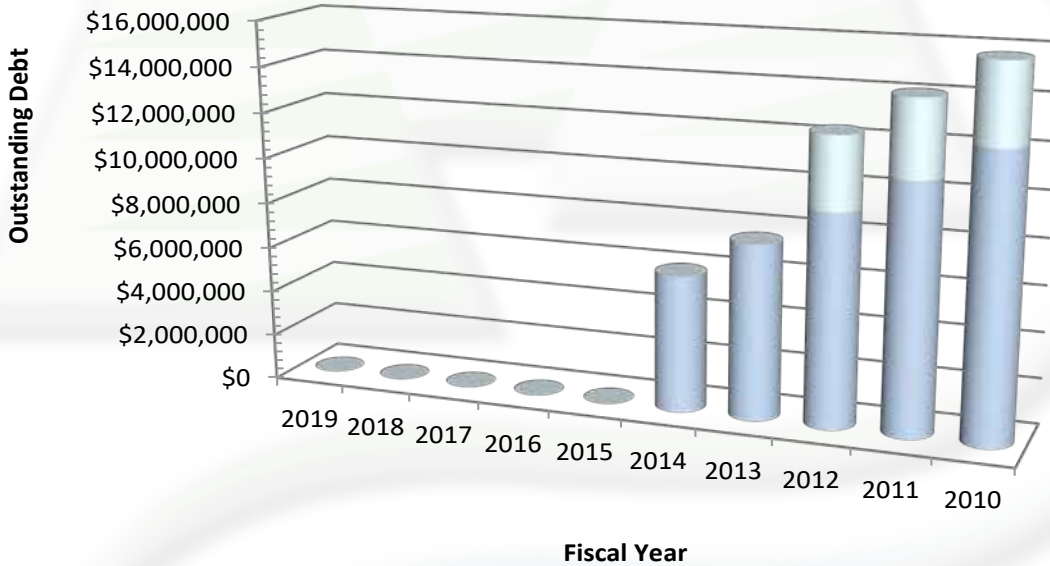
<sup>2</sup> EDUs are assigned to each parcel in proportion to the estimated benefit it receives from the availability of water service. A Single Family Residential parcel, the basic unit for calculating the Assessment, is defined as 1.0 EDU. Other land uses are assigned proportional EDUs.

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

**SCHEDULE 8**

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

<b>Fiscal Year</b>	<b>Certificates of Participation</b>	<b>Installment Sales Agreement</b>	<b>Per Capita</b>	<b>Outstanding Debt as a Share of Personal Income</b>
<b>2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>2014</b>	<b>6,000,000</b>	<b>-</b>	<b>11.81</b>	<b>0.02%</b>
<b>2013</b>	<b>7,654,353</b>	<b>-</b>	<b>15.11</b>	<b>0.03%</b>
<b>2012</b>	<b>9,266,129</b>	<b>3,167,070</b>	<b>24.61</b>	<b>0.05%</b>
<b>2011</b>	<b>10,817,903</b>	<b>3,306,356</b>	<b>28.04</b>	<b>0.06%</b>
<b>2010</b>	<b>12,324,678</b>	<b>3,438,978</b>	<b>31.38</b>	<b>0.07%</b>

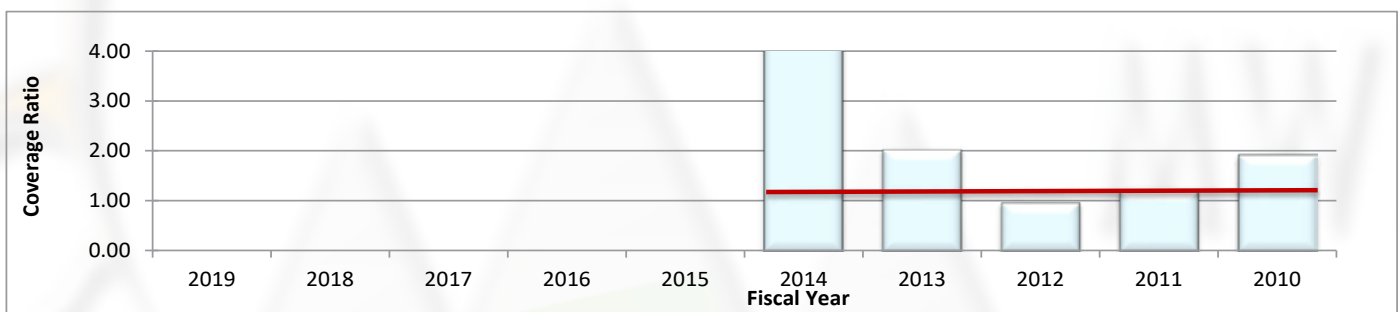


SCHEDULE 9

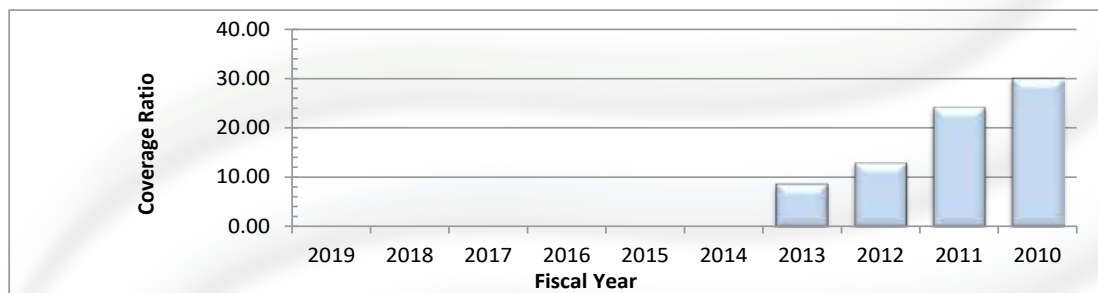
Three Valleys Municipal Water District  
Debt Coverage  
Last Ten Fiscal Years

2003 COP

Fiscal Year	Revenues <sup>1</sup>	Expenses <sup>2</sup>	Net Available Revenue	Debt Service		Total	Coverage Ratio <sup>3</sup>
				Principal	Interest		
2019	\$ 70,182,360	\$ 67,559,636	\$ 2,622,724	\$ -	\$ -	\$ -	0.00
2018	66,505,460	64,694,646	1,810,814	-	-	-	0.00
2017	67,243,154	64,828,844	2,414,310	-	-	-	0.00
2016	57,668,990	55,692,302	1,976,688	-	-	-	0.00
2015	66,619,113	59,059,789	7,559,324	-	-	-	0.00
2014	69,716,076	66,652,107	3,063,969	-	29,787	29,787	102.86
2013	62,100,603	58,098,062	4,002,541	1,850,000	104,599	1,954,599	2.05
2012	53,590,604	51,710,665	1,879,939	1,735,000	166,310	1,901,310	0.99
2011	51,648,183	49,291,230	2,356,953	1,690,000	228,903	1,918,903	1.23
2010	45,772,767	42,061,418	3,711,349	1,620,000	285,699	1,905,699	1.95



Fiscal Year	Unencumbered Cash and Cash Equivalents	Debt Service		Total	Coverage Ratio <sup>3</sup>
		Principal	Interest		
2019	\$ 3,968,050	\$ -	\$ -	\$ -	0.00
2018	1,803,767	-	-	-	0.00
2017	5,068,989	-	-	-	0.00
2016	3,728,324	-	-	-	0.00
2015	2,315,773	-	-	-	0.00
2014	3,509,585	-	-	-	0.00
2013	2,643,326	146,289	156,269	302,558	8.74
2012	3,937,407	139,286	161,543	300,829	13.09
2011	7,356,510	132,622	169,936	302,558	24.31
2010	9,072,259	126,279	174,712	300,991	30.14



<sup>1</sup> Revenues include operating and non-operating revenues less GSWC interest payments.

<sup>2</sup> Expenses include operating and non-operating expenses less depreciation, amortization and interest.

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

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

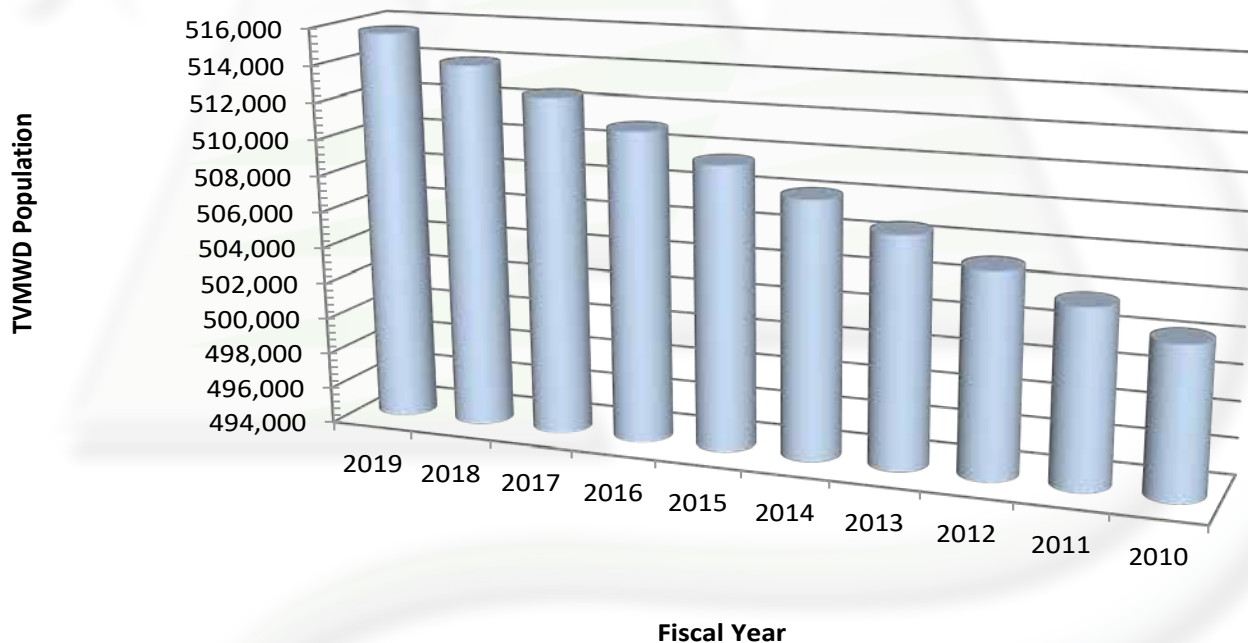
**SOURCE:** TVMWD - Finance Department



SCHEDULE 10

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

Fiscal Year	TVMWD Population Estimate <sup>1</sup>	County of Los Angeles			
		Unemployment Rate	Population	Personal Income (in thousands)	Personal Income per Capita
2019	515,575	4.1%	10,382,000	619,749,000	60,469
2018	514,089	4.3%	10,328,000	602,632,000	58,818
2017	512,607	4.6%	10,278,000	585,515,000	57,168
2016	511,129	5.2%	10,215,000	563,908,000	54,577
2015	509,655	6.6%	10,179,000	549,073,000	53,521
2014	508,186	8.2%	10,125,000	514,517,000	50,730
2013	506,721	9.8%	10,056,400	483,579,000	48,140
2012	505,260	10.9%	9,990,000	486,734,000	48,818
2011	503,803	12.2%	9,902,600	441,700,000	45,969
2010	502,351	12.5%	9,839,400	418,000,000	42,540



<sup>1</sup> 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.

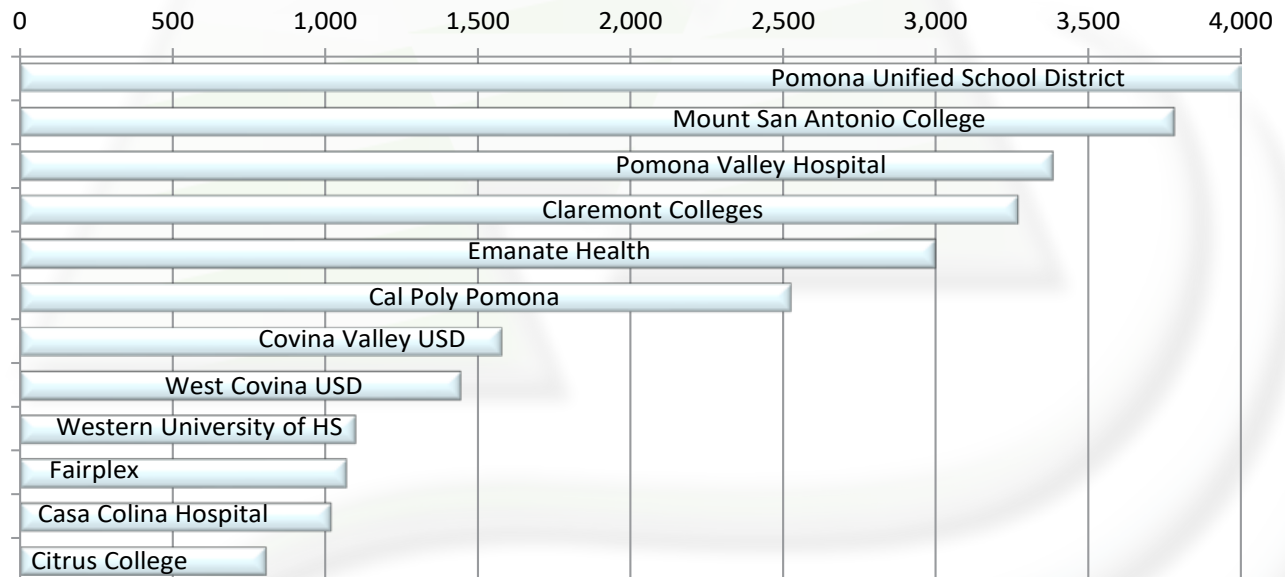
**NOTE:** Certain economic indicators such as unemployment rate and personal income are not calculated separately for TVMWD. Therefore, TVMWD has chosen to use the County of Los Angeles data, which is representative of the conditions and experiences of TVMWD.

**SOURCES:** LAEDC 2018-2019 Economic Forecast and Industry Outlook

SCHEDULE 11

**Three Valleys Municipal Water District**  
Principal Employers Changes in Past Ten Years  
Calendar Year 2019

Employer	Number of Employees FY 2019	Percentage of Total Employment	Number of Employees FY 2010	Percentage of Total Employment
Pomona Unified School District	4,000	2.1%	3,424	1.8%
Mount San Antonio College	3,781	1.9%	3,597	1.8%
Pomona Valley Hospital	3,385	1.7%	3,200	1.6%
Claremont Colleges	3,270	1.7%	3,300	1.7%
Emanate Health	3,000	1.5%	3,400	1.7%
Cal State Polytechnic University Pomona	2,527	1.3%	1,969	1.0%
Covina Valley Unified School District	1,579	0.8%	1,492	0.8%
West Covina Unified School District	1,445	0.7%	910	0.5%
Western University of Health Sciences	1,100	0.6%		0.0%
Fairplex Pomona	1,071	0.5%		0.0%
Casa Colina Hospital and Centers	1,020	0.5%		0.0%
Citrus Community College	807	0.4%	1,100	0.6%
Glendora Unified School District	798	0.4%		0.0%
Lanterman Development Center		0.0%	1,240	0.6%



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

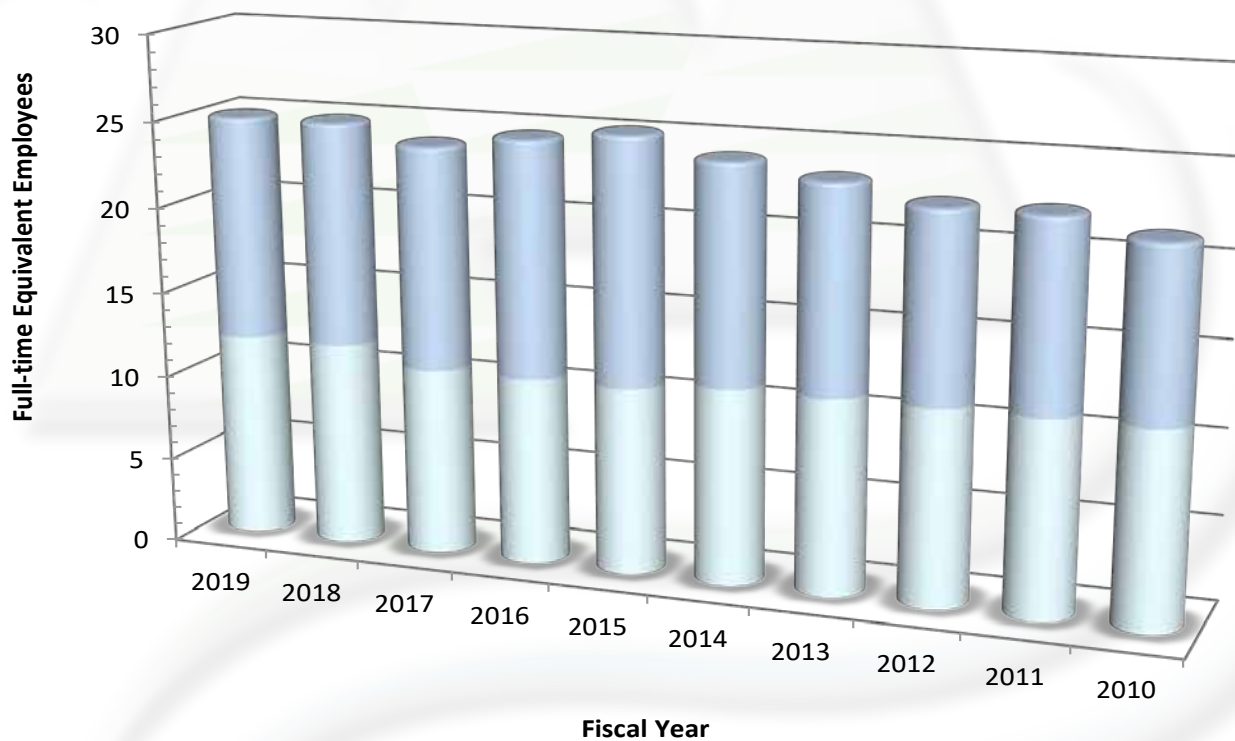
**NOTE:** The percentage of total employment is based on an estimate of 195,000 jobs in TVMWD's area.

**SOURCE:** City websites served by TVMWD

SCHEDULE 12

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

Fiscal Year	Full-time Equivalent Employees by Department		
	Administration	Operations	TOTAL
2019	12.00	13.00	25.00
2018	12.00	13.00	25.00
2017	11.00	13.00	24.00
2016	11.00	13.75	24.75
2015	11.00	14.33	25.33
2014	11.50	12.75	24.25
2013	11.50	12.00	23.50
2012	11.50	11.00	22.50
2011	11.50	11.00	22.50
2010	11.50	10.00	21.50

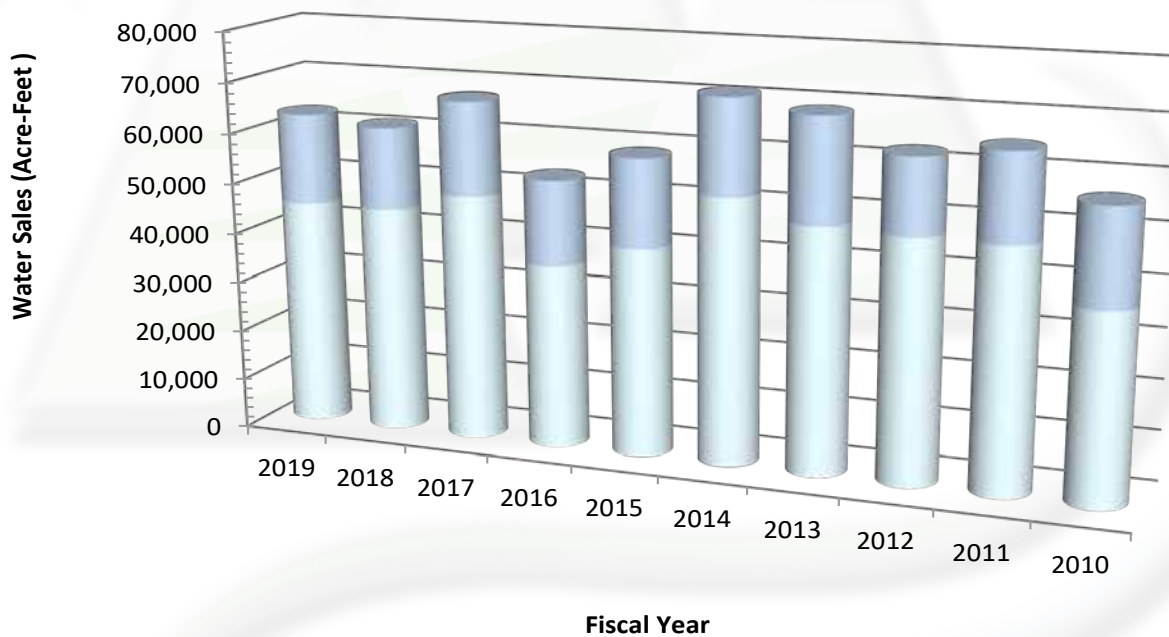


SOURCE: TVMWD - Finance Department

SCHEDULE 13

**Three Valleys Municipal 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
2019	45,098	17,865	62,963
2018	45,186	16,191	61,377
2017	49,013	18,591	67,604
2016	36,739	16,710	53,449
2015	41,512	17,458	58,970
2014	52,718	18,791	71,509
2013	48,659	20,508	69,167
2012	47,985	14,870	62,855
2011	47,952	17,096	65,048
2010	37,487	18,980	56,467



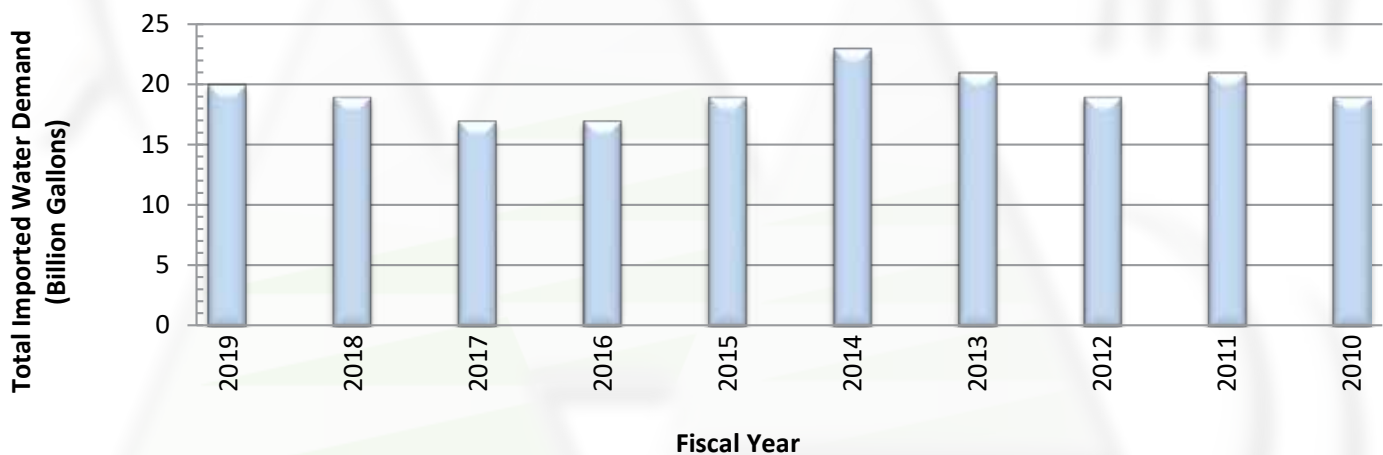
**Note:** Water Sales will vary depending upon a variety of external factors beyond TVMWD's control such as rainfall, population growth and supply fluctuations.

**SOURCE:** TVMWD - Finance Department

**SCHEDULE 14**

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

	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>TVMWD's SERVICE AREA:</b>										
Number of member agencies	13	13	13	13	13	13	13	13	13	13
Number of cities/communities	16	16	16	16	16	16	16	16	16	16
Approximate Area (in square miles)	133	133	133	133	133	133	133	133	133	133
Number of connections (imported)	20	20	20	20	20	20	20	20	20	20
System capacity										
Imported (Acre-feet)	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Imported (Billion gallons)	26	26	26	26	26	26	26	26	26	26
Water Demand										
Imported (Acre-feet)	61,994	59,488	51,660	51,600	57,116	70,061	64,858	59,471	64,193	55,737
<b>Imported (Billion gallons)</b>	<b>20</b>	<b>19</b>	<b>17</b>	<b>17</b>	<b>19</b>	<b>23</b>	<b>21</b>	<b>19</b>	<b>21</b>	<b>19</b>
Total water demand	61,994	59,488	51,660	51,600	57,116	70,061	64,858	59,471	64,193	55,737



	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>MIRAMAR WATER TREATMENT PLANT AND PIPELINES:</b>										
Length of pipeline (in miles)	10	10	10	10	10	10	10	10	10	10
Annual production (Acre-feet)	17,865	14,972	18,510	16,710	17,458	18,791	20,508	14,870	17,096	18,980
Annual production (billion gallons)	6	5	6	5	6	6	7	5	6	7
Number of connections	13	13	13	13	12	12	12	12	12	12
Hydroelectric Facilities										
Number of generating stations	5	5	5	5	3	3	3	3	3	3

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

**SOURCE:** TVMWD - Finance Department



## ACRONYMS AND ABBREVIATIONS

- ACWA/JPIA – Association of California Water Agencies /Joint Power Insurance Authority
- AF – Acre-Feet
- AFY – Acre-Feet per Year
- CAFR – Comprehensive Annual Financial Report
- CalPERS – California Public Employees Retirement System
- CRA – Colorado River Aqueduct
- DWR – Department of Water Resources
- EDU – Equivalent Dwelling Unit
- FY – Fiscal Year
- GASB – Governmental Accounting Standards Board
- GDP – Gross Domestic Product
- GFOA – Government Finance Officers Association
- GPM – Gallons per Minute
- GSWC – Golden State Water Company
- JWL – Joint Water Line
- LAEDC – Los Angeles County Economic Development Corporation
- LAIF – Local Agency Investment Fund
- MWD – Metropolitan Water District of Southern California
- NRSROs – Nationally Recognized Statistical Rating Organizations
- OPEB – Other Post-Employment Benefits
- PERL – Public Employees’ Retirement Law
- RTS – Readiness-to-Serve
- S&P – Standard & Poor’s
- SDLF – Special District Leadership Foundation
- SEC – Securities and Exchange Commission
- SGV-COG – San Gabriel Valley Council of Governments
- SGVMWD – San Gabriel Valley Municipal Water District
- SWP – State Water Project
- TVMWD – Three Valleys Municipal Water District





# EVENTS AND ACTIVITIES

## GM RETIREMENT



## DISTRICTS 1, 3, 4, 7 ADMINISTRATION OF OATH



## LEADERSHIP BREAKFAST



## ACWA-JPIA PRESIDENT'S SPECIAL RECOGNITION AWARD







CPR / GREAT CAL SHAKEOUT TRAINING



SWP TOUR



FACILITIES TOUR

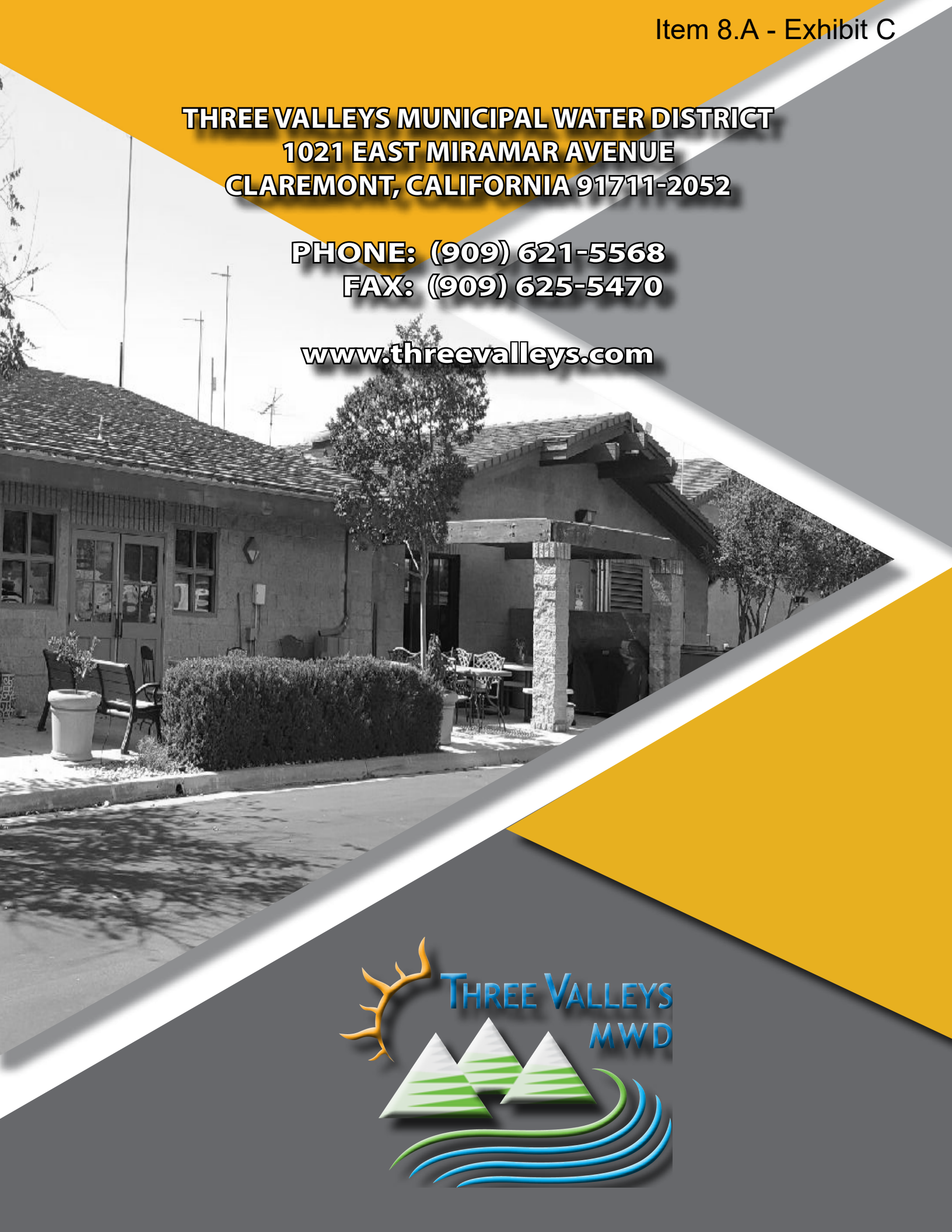




**THREE VALLEYS MUNICIPAL WATER DISTRICT**  
**1021 EAST MIRAMAR AVENUE**  
**CLAREMONT, CALIFORNIA 91711-2052**


**PHONE: (909) 621-5568**  
**FAX: (909) 625-5470**

**[www.threevalleys.com](http://www.threevalleys.com)**





## Board of Directors Staff Report

**To:** TVMWD Board of Directors  
**From:** Matthew H. Litchfield, General Manager   
**Date:** October 2, 2019  
**Subject:** **FY 18-19 Final Reserves Schedule**

---

<input checked="" type="checkbox"/> <b>For Action</b>	<input type="checkbox"/> <b>Fiscal Impact</b>	<b>\$</b>
<input type="checkbox"/> <b>Information Only</b>	<input type="checkbox"/> <b>Funds Budgeted:</b>	

---

### Staff Recommendation:

**Staff recommends board approval to allocate FYE June 30, 2019 funds as follows:**

- **Return \$3,713 to Capital Asset Reserves**
- **Carryforward \$2,276,692 of unused capital project funds to complete the listed projects during FY 19-20**
- **Place excess funds of \$213,436 in General Reserves**

### Background:

Attached for Board review is the Reserves Schedule as of June 30, 2019 presented as prescribed by GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 presentation is not required, however tracking fund balance in this manner provides greater visibility as to the level of fund balance available for use. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The hierarchy of five possible classifications of fund balance is:

- **Nonspendable** – Amounts that cannot be spent due to form.
- **Restricted** – Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.
- **Committed (Reserved for Encumbrance)** – Amounts constrained for a specific purpose by a government using its highest level of decision-making authority.
- **Assigned (Board Designated)** – Amounts intended for specific purposes.
- **Unassigned** – The residual fund balance.

The Board has control primarily over Committed, Assigned and Unassigned.



**Discussion:**

**Committed (Reserved for Encumbrance):**

The Reserved for Encumbrance category reflects the final reconciliation for all encumbered projects that were completed or are still in progress.

- There is \$3,713 remaining from projects completed as of June 30, 2019. As has been done in the past, staff is proposing to return those funds to the Capital Asset Reserve category.
- There is \$2,276,692 remaining from projects that are incomplete as of June 30, 2019. Staff recommends carrying these funds forward to FY 19-20 to finish the projects.

**Assigned (Board Designated):**

- All categories are within goal limits except Board Elections. Board Elections reserves will be replenished above the lower goal prior to the next election.
- Total Board Designated reserves are above the \$10 million goal for Emergency reserves.
- Lower and upper goal limits are updated annually with the revised strategic plan.

**Strategic Plan Objective(s):**

3.1 – Utilize and comply with a set of financial policies to maintain TVMWD's financial health

3.3 – Be accountable and transparent with major decisions

**Attachment(s):**

Exhibit A – FY 18-19 Final Reserve Schedule

**Meeting History:**

None

NA/JL

**TVMWD RESERVES SCHEDULE**

FUND BALANCE	June 30, 2018 BALANCE	SOURCES	USES	TRANSFERS	Year End Allocation	June 30, 2019 BALANCE
--------------	-----------------------	---------	------	-----------	---------------------	-----------------------

RESERVE GOAL
--------------

<b>NONSPENDABLE</b>						
Water Inventory - Long Term	\$ 321,730	1,707,702	(1,664,260)	-	-	\$ 365,172
Deposits	31,505	(22,529)	-	-	-	8,976
Invested in Capital Assets net of related debt	29,558,377	1,663,138	(1,231,261)	-	-	29,990,254
	<b>\$ 29,984,393</b>	<b>\$ 3,275,530</b>	<b>\$ (2,895,521)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,364,402</b>

<b>RESTRICTED</b>						
Restricted for pension trust	\$ 341,101	74,336	-	-	-	\$ 415,437
	<b>\$ 341,101</b>	<b>\$ 74,336</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 415,437</b>

<b>RESERVED FOR ENCUMBRANCE</b>						
TVMWD Well - Grand Ave. Claremont	\$ 628,554	741,885	(1,178,309)	-	214,920	407,050
TVMWD Well - West Baseline Claremont	510,748	-	-	-	(214,920)	295,828
Carports	229,172	-	(2,200)	-	-	226,972
Bldg Modifications-Operations Interior	321,199	-	(7,770)	-	-	313,429
Hydropneumatic Tank System Improvements	37,643	-	(165,833)	127,000	1,191	0
Reservoir Effluent Pump System	179,972	-	(175,068)	-	(4,904)	(0)
6th/White Connection Upgrade	-	281,000	(44,416)	(172,000)	-	64,584
Land Acquisitions	-	750,000	-	-	-	750,000
JWL Control Valve	-	175,000	(46,104)	-	-	128,896
Vehicle Replacement	-	40,000	(35,156)	-	-	4,844
Filter Aid System Upgrades	-	230,000	(144,911)	-	-	85,089
	<b>\$ 1,907,288</b>	<b>\$ 2,217,885</b>	<b>\$ (1,799,767)</b>	<b>\$ (45,000)</b>	<b>\$ (3,713)</b>	<b>\$ 2,276,692</b>

<b>BOARD DESIGNATED</b>						
Board Elections	\$ 125,123	34,877	(76,363)	-	-	\$ 83,637
Water Management	200,000	-	-	-	-	200,000
Water Rate Stabilization	1,353,755	-	-	-	-	1,353,755
Capital Asset R/R	5,545,640	-	-	-	3,713	5,549,353
Opportunity	2,500,000	-	-	-	-	2,500,000
Employee Benefits	178,237	200,000	-	-	-	378,237
Emergency	-	-	-	-	-	-
	<b>\$ 9,902,755</b>	<b>\$ 234,877</b>	<b>\$ (76,363)</b>	<b>\$ -</b>	<b>\$ 3,713</b>	<b>\$ 10,064,982</b>


Lower	Upper
\$ 140,000	\$ 210,000
-	200,000
1,300,000	1,900,000
4,400,000	9,700,000
2,000,000	3,000,000
-	3,400,000
-	914,106
<b>\$ 7,840,000</b>	<b>\$ 19,324,106</b>

<b>UNASSIGNED</b>						
General	\$ -	-	-	-	213,436	\$ 213,436
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 213,436</b>	<b>\$ 213,436</b>

<b>TOTAL FUND BALANCE</b>	<b>\$ 42,135,537</b>					<b>\$ 43,334,949</b>
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## Board of Directors Staff Report

**To:** TVMWD Board of Directors  
**From:** Matthew H. Litchfield, General Manager   
**Date:** October 2, 2019  
**Subject:** **Chino Basin Optimum Basin Management Program Update – Monthly Update**

---

<input type="checkbox"/> <b>For Action</b>	<input type="checkbox"/> <b>Fiscal Impact</b>	<input type="checkbox"/> <b>Funds Budgeted</b>
<input checked="" type="checkbox"/> <b>Information Only</b>	<input type="checkbox"/> <b>Cost Estimate:</b>	

---

### Staff Recommendation:

**No Action Recommended – Informational item only.**

### Background:

The Chino Groundwater Basin is a vital resource for TVMWD member agencies as well as member agencies of the Inland Empire Utilities Agency (“IEUA”) and Western Municipal Water District (“WMWD”). Over the past 20 years, the Parties to the Chino Basin Judgement have collaborated on the development and implementation of the Optimum Basin Management Program (“OBMP”) which has enabled the region to manage the Chino Groundwater Basin to guarantee a reliable water supply for the benefit of the regional economy. Staff is actively engaged with the Chino Basin Watermaster (“Watermaster”) on the current OBMP Update process along with the other stakeholders within Chino Basin.

On June 19, 2019, the Board adopted **Resolution No. 19-06-861** in support of the OBMP Update process. Part of the process includes Watermaster providing a monthly written report to the stakeholders on key elements of the update, including goals, schedule and milestones achieved to date, to name a few. Attached as **Exhibit A** is the monthly update provided by Watermaster.

### Strategic Plan Objective(s):

1.3 – Maintain diverse sources of water supplies and storage, and increase extractable water storage supplies to 10,000 AF

1.4 – Capable of delivering 10,000 AFY from local sources in case of drought or catastrophe

3.3 – Be accountable and transparent with major decisions

**Attachment(s):**

Exhibit A – Optimum Basin Management Program Update 2020

**Meeting History:**

June 19, 2019 - Board of Directors Meeting

NA/ML





2020

## Optimum Basin Management Program Update

### Background

The Chino Basin Judgment gave the Chino Basin Watermaster (Watermaster) the discretionary authority to develop an Optimum Basin Management Program (OBMP) for the Chino Basin, including both water quantity and quality considerations. Watermaster, with direction from the Court, began the development of the OBMP in 1998 and completed it in July 2000. The OBMP was developed in a collaborative public process that identified the needs and wants of all stakeholders; described the physical state of the groundwater basin; developed a set of management goals; identified impediments to those goals; described a series of actions that could be taken to remove those impediments and thereby achieve the management goals; developed and executed agreements to implement the OBMP; and certified a programmatic Environmental Impact Report (PEIR) pursuant to CEQA with IEUA as the lead agency.

By 2019, many of the projects and management programs envisioned in the 2000 OBMP have been implemented, while some have not. The OBMP goals have been partially achieved. The understanding of the hydrology and hydrogeology of the Chino Basin has improved since 2000, and new water-management issues have been identified that necessitate that the OBMP be adapted to protect the collective interests of the Chino Basin parties and their water supply reliability. For these reasons, the Watermaster parties are preparing a 2020 OBMP Update to set the framework for the next 20 to 30 years of basin-management activities.

### 2020 OBMP Update Goals



Enhance Basin  
Water Supplies



Protect and Enhance  
Water Quality



Enhance Management of  
the Basin



Equitably Finance the  
OBMP

## 2020 OBMP Update Listening Sessions

Listening Session 1 (January 15, 2019):

- History of the OBMP and its implementation
- Rationale for an OBMP Update

Listening Session 2 (February 12, 2019):

- Drivers, Trends and Implications for Basin Management
- Issues, Needs and Wants of the Stakeholders

Listening Session 3 (March 21, 2019):

- Review of OBMP Goals in 2000
- Review of OBMP Goals in 2020

Listening Session 4 (May 16, 2019):

- Proposed Activities of the OBMP
- Activities, Nexus and Outcomes

Listening Session 5 (July 31, 2019)

- 2020 OBMP Update Scoping Report Part 1 review

Listening Session 6 (September 11, 2019)

- 2020 OBMP Update Scoping Report Part 2 review

Listening Session 7 (TBD)

Listening Session 8 (TBD)



## Activities Being Considered for the 2020 OBMP Update

- Construct new and improve existing recharge facilities
- Develop, implement, and optimize storage-and-recovery programs to increase water-supply reliability, protect or enhance Safe Yield, and improve water quality.
- C/G. Identify and implement regional conveyance and treatment projects/programs to enable all stakeholders to exercise their pumping rights and minimize land subsidence.
- D. Maximize the reuse of recycled water produced by IEUA and others
- E/F. Develop and implement a water-quality management plan and strategic compliance to address current and future water-quality issues and protect beneficial uses
- K. Develop management strategy within the Salt and Nutrient Management Plan to ensure ability to comply with dilution requirements for recycled water recharge
- L. Perform the appropriate amount of monitoring and reporting required to fulfill basin management and regulatory compliance

## Monthly Update

In July and August, the OBMP team drafted the 2020 OBMP Update Scoping Report to (1) define the scope of work required to perform the activities and (2) prepare reconnaissance-level engineering cost estimates of the scope of work. The 2020 OBMP Update Scoping Report is currently being circulated for review and comment.

Through the drafting process of the 2020 OBMP Update Scoping Report, the team consolidated some of the proposed activities that were similar in scope to simplify the analysis of each of them. The consolidated list resulted in the following 7 activities:

- A. Construct new and improve existing recharge facilities
- B. Develop, implement, and optimize storage-and-recovery programs to increase water-supply reliability, protect or enhance Safe Yield, and improve water quality.
- C/G. Identify and implement regional conveyance and treatment projects/programs to enable all stakeholders to exercise their pumping rights and minimize land subsidence.
- D. Maximize the reuse of recycled water produced by IEUA and others.
- E/F. Develop and implement a water-quality management plan and strategic compliance to address current and future water-quality issues and protect beneficial uses.
- K. Develop management strategy within the Salt and Nutrient Management Plan to ensure ability to comply with dilution requirements for recycled water recharge.
- L. Perform the appropriate amount of monitoring and reporting required to fulfill basin management and regulatory compliance.

The Scoping Report will subsequently be refined based on the feedback obtained through Listening Sessions 5 and 6, and will be formulated into a recommended management plan that incorporates the existing 2000 OBMP Program Elements. The management plan will be developed over a series of listening sessions with the stakeholders and will be documented in the 2020 OBMP Update Report.

In July, Watermaster convened Listening Session 5 to educate stakeholders and obtain their feedback on scope of work for Activities A, B, D, and E/F as defined in the Scoping Report. In September, the Watermaster will convene Listening Session 6 to review the remaining activities: K, C/G, and L.

In September, the Watermaster will convene the Listening Session 6 to finalize the discussion around proposed activities, scope and estimated timeline and budget. The OBMP team will then present a final version of the 2020 OBMP Update Scoping Report and also an initial outline of the 2020 OBMP Update Report and the 2020 OBMP Implementation Plan for the parties to discuss.

### **In case you missed it...**

The 2020 OBMP Update is being conducted using a collaborative stakeholder process like that employed for the development of the 2000 OBMP. A series of public "Listening Sessions" are being held by the Watermaster throughout 2019 to support the 2020 OBMP Update. The purpose of the Listening Sessions is to obtain information, ideas, and feedback from the Chino Basin stakeholders to define their issues needs and wants, their collective goals for the 2020 OBMP Update, the impediments to achieving the goals, the management actions required to remove the impediments. The objective is for the ideas and opinions of every stakeholder to be heard and considered.

Thus far through the Listening Session process, the Chino Basin stakeholders have achieved the following:

- 1. Identified Drivers, Trends, and Implications for Basin Management.*
- 2. Defined Goals of the 2020 OBMP Update.*
- 3. Proposed Activities of the 2020 OBMP Update.*

For more details on the process and achievements of the listening sessions please refer to our July 2019 newsletter.

## 2020 OBMP Update Process



## Timeline








## Board of Directors Staff Report

**To:** TVMWD Board of Directors

**From:** Matthew H. Litchfield, General Manager 

**Date:** October 2, 2019

**Subject:** **Non-Binding Letter of Intent with Metropolitan Water District of Southern California – Regional Recycled Water Project**

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<input type="checkbox"/> <b>For Action</b>	<input type="checkbox"/> <b>Fiscal Impact</b>	<input type="checkbox"/> <b>Funds Budgeted</b>
<input checked="" type="checkbox"/> <b>Information Only</b>	<input type="checkbox"/> <b>Cost Estimate:</b>	

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**Staff Recommendation:**

**No Action Recommended – Informational item only.**

**Background:**

Metropolitan Water District of Southern California (MWD) and County Sanitation No. 2 of Los Angeles County (Sanitation District) are working together to develop a Regional Recycled Water Program (Program), commonly referred to as the “Carson Project”. The objective of the Program is to produce up to 150 million gallons per day (MGD) of advanced treated water from a new advanced water treatment (AWT) facility located at the Sanitation District's Joint Water Pollution Control Plant in Carson, California. The Program's development may be phased, starting at lesser levels of production with the potential to build up to 150 MGD of production as demands and conditions warrant.

If the Program is finalized and approved by Metropolitan's Board of Directors, it will also include plans for the development of a conveyance system consisting of approximately 60 miles of pipeline and a series of pump stations (AWT Conveyance System). The AWT Conveyance System could potentially deliver up to 150 MGD of treated water to the Central, West Coast, Orange County and Main San Gabriel Groundwater Basins. Delivery locations along the alignment will consist of either existing groundwater spreading basins, new or existing injection wells, or industrial customers of Member Agencies in the Los Angeles and Long Beach Harbor areas. A figure of the proposed project is attached as **Exhibit A**.

**Discussion:**

MWD staff has approached member agencies on the development and execution of Letters of Intent (LOI) to enter into a future Memorandum of Understanding (MOU) for participation and collaboration in the AWT. The LOI is currently being drafted with terms and conditions that will be acceptable to both parties and will be presented to the Board for consideration at a future date. In general, the provisions of this draft LOI will represent a statement of the Parties' general intent only, and shall not be binding on either Party. The LOI could lead to the development of an MOU that may include conducting and preparing additional studies necessary to evaluate the integration of these two programs. These studies may include the economic and technical feasibility, financing needs, right-of-way and permitting requirements, environmental and regulatory compliance obligations, brine discharge requirements, and engineering, construction, operational, and water quality specifications.

All terms and conditions of the proposed future MOU are subject to approval by the General Manager and the Board of Directors of TVMWD, and the General Manager and the Metropolitan Board of Directors. No Party shall have any legal or financial obligation to the other until all of the terms and conditions of the proposed MOU have been negotiated and agreed to by all parties.

**Fiscal Impact:**

The MWD Board of Directors will be participating in a workshop early in 2020 to discuss details regarding the financial impacts of the AWT project to MWD's operating and capital budget and potential water rate implications. In the absence of such data, it is difficult to properly assess the future viability of TVMWD participation in capacity of the AWT. The Board will be provided additional financial details as they become available.

**Strategic Plan Objective(s):**

- 1.3 – Maintain diverse sources of water supplies and storage, and increase extractable water storage supplies to 10,000 AF
- 1.4 – Capable of delivering 10,000 AFY from local sources in case of drought or catastrophe
- 3.3 – Be accountable and transparent with major decisions

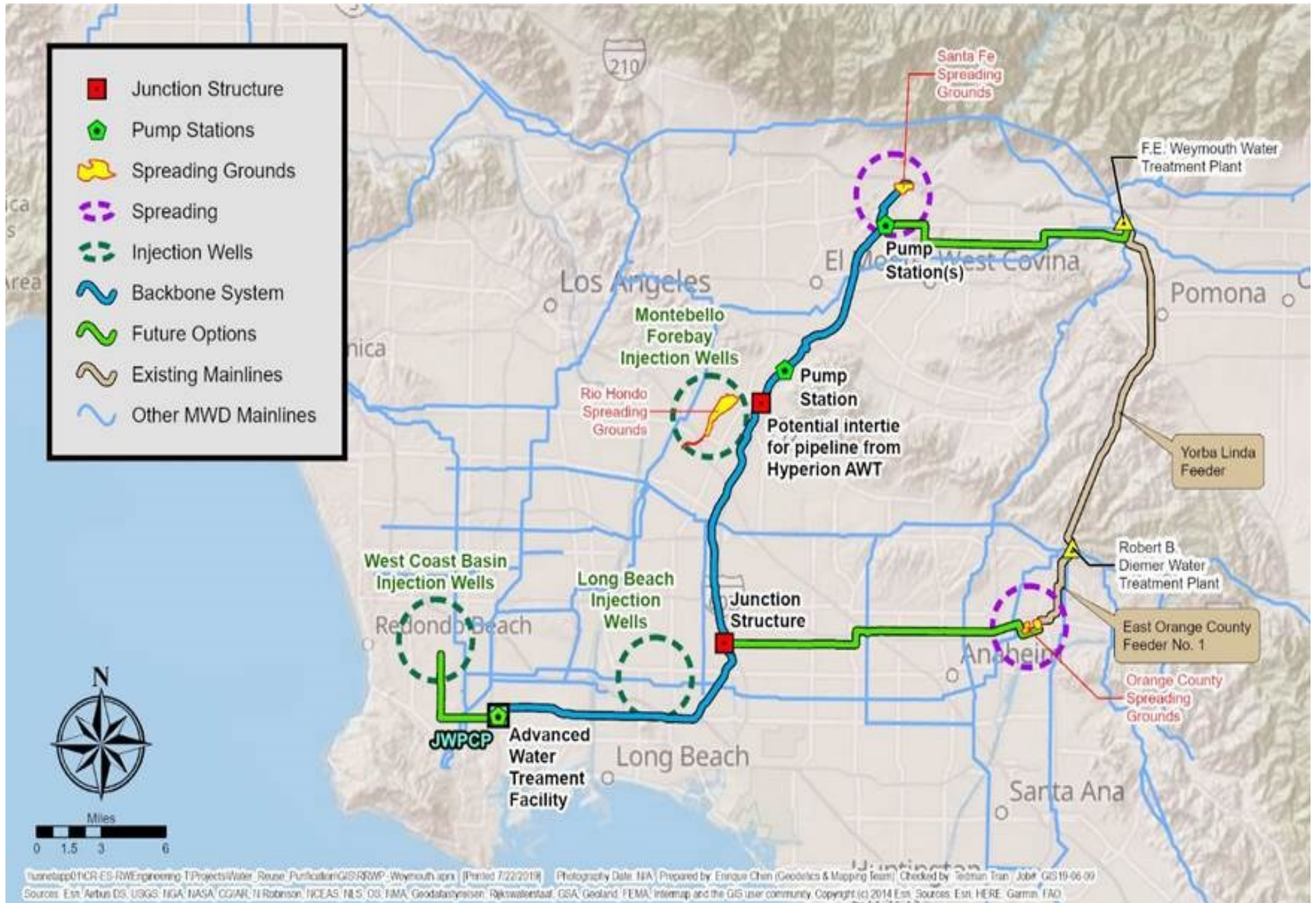
**Attachment(s):**

Exhibit A – Project Map

**Meeting History:**

Not Applicable


NA/ML





## Board of Directors Staff Report

**To:** TVMWD Board of Directors

**From:** Matthew H. Litchfield, General Manager 

**Date:** October 2, 2019

**Subject:** **Resolution No. 19-10-DRAFT Records Retention Schedule and Policy Update**

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<input type="checkbox"/> <b>For Action</b>	<input type="checkbox"/> <b>Fiscal Impact</b>	<b>\$</b>
<input checked="" type="checkbox"/> <b>Information Only</b>	<input type="checkbox"/> <b>Funds Budgeted:</b>	

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**Staff Recommendation:**

**Informational Item Only**

**Background:**

The Records Retention policy was last updated on April 19, 2006 when the District approved Resolution No. 04-06-544 adopting a Records Retention Policy to protect the District in cases or records requests and assist in the proper storage and handling of records. Resolution No. 19-10-DRAFT will supersede Resolution No. 04-06-544. Pursuant to Government Code Sections 60200-60204, the District's Board of Directors is authorized to destroy or dispose of any District record (with exceptions) that is not expressly required by law to be filed and preserved.

**Discussion:**

Legal Counsel reviewed the draft retention schedule attached as part of **Exhibit A** and wrote the resolution and policy. Modifications were made to some items depending on the amount of time the standard Government Code requires them to be kept. Keeping files for as long as possible does the District a disservice. When a public records request is received, a properly managed records retention program eliminates the possibility for duplication of information and limits the amount of staff time used in searching through files. A records retention program helps staff locate files which are pertinent and relevant to requests and current projects.

**Strategic Plan Objective(s):**

3.3 – Be accountable and transparent with major decisions



**Attachment(s):**

Exhibit A – Resolution No. 19-10-DRAFT

**Meeting History:**

None

NA/KRH

**RESOLUTION NO. 19-10-DRAFT**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE THREE VALLEYS MUNICIPAL WATER DISTRICT  
ADOPTING A RECORDS RETENTION POLICY**

**WHEREAS**, the Board of Directors of the Three Valleys Municipal Water District finds as follows:

A. The Three Valleys Municipal Water District (“the District”) is a municipal water district organized and operating pursuant to the Municipal Water District Law of 1911, California Water Code Section 71000 et seq.

B. Pursuant to Government Code Sections 60200-60204, the District’s Board of Directors (“the Board”) is authorized to destroy or dispose of any District record (with exceptions) by utilizing any of the procedures set forth therein.

C. Under Government Code Section 60201(b)(2), the Board may authorize the destruction or disposition of any District record that is not expressly required by law to be filed and preserved by adopting by resolution a records retention schedule that complies with guidelines provided by the Secretary of State, that classifies all of the District’s records by category, and that establishes a standard protocol for destruction or disposition of records.

**THEREFORE, BE IT RESOLVED** by the Board of Directors of the Three Valleys Municipal Water District as follows:

Article 1. General Standard. It is the general policy of the District that all District records shall be retained, stored, or destroyed as authorized by the Board and allowed under California law.

Article 2. Authorization for Destruction of Records. Pursuant to Government Code Section 60201(b)(2), the record retention schedule attached hereto as **Exhibit “A”** and incorporated herein by this reference is hereby adopted in its entirety, subject to the exceptions contained in Article 6 of this Resolution. In accordance therewith, after the records referenced therein have been retained for the time periods and according to the process set forth therein, such records are hereby authorized to be destroyed. Pursuant to Government Code Section 60201(c), the District is not required to photograph, reproduce, microfilm, or make a copy of any record that is destroyed or disposed of in accordance with the provisions of this Article 2.

Article 3. Destruction of Records after Scanning. Any record not expressly required by law to be filed and preserved in original form may be destroyed at any time after it is electronically stored in conformance with the requirements of Government Code Section 60203, the applicable provisions of which are attached hereto as **Exhibit “B”** and

incorporated herein by this reference.

Article 4. Destruction of Duplicates. Pursuant to Government Code Section 60200, any duplicate record, paper, or document, the original or permanent photographic copy of which is in the files of the District, may be destroyed after confirmation that such original or permanent photographic copy remains on file in the District.

Article 5. Retention of Records Not Mentioned. All records, papers, and documents not mentioned in this Resolution may be scanned as archival records or destroyed so long as such disposal is consistent with the recommendation of the Local Government Records Management Guidelines as set forth by the Secretary of State (February 2006) as the same may be amended from time to time.

Article 6. Retained Records. Pursuant to Government Code Section 60201(d), the District shall permanently retain records that relate to formation, change of organization, or reorganization of the District; a District ordinance unless it has been repealed, or is invalid, or is unenforceable for a period of five years; minutes of a meeting of the Board; pending claims and litigation records for two years after the disposition; records that are the subject of a pending Public Records Act request until the request is granted or two years have passed since denial; records of construction projects prior to notice of completion and release of stop notices, if any; records related to non-discharged contracts or debts; records of title for District real property; unaccepted construction bids/proposals until two years old; records that specify the amount of compensation paid to District employees, office or independent contractors until seven years old; and any records for which the administrative, fiscal, or legal purpose has not yet been fulfilled.

Article 7. Periodic Review. This Resolution will be reviewed and revised as deemed necessary by the Board.

Article 8. Effective Date. This Resolution supersedes Resolution No. 04-06-544 adopted by the Board on or about April 19, 2006 and shall take effect immediately upon its adoption.

**ADOPTED** and **PASSED** at a meeting of the Three Valleys Municipal Water District's Board of Directors, on this 16<sup>th</sup> day of October, 2019 by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

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Bob G. Kuhn, President

ATTEST:

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Brian Bowcock, Secretary

SEAL:



Records Retention Policy

**EXHIBIT A**

For records that are not preserved in accordance with Article 3 of the District's Records Retention Policy, the District will comply with the following retention schedule:



### RECORDS RETENTION SCHEDULE (DRAFT - REDLINED)

RECORD NAME	DESCRIPTION	OFFICE	ARCHIVES	DISPOSITION	REMARKS
Accident Reports		2	5	7	Admin. Decision
Accounts Payable (Warrants)	Invoices, check copies, supporting documents	5	0	5	GC 60201; Admin. Decision
Accounts Receivable	Invoice; Cash Receipts (JE's and Backup)	5	0	5	GC 60201; Admin. Decision
Ag Certifications		(5)	P (0)	P (5)	GC 60201; Admin. Decision
Ag Schedules		2 (5)	0	2 (5)	Admin. Decision
Agendas & Board Packets - Other Agencies		1	0	1	Admin. Decision
Agreements			P	P	Admin. Decision
As-Built Drawings	District facilities		P	P	Admin. Decision
Assessed Valuation (County)		2	0	2	GC 60201; Admin. Decision
Audit	Independent Auditors' Report (CAFR); any other audit report		P	P	GC 60201; Admin. Decision
Banking Deposit & Receipts		5	0	5	GC 60201; Admin. Decision
Bank Reconciliation	Including bank statements	5 (6)	0	5 (6)	GC 60201; Admin. Decision
Bids & Proposals - Accepted			P	P	GC60200-60204
Bids & Proposals - Unaccepted	Various Vendors' Statements of Qualifications	2	0	2	GC60200-60204
Board Meeting Agenda Packets		2	P (0)	P (2)	Originals may be destroyed after imaging. Admin. Decision
Board Meeting Audio Tapes				*	*Destroy 60 days <b>6 months</b> after approval of minutes unless circumstances dictate otherwise. Admin. Decision
Bond Issue Records			P	P	GC 60200-60204
Bond Registers		(5)	P (0)	P (5)	GC 60200-60204
Bonds - Admin.	Account statements, administration, paid/cancelled coupons	10	0	10	GC 60200-60204; 53921; CCP 337.5
Boundary Modifications	Annexations/Detachments		P	P	GC60200-60204
Budget	Original adopted budget	0 (3)	0	0 (3)	GC60200-60204
Budget	Final adopted budget		P	P	GC60200-60204
Budget Amendments		5 (3)	0	5 (3)	GC 60201; Admin. Decision

DRAFT

# Item 8.E - Exhibit A

Budget Work Papers	Drafts	2	0	2	Admin. Decision
Checks	Cancelled and voided checks	5 (6)	0	5 (6)	GC 60201; Admin. Decision
CEQA Documentation	District projects		P	P	GC60200-60204/CEQA Guidelines 15095(c)
Claims, Damage		2	0	2	Destroy 2 years after settlement. GC 60201
Claims, Unemployment Ins.		5	0	5	Destroy 5 years after settlement. Admin. Decision
Committee Files	Committee agenda packets	2	0	2	Admin. Decision
Conflict of Interest Code			P	P	GC60200-60204
Construction Files	Live Oak spreading connection and conjunctive use		P	P	Admin. Decision
Contracts	Inactive contracts - records, supporting documents	2	3	5	Admin. Decision
Correspondence - Member Agency		5 (3)	0	5 (3)	Admin. Decision
Correspondence - Misc. & General	2003 ULFT MWD Waterwise Consulting 2002 - 2004 WEWAC Judging Sheets - Video Contest 01/1/03 - 04/16/06 ULFT MA Agreement Samples Feb 2002 MWD Master Agreement 2005 - 2006 MWD - Itinerary for ED. Field Trip March 13-15,08 MWD Letter Agreement City of San	2	0	2	Admin. Decision
Deferred Compensation Records	Employee/employer contribution reports/backup	5	0	5	Destroy 5 years after term.
Directors Files	Correspondence, biographical data, misc.		P	P	GC60200-60200; Admin. Decision
DMV - Motor Vehicle Pulls		2	5	7	GC129946; CA91009; 8USC1324(a)
Drafts, all		2	0	2	GC60200-60204
Elections	Correspondence, notifications and publications, certificates of election	2	3	5	May be destroyed 5 years after election. GC 81009
Emergency Planning	Drills, correspondence	2	0	2	Admin. Decision
Emergency Plans			P	P	GC 60201
Employee Benefits - General Inf.		2	0	2	Destroy when no longer relevant. Admin. Decision
Employee Benefits Records	Health Ins., Life Ins., Deferred Comp Plans		P	P	GC 6250 et seq; GC 6276.28; 29USC1027; 29CFR1627.3(b)(2)
Employee Health and Medical Records		30	0	30	8CCR 3204; GC 6264(c)
Employee Medical and Exposure Reports	Exposure to toxic substances, harmful agents, blood borne paths	30	0	30	8CCR 3204
Employee Recruitment Records		3	0	3	CA Code 12946; CA Labor Code 1197.5; 29CFR1627.3

# Item 8.E - Exhibit A

Employee Training Records		2	5	7	Admin. Decision
Employment Applications	Hired	7	0	7	
Employment Applications	Not hired	2	0	2	GC 12946; GC6250 et seq; 29CFR1602.31
Federal and State Tax Reports	Informational returns	5	0	5	26CFR31.6001.1; 29CFR1627.3(2)
Fixed Asset Inventory	Purchase date; cost; account number	5	0	5	GC 60201; Admin. Decision
Fixed Assets Surplus Property Auction	Listing of property	5 (3)	0	5 (3)	GC 60200-60204; CCP 337
Fixed Assets Surplus Property Disposal	Sealed bid sales	5	0	5	GC 60200-60204; CCP 337
Flow Charts		5	0	5	Admin. Decision
Formation Files	Articles of Incorporation, formation documentation		P	P	GC60200-60204; CCP 337.2
General Ledger	Detailed transaction ledger for balance sheet, revenues & expenses		P	P	GC 60200-60204
General Ledger Back-up	JE's; all other support contained in other sections	5	0	5	GC 60200-60204
Grant Files - Successful	Correspondence, grant applications		P	P	Refer to Grant Application Package for Retention Inf.
Grant Files - Unsuccessful	Correspondence, grant applications	5	0	5	Admin. Decision
Grievance Records		5	0	5	Destroy 5 years after Settled. Admin. Decision
Hazardous Waste Handling Documentation			P	P	40 CFR 122.21; Admin. Decision
Hydroelectric Contracts			P	P	Admin. Decision
Insurance Certificates		2	0	2	Destroy 2 years after expiration. Admin. Decision
Insurance Policies	Liability & Property		P	P	Admin. Decision
Insurance Policies - Health Plans		5	0	5	Destroy 5 years after exp.
Investment Transactions	Statements for all (transactions; inventory; earnings)		P	P	GC 60201; Admin. Decision
Invoices - MWD		5	5	10	Admin. Decision
Journal Entries		5	0	5	GC 60201; Admin. Decision
Lab Reports & Tests - Bacteriological Analysis		5 (12)	0	5 (12)	40 CFR 141.33; Admin. Decision
Lab Reports & Tests - Chemical Analysis			P	P	40 CFR 141.33; Admin. Decision
Lab Reports & Tests - Quality			P	P	40 CFR 141.91
Labor Negotiations	Notes, correspondence, contracts, MOU's		P	P	29 USC 211(c), 203(m), 207(g); Admin. Decision
Lawsuits - Basin Adjudication			P	P	Admin. Decision
Lawsuits - Civil Rights Related Actions		7	0	7	Retain 7 years after settlement. 42 USC 1983
Lawsuits - Other than Civil Rights or Basin Adjud		4	0	4	Destroy 4 years after settlement. GC 60201; Admin. Decision
Legislation - State & Federal	General information & correspondence	2	0	2	Admin. Decision
Maintenance & Repair	San Antonio spreading grounds conjunctive use project, contract docs	(3)	P (0)	P (3)	Admin. Decision

# Item 8.E - Exhibit A

Meetings, Staff	Agendas, communications, notes, backup	2	0	2	Admin. Decision
Member Agency Service Connections			P	P	Admin. Decision
Meter Reads - Miramar			P	P	Admin. Decision
Meter Reads - MWD		(3)	P (0)	P (3)	Admin. Decision
Minutes	Minutes of meetings of TVMWD Board of Directors		P	P	Image for safety, keep originals. GC60200-60204
MSDS / SDS	Material Safety Data Sheets / Safety Data Sheets	30	0	30	29 CFR 1910.1200; 8CCR 3204(d)(1)(B)(2)
Non-Record	Manuals, brochures, newsletters, other agency information, extra copies	2	0	2	May be destroyed when no longer useful or relevant
Not Coded	Not on Retention Schedule		P	P	
Oaths of Office		6	0	6	May be destroyed 6 years after term expires. GC60200-60204; 29USC1113
Operations & Maintenance Records	District facilities	12	P	12	GC60200-60204; Admin. Decision
Operations Activity Reports			P	P	Admin. Decision
Payroll Related Reports & Records	Payroll register, activity summary, labor distribution, check posting list, GL account posting	5 (P)	0 (P)	5 (P)	29 CFR 516
Personnel Files	Applications, changes, terminations, performance evaluations	5 (7)	0	5 (7)	Destroy 5 years after termination
Petty Cash Reports/Vouchers		5	0	5	GC 60200-60204
Plans & Specifications - District Facilities			P	P	Admin. Decision
Project Files - Non Construction	Project files	2	3	5	Admin. Decision
Property - Deeds, Easements, Rights of Way			P	P	GC60200-60204
Property Acquisitions/Sales			P	P	GC60200-60204; 6254
Property Appraisals - District Property			P	P	GC60200-60204; 6254(h)
Public Affairs Programs & Activities	Activities, events, tours, ULFT program, water education program	2	3	5	GC60200-60204; Admin. Decision
Public Affairs Reports and Publications	Annual reports, publications and historical material	(7)	P (0)	P (7)	Admin. Decision
Public Records Act Requests		2	0	2	
Purchase Orders	PO's and supporting documents	0 (5)	0	0 (5)	
Redistricting			P	P	GC60200-60204
Reports and Studies	District-related projects and facilities		P	P	Admin. Decision
Resolutions & Ordinances			P	P	Image for safety, keep originals. GC60200-60204
Retirement Records	<del>1990s benefits info declination forms</del>	6	0	6	<del>Destroy 6 years after term. 29 USC 1027</del>
Retirement Summary Reports, Backup		6	0	6	<del>GC 60200-60204; 29 USC 1027; 29 CFR 2520</del>
Safety Meetings	Agendas, training material, sign-in sheets	2	0	2	GC60200-60204; Admin. Decision
Salary & Classification Surveys	Including job description development	2	0	2	LC 1197.5(d), 1174(d)
Software license agreement and documentation	Software license agreements, includes Software-as-a-Service agreements	4	0	4	CCP §§336(a), 337
Standby Charge	Assessment Documentation, Reports		P	P	Admin. Decision
State Controllers Report			P	P	GC 60201; Admin. Decision



## Item 8.E - Exhibit A

Statements of Economic Interest		7	0	7	May be destroyed 7 years after leaving office. GC 81009(e)
Subject Files	Information and reference material	2	0	2	May be destroyed when no longer relevant. GC60200-60204
Taxes - Fed & State	Forms 1096, 1099, W-4s and W-2s	3 (5)	0	5	IRS REG 301.650(1)-1; Admin. Decision
Taxes Receivable	Schedules; cash receipts (JE's and backup)	5 (4)	0	5 (4)	GC 60201; Admin. Decision
Travel Records		7	0	7	
Time Sheets	Activity listing; approval history	3 (7)	0	3 (7)	8CCR11000-11150; LC 1174(d); 29CFR 516.6(a)(1)
Urban Water Management Plan			P	P	Water Code; Admin. Decision
Urban Water Management Plan Work File, Drafts	Work file, drafts	2	3	5	Water Code; Admin. Decision
USA Tickets		2	3	5	Admin. Decision
Vacation/Sick Leave Reports		5	0	5	29 CFR 516.2; CCR 108502; Admin. Decision
Vehicle - Fuel & Mileage Records		2	0	2	Admin. Decision
Vehicle Maintenance Records		(2)	P (0)	P (2)	Keep until no longer owned by District
Vehicle Ownership/Title		0 (L)	0	0 (L)	GC 6020; Admin. Decision
Warrant Register		5 (3)	0	5 (3)	GC 60201; Admin. Decision
Workers Comp Claims, Reports, Incidents		2	3 (P)	5 (P)	8 CCR 10102; <b>maintain e-copies</b>
Workers Comp Insurance		5	0 (P)	5 (P)	Destroy 5 years after exp. 8 CCR 10102; <b>maintain e-copies</b>
Workers Comp/OSHA	Claim files, reports, incidents		P	P	CCR 14311, 15400.2; CA Labor Code 110-139.6

<b>LEGEND:</b>
P = Permanent
L = Lifetime



### RECORDS RETENTION SCHEDULE (DRAFT - WITHOUT REDLINE)

RECORD NAME	DESCRIPTION	OFFICE	ARCHIVES	DISPOSITION	REMARKS
Accident Reports		2	5	7	Admin. Decision
Accounts Payable (Warrants)	Invoices, check copies, supporting documents	5	0	5	GC 60201; Admin. Decision
Accounts Receivable	Invoice; Cash Receipts (JE's and Backup)	5	0	5	GC 60201; Admin. Decision
Ag Certifications		5	0	5	GC 60201; Admin. Decision
Ag Schedules		5	0	5	Admin. Decision
Agendas & Board Packets - Other Agencies		1	0	1	Admin. Decision
Agreements			P	P	Admin. Decision
As-Built Drawings	District facilities		P	P	Admin. Decision
Assessed Valuation (County)		2	0	2	GC 60201; Admin. Decision
Audit	Independent Auditors' Report (CAFR); any other audit report		P	P	GC 60201; Admin. Decision
Banking Deposit & Receipts		5	0	5	GC 60201; Admin. Decision
Bank Reconciliation	Including bank statements	6	0	6	GC 60201; Admin. Decision
Bids & Proposals - Accepted			P	P	GC60200-60204
Bids & Proposals - Unaccepted	Various Vendors' Statements of Qualifications	2	0	2	GC60200-60204
Board Meeting Agenda Packets		2	0	2	Originals may be destroyed after imaging. Admin. Decision
Board Meeting Audio Tapes				*	*Destroy 6 months after approval of minutes unless circumstances dictate otherwise. Admin. Decision
Bond Issue Records			P	P	GC 60200-60204
Bond Registers		5	0	5	GC 60200-60204
Bonds - Admin.	Account statements, administration, paid/cancelled coupons	10	0	10	GC 60200-60204; 53921; CCP 337.5
Boundary Modifications	Annexations/Detachments		P	P	GC60200-60204
Budget	Original adopted budget	3	0	3	GC60200-60204

# Item 8.E - Exhibit A

Budget	Final adopted budget		P	P	GC60200-60204
Budget Amendments		3	0	3	GC 60201; Admin. Decision
Budget Work Papers	Drafts	2	0	2	Admin. Decision
Checks	Cancelled and voided checks	6	0	6	GC 60201; Admin. Decision
CEQA Documentation	District projects		P	P	GC60200-60204/CEQA Guidelines 15095(c)
Claims, Damage		2	0	2	Destroy 2 years after settlement. GC 60201
Claims, Unemployment Ins.		5	0	5	Destroy 5 years after settlement. Admin. Decision
Committee Files	Committee agenda packets	2	0	2	Admin. Decision
Conflict of Interest Code			P	P	GC60200-60204
Construction Files	Live Oak spreading connection and conjunctive use		P	P	Admin. Decision
Contracts	Inactive contracts - records, supporting documents	2	3	5	Admin. Decision
Correspondence - Member Agency		3	0	3	Admin. Decision
Correspondence - Misc. & General	2003 ULFT MWD Waterwise Consulting 2002 - 2004 WEWAC Judging Sheets - Video Contest 01/1/03 - 04/16/06 ULFT MA Agreement Samples Feb 2002 MWD Master Agreement 2005 - 2006 MWD - Itinerary for ED. Field Trip March 13-15,08 MWD Letter Agreement City of San	2	0	2	Admin. Decision
Deferred Compensation Records	Employee/employer contribution reports/backup	5	0	5	Destroy 5 years after term.
Directors Files	Correspondence, biographical data, misc.		P	P	GC60200-60200; Admin. Decision
DMV - Motor Vehicle Pulls		2	5	7	GC129946; CA91009; 8USC1324(a)
Drafts, all		2	0	2	GC60200-60204
Elections	Correspondence, notifications and publications, certificates of election	2	3	5	May be destroyed 5 years after election. GC 81009
Emergency Planning	Drills, correspondence	2	0	2	Admin. Decision
Emergency Plans			P	P	GC 60201
Employee Benefits - General Inf.		2	0	2	Destroy when no longer relevant. Admin. Decision
Employee Benefits Records	Health Ins., Life Ins., Deferred Comp Plans		P	P	GC 6250 et seq; GC 6276.28; 29USC1027; 29CFR1627.3(b)(2)
Employee Health and Medical Records		30	0	30	8CCR 3204; GC 6264(c)
Employee Medical and Exposure Reports	Exposure to toxic substances, harmful agents, blood borne paths	30	0	30	8CCR 3204

## Item 8.E - Exhibit A

Employee Recruitment Records		3	0	3	CA Code 12946; CA Labor Code 1197.5; 29CFR1627.3
Employee Training Records		2	5	7	Admin. Decision
Employment Applications	Hired	7	0	7	
Employment Applications	Not hired	2	0	2	GC 12946; GC6250 et seq; 29CFR1602.31
Federal and State Tax Reports	Informational returns	5	0	5	26CFR31.6001.1; 29CFR1627.3(2)
Fixed Asset Inventory	Purchase date; cost; account number	5	0	5	GC 60201; Admin. Decision
Fixed Assets Surplus Property Auction	Listing of property	3	0	3	GC 60200-60204; CCP 337
Fixed Assets Surplus Property Disposal	Sealed bid sales	5	0	5	GC 60200-60204; CCP 337
Flow Charts		5	0	5	Admin. Decision
Formation Files	Articles of Incorporation, formation documentation		P	P	GC60200-60204; CCP 337.2
General Ledger	Detailed transaction ledger for balance sheet, revenues & expenses		P	P	GC 60200-60204
General Ledger Back-up	JE's; all other support contained in other sections	5	0	5	GC 60200-60204
Grant Files - Successful	Correspondence, grant applications		P	P	Refer to Grant Application Package for Retention Inf.
Grant Files - Unsuccessful	Correspondence, grant applications	5	0	5	Admin. Decision
Grievance Records		5	0	5	Destroy 5 years after Settled. Admin. Decision
Hazardous Waste Handling Documentation			P	P	40 CFR 122.21; Admin. Decision
Hydroelectric Contracts			P	P	Admin. Decision
Insurance Certificates		2	0	2	Destroy 2 years after expiration. Admin. Decision
Insurance Policies	Liability & Property		P	P	Admin. Decision
Insurance Policies - Health Plans		5	0	5	Destroy 5 years after exp.
Investment Transactions	Statements for all (transactions; inventory; earnings)		P	P	GC 60201; Admin. Decision
Invoices - MWD		5	5	10	Admin. Decision
Journal Entries		5	0	5	GC 60201; Admin. Decision
Lab Reports & Tests - Bacteriological Analysis		12	0	12	40 CFR 141.33; Admin. Decision
Lab Reports & Tests - Chemical Analysis			P	P	40 CFR 141.33; Admin. Decision
Lab Reports & Tests - Quality			P	P	40 CFR 141.91
Labor Negotiations	Notes, correspondence, contracts, MOU's		P	P	29 USC 211(c), 203(m), 207(g); Admin. Decision
Lawsuits - Basin Adjudication			P	P	Admin. Decision
Lawsuits - Civil Rights Related Actions		7	0	7	Retain 7 years after settlement. 42 USC 1983
Lawsuits - Other than Civil Rights or Basin Adjud		4	0	4	Destroy 4 years after settlement. GC 60201; Admin. Decision
Legislation - State & Federal	General information & correspondence	2	0	2	Admin. Decision

## Item 8.E - Exhibit A

Maintenance & Repair	San Antonio spreading grounds conjunctive use project, contract docs	3	0	3	Admin. Decision
Meetings, Staff	Agendas, communications, notes, backup	2	0	2	Admin. Decision
Member Agency Service Connections			P	P	Admin. Decision
Meter Reads - Miramar			P	P	Admin. Decision
Meter Reads - MWD		3	0	3	Admin. Decision
Minutes	Minutes of meetings of TVMWD Board of Directors		P	P	Image for safety, keep originals. GC60200-60204
MSDS / SDS	Material Safety Data Sheets / Safety Data Sheets	30	0	30	29 CFR 1910.1200; 8CCR 3204(d)(1)(B)(2)
Non-Record	Manuals, brochures, newsletters, other agency information, extra copies	2	0	2	May be destroyed when no longer useful or relevant
Not Coded	Not on Retention Schedule		P	P	
Oaths of Office		6	0	6	May be destroyed 6 years after term expires. GC60200-60204; 29USC1113
Operations & Maintenance Records	District facilities	12	P	12	GC60200-60204; Admin. Decision
Operations Activity Reports			P	P	Admin. Decision
Payroll Related Reports & Records	Payroll register, activity summary, labor distribution, check posting list, GL account posting	P	P	P	29 CFR 516
Personnel Files	Applications, changes, terminations, performance evaluations	7	0	7	Destroy 5 years after termination
Petty Cash Reports/Vouchers		5	0	5	GC 60200-60204
Plans & Specifications - District Facilities			P	P	Admin. Decision
Project Files - Non Construction	Project files	2	3	5	Admin. Decision
Property - Deeds, Easements, Rights of Way			P	P	GC60200-60204
Property Acquisitions/Sales			P	P	GC60200-60204; 6254
Property Appraisals - District Property			P	P	GC60200-60204; 6254(h)
Public Affairs Programs & Activities	Activities, events, tours, ULFT program, water education program	2	3	5	GC60200-60204; Admin. Decision
Public Affairs Reports and Publications	Annual reports, publications and historical material	7	0	7	Admin. Decision
Public Records Act Requests		2	0	2	
Purchase Orders	PO's and supporting documents	5	0	5	
Redistricting			P	P	GC60200-60204
Reports and Studies	District-related projects and facilities		P	P	Admin. Decision
Resolutions & Ordinances			P	P	Image for safety, keep originals. GC60200-60204
Safety Meetings	Agendas, training material, sign-in sheets	2	0	2	GC60200-60204; Admin. Decision
Salary & Classification Surveys	Including job description development	2	0	2	LC 1197.5(d), 1174(d)
Software license agreement and documentation	Software license agreements, includes Software-as-a-Service agreements	4	0	4	CCP §§336(a), 337
Standby Charge	Assessment Documentation, Reports		P	P	Admin. Decision
State Controllers Report			P	P	GC 60201; Admin. Decision



## Item 8.E - Exhibit A

Statements of Economic Interest		7	0	7	May be destroyed 7 years after leaving office. GC 81009(e)
Subject Files	Information and reference material	2	0	2	May be destroyed when no longer relevant. GC60200-60204
Taxes - Fed & State	Forms 1096, 1099, W-4s and W-2s	5	0	5	IRS REG 301.650(1)-1; Admin. Decision
Taxes Receivable	Schedules; cash receipts (JE's and backup)	4	0	4	GC 60201; Admin. Decision
Travel Records		7	0	7	
Time Sheets	Activity listing; approval history	7	0	7	8CCR11000-11150; LC 1174(d); 29CFR 516.6(a)(1)
Urban Water Management Plan			P	P	Water Code; Admin. Decision
Urban Water Management Plan Work File, Drafts	Work file, drafts	2	3	5	Water Code; Admin. Decision
USA Tickets		2	3	5	Admin. Decision
Vacation/Sick Leave Reports		5	0	5	29 CFR 516.2; CCR 108502; Admin. Decision
Vehicle - Fuel & Mileage Records		2	0	2	Admin. Decision
Vehicle Maintenance Records		2	0	2	Keep until no longer owned by District
Vehicle Ownership/Title		L	0	L	GC 6020; Admin. Decision
Warrant Register		3	0	3	GC 60201; Admin. Decision
Workers Comp Claims, Reports, Incidents			P	P	8 CCR 10102; maintain e-copies
Workers Comp Insurance			P	P	Destroy 5 years after exp. 8 CCR 10102; maintain e-copies
Workers Comp/OSHA	Claim files, reports, incidents		P	P	CCR 14311, 15400.2; CA Labor Code 110-139.6

<b>LEGEND:</b>
P = Permanent
L = Lifetime

## Records Retention Policy

**EXHIBIT B**

The following sections of the California Government Code are incorporated into Article 3 of the District's records retention policy:

**60203. Records, papers, or documents not required to be filed; conditions.**

- (a) Notwithstanding [Government Code] Section 60201, the [District's Board of Directors] may authorize the destruction of any record, paper, or document that is not expressly required by law to be filed and preserved if all of the following conditions are compiled with:
- (1) The record, paper, or document is photographed, micro-photographed, reproduced by electronically recorded video images on magnetic surfaces, recorded in the electronic data processing system, recorded on optical disk, reproduced on film or any other medium that is a trusted system and that does not permit additions, deletions, or changes to the original document in compliance with Section 12168.7 [below] for recording of permanent records or non-permanent records.
  - (2) The device used to reproduce the record, paper, or document on film, optical disk, or any other medium is one that accurately reproduces the original thereof in all details and that does not permit additions, deletions or changes to the original document images.
  - (3) The photographs, micro-photographs, or other reproductions on film, optical disk, or any other medium are placed in conveniently accessible files and provision is made for preserving, examining, and using the files.
- (b) For the purposes of this section, every reproduction shall be deemed to be an original record and a transcript, exemplification, or certified copy of any reproduction shall be deemed to be a transcript, exemplification, or certified copy, as the case may be, of the original.

**12168.7 Standards for Recording Permanent and Nonpermanent documents in electronic media; trusted system.**

- (a) The Legislature hereby recognizes the need to adopt uniform statewide standards for the purpose of storing and recording public records in electronic media or in a cloud computing storage service.

## Records Retention Policy

- (b) In order to ensure that uniform statewide standards remain current and relevant, the Secretary of State, in consultation with the Department of Technology, shall approve and adopt appropriate uniform statewide standards by using standards that are accredited by the American National Standards Institute or other applicable industry-recognized standards making body, including the International Organization for Standardization TR 15801:2017 or successor standard, for storing and recording public records in electronic media or in a cloud computing storage service.
- (c) (1) The standards specified in subdivision (b) shall include a requirement that a trusted system be utilized. For this purpose and for purposes of Sections 25105, 26205, 26205.1, 26205.5, 278322.2, 34090.5, and 60203, Section 102235 of the Health and Safety Code, and Section 10851 of the Welfare and Institutions Code, “trusted system” means a combination of techniques, policies, and procedures for which there is no plausible scenario in which a public record retrieved from or reproduced by the system could differ substantially from the public record that is originally stored.
- (2) For a state agency that stores and records public records pursuant to this section, the uniform statewide standards specified in subdivision (b) shall include a definition of “trusted system” that combines the various elements of trusted systems specified in this section.
- (d) (1) A cloud computing storage service that complies with International Organization for Standardization ISO/IEC 27001:2013, or other applicable industry-recognized standards relating to techniques and information security management, and that provides administrative users with controls to prevent stored public records from being overwritten, deleted, or altered, shall be considered a trusted system.
- (2) Notwithstanding paragraph (1), all public records stored or recorded in electronic media or in a cloud computing service by a state agency shall comply with a trusted system as defined in the uniform statewide standards adopted pursuant to subdivision (b).
- (e) A trusted system using cloud computing storage service shall also comply with applicable standards articulated in the State Administrative Manual and the Statewide Information Management Manual. This requirement applies to state agencies and does not apply to local government entities, except to local government entities that have a system interconnection or data exchange with a state agency, or that contract with a state agency, for the development, use, or maintenance of an information system, product, solution, or service.

Records Retention Policy

- (f)
  - (1) A state agency, prior to establishing an information technology system interconnection or data exchange with a local government entity or otherwise partnering with a local government entity for the development, use, or maintenance of an information technology system, product, or service, shall first enter into a written agreement with that local government entity for the purpose of establishing mutually agreeable terms that protect relevant public records.
  - (2) The requirements of paragraph (1) shall apply prospectively, after the effect date of this subdivision, to new agreements of the types specified and to existing agreements of the types specified when they are considered for renewal.
- (g) For the purposes of this section, the following definitions shall apply:
  - (1) “Cloud computing” has the same definition as the term is defined by the National Institute of Standards and Technology Special Publication 800-145, or a successor publication, and includes the service and deployment models referenced therein.
  - (2) “Public records” includes permanent and nonpermanent documents.
  - (3) “State agency” has the same meaning as that term is defined in Section 11000.
- (h) The Secretary of State shall ensure that microfilming, electronic data imaging, and photographic reproduction are done in compliance with the minimum standards or guidelines, or both, as recommended by the American National Standards Institute for recording of public records or any other applicable and comparable industry standard.
- (i) Nothing in this section shall prohibit a local government entity from adopting applicable standards articulated in the Secretary of State’s uniform statewide standards for Trustworthy Electronic Document or Record Preservation, the State Administrative Manual, or the Statewide Information management Manual for purposes of utilizing a trusted system as defined in subdivision (c).



## Board of Directors Staff Report

**To:** TVMWD Board of Directors

**From:** Matthew H. Litchfield, General Manager 

**Date:** October 2, 2019

**Subject:** **Geographic Information System (GIS) Project Update**

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<input type="checkbox"/> <b>For Action</b>	<input type="checkbox"/> <b>Fiscal Impact</b>	<b>\$</b>
<input checked="" type="checkbox"/> <b>Information Only</b>	<input type="checkbox"/> <b>Funds Budgeted:</b>	

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**Staff Recommendation:**

**No Action Necessary – Informational Item Only**

**Discussion:**

In June 2019, Three Valleys Municipal Water District (“TVMWD”) executed a professional services agreement with Nobel Systems (“Nobel”) to build and implement a Geographic Information System (“GIS”) to provide enterprise-wide accessibility to information, improve asset management capabilities, and leverage new technology to enhance operational efficiencies.

A project kickoff meeting was conducted by Nobel and included TVMWD staff from multiple departments. TVMWD business needs were identified in the Enterprise GIS Request for Proposal and informal Needs Assessment that included the review of existing systems, progress workshops, and recommendations for implementation.

The first implementation was the GeoViewer platform; Nobel’s proprietary cloud-based GIS that provides a database and custom developed applications, known as modules.

Staff will provide a PowerPoint presentation to discuss the project status, implementation activity, and future initiatives.

The following GeoViewer modules have been deployed to GeoViewer:

**Field Redlining of Assets**

Redlining has been fully deployed and is utilized by TVMWD staff. Redlining is a tool that provides staff the capability to submit corrections to assets presented in the GIS. Corrections include changing, adding, or deleting assets to improve overall data quality. Nobel staff reviews submitted redlines on a periodic basis and is responsible for completing data edits in the GIS.



### View Images of Assets, Plants, and As-Builts

TVMWD staff now has the capability to view asbuilt drawings, photos, and other related content in the field to support their workflows.

Prior to the GeoViewer platform implementation, TVMWD staff provided Nobel existing infrastructure related documents which primarily consisted of as-builts. Nobel has completed the initial process of linking distinct assets to their respective asbuilt documents.

### Underground Service Alert (“USA”) DigAlert Module

The DigAlert module implementation has been completed and is fully utilized by TVMWD staff. This business process is now completely digitized providing automated ticket generation, location awareness, and centralized information for staff to access.

### Valve Exercise Module

The Valve Exercise module has been deployed; however, internal testing is pending. TVMWD staff has requested historical valve exercising activities to be displayed in this module. Nobel has been provided historical valve exercising data to input into the GIS.

### Daily Meter and Hydro Reads

The Daily Meter and Hydro Reads modules have been deployed but will not be utilized by staff until a long-term plan is developed. This is imperative as the data collected from daily reading activities are used inter-departmentally and are considered critical data to support the monthly sales and consumption reporting deliverables.

A phased deployment approach is currently being planned to mitigate double data entry, ensure data quality, and ultimately to produce monthly sales and consumption reports which require four (4) different datasets.

### Future Initiatives

The following future GIS initiatives are in the planning process:

- Internal business discovery meetings
- Data quality improvements
- Fully support monthly sales and consumption reporting
- Valve exercising machine integration

- Maintenance Work Orders
  - Proactive and Reactive
    - Treatment Plant
    - Lab
    - Distribution
- Financial system integration

**Strategic Plan Objective(s):**

1.5 – Maintain water infrastructure to assure 100% reliability

2.3 – Manage water infrastructure and staff operations to minimize costs

2.4 – Evaluate short-term and long-term workforce needs to achieve optimal efficiency and cost effectiveness without sacrificing employee morale or productivity

**Attachment(s):**

Exhibit A – Underground Service Alert (“USA”) DigAlert Module (screenshot)

**Meeting History:**

Board of Directors Meeting – June 19, 2019

NA/RP

☰ Three Valleys Municipal Water District
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MARKED TICKETS

<b>A192660851</b>	2019-09-25
A ST / BONITA AVE	➤
REPL ANCHOR & GROUND ROD	
<b>A192660843</b>	2019-09-25
6TH ST / A ST	➤
REPL ANCHOR & GROUND ROD	
<b>A192660994</b>	2019-09-25
W BASELINE RD / 4504 LIVEOAK DR	➤
EMERGENCY EXPOSE AND REPAIR ELECT CONDUIT	
<b>B192680314</b>	2019-09-25
WEBB CANYON RD / 1187 W BASELINE RD	➤
POWER POLE REPLACEMENT MARK 15 FT RADIUS AROUND POLE	
<b>B192670136</b>	2019-09-25
NORWICH DR / 2161 WILKES CT	➤
LEAK REPAIR GAS MAIN	
<b>B192670138</b>	2019-09-25
N OXFORD AVE / 605 DIABLO DR	➤
LEAK REPAIR GAS MAIN	
<b>B192670128</b>	2019-09-25
DIABLO DR / 2164 N OXFORD AVE	➤
LEAK REPAIR GAS MAIN	
<b>B192670133</b>	2019-09-25
N INDIAN HILL BLVD / 289 SAN LUIS PL	➤
LEAK REPAIR GAS MAIN	
<b>A190770480</b>	2019-09-23
BONITA AVE / C ST	➤
LANDSCAPE & IRRIG	
<b>B192630292</b>	2019-09-23
BROKEN SPUR RD / 2586-2698 BASELINE RD	➤
PLACING GROUND ROD TO POLE	



## Board of Directors Staff Report

**To:** TVMWD Board of Directors

**From:** Matthew H. Litchfield, General Manager 

**Date:** October 2, 2019

**Subject:** **Consideration of Proposed Service Connection Applications for PM-27 and PM-29**

<input type="checkbox"/> For Action	<input checked="" type="checkbox"/> Fiscal Impact	<input checked="" type="checkbox"/> Funds Budgeted	
<input checked="" type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Cost Estimate:	\$41,000.00	

### Staff Recommendation:

**No Action Necessary – Informational Item Only**

### Background:

In recent years, TVMWD has utilized Upper San Gabriel Valley Municipal Water District's (Upper District) service connection USG-03 to meet obligations to the Main San Gabriel Basin (Main Basin). Proposed service connection PM-27 would provide TVMWD with an alternative option to meet those obligations. Service connection PM-29 would deliver water into Thompson Creek and ultimately to the Central Basin. This connection would allow the Puente Basin Water Agency (PBWA) to deliver additional groundwater recharge.

### Discussion:

Meeting obligations for water deliveries into the Main Basin is a requirement for TVMWD as a responsible party identified in the 1973 Judgement. The obligations are determined by the Watermaster as the governing body over the basin. TVMWD receives a delivery request from the Watermaster and utilizes available State Water Project (SWP) supplies from Metropolitan Water District (Metropolitan) to meet these deliveries. Additionally, in wet years, TVMWD has delivered surplus SWP into a Cyclic Storage account that is used to meet obligations during dry years.

Deliveries of SWP occur through Metropolitan's Rialto Pipeline and two service connections, PM-26 and USG-03. Service connection PM-26 delivers water into Little Dalton Spreading Grounds and is limited by the size of the connection and the size of the basins. Under optimal conditions, PM-26 can deliver up to 300 acre-feet (AF) in a given month. Service connection USG-03 delivers water to the Santa Fe Spreading Grounds via the San Gabriel River. While there is a much greater capacity at USG-03 (up to 580 AF per day), the service connection is owned and operated by Upper District. TVMWD

has an agreement with Upper District to use USG-03 during times that Upper District is not using the connection.

TVMWD is collaborating with Watermaster about a potential new service connection for deliveries into Main Basin through the San Dimas Wash. The Rialto Pipeline passes through the wash and preliminary investigations concluded that there is a potential for a new service connection, tentatively named PM-27. TVMWD has approached Metropolitan about this potential location and submitted a new service connection application. The goal of the application is to determine the costs associated with performing a full engineering review of the application and determine the potential costs of constructing a new service connection. The review is performed by Metropolitan staff as outlined in their Administrative Code. The cost to perform the engineering review is \$41,000. TVMWD will look to partner with Watermaster to share the cost of this review.

TVMWD was also approached by Puente Basin Water Agency for a new service connection tentatively named PM-29. This service connection would be used for groundwater deliveries and would originate from the Rialto Pipeline and be delivered into Thompson Creek. TVMWD submitted a new service application to Metropolitan to perform the full engineering review per Metropolitan's Administrative Code. The cost to perform the engineering review is \$41,000. TVMWD and PBWA will share equally in the cost of this review.

### **Strategic Plan Objective(s):**

- 1.1 – Secure water supplies that exceed the estimated annual demands by 10%
- 1.3 – Maintain diverse sources of water supplies and storage, and increase extractable water storage supplies to 10,000 AF
- 1.4 – Capable of delivering 10,000 AFY from local sources in case of drought or catastrophe

### **Attachment(s):**

None

### **Meeting History:**

None

NA/TJK





## Board of Directors Staff Report

**To:** TVMWD Board of Directors  
**From:** Matthew H. Litchfield, General Manager   
**Date:** October 2, 2019  
**Subject:** **MWD Solar Cup Update**

<input type="checkbox"/> <b>For Action</b>	<input type="checkbox"/> <b>Fiscal Impact</b>	<b>\$</b>
<input checked="" type="checkbox"/> <b>Information Only</b>	<input type="checkbox"/> <b>Funds Budgeted</b>	

**Staff Recommendation:**

**No Action Necessary – Informational Item Only**

**Discussion:**

MWD's Solar Cup program will be celebrating its 18<sup>th</sup> year in 2020 and the district has been a sponsor of its local high schools since year one, when we had one school submit an entry in 2003.

The program has evolved over the years and of the approximately 40 schools participating annually, Three Valleys typically receives an allocation of 3 or 4 schools. For the 2020 event, we have been assigned an allocation of four.

As the program has grown over the years, we've had more schools submit interest forms than slots available. For the upcoming event, seven Three Valleys area high schools submitted interest forms. On September 12, each school was blindly drawn in the following order:

1. **San Dimas**
2. **Pomona**
3. **Nogales**
4. Fremont Academy (declined)
5. **Village Academy**
6. Diamond Ranch
7. Ganesha

If any of the top four schools drop out or decline to participate, then the next team on the list will be invited to participate and so forth. We did have one of the selected schools decline due to other commitments, and thus contacted the fifth team on the list. All of the selected schools have confirmed their intent to participate as of the writing of this memo.

Since The district has served as the host site for all boat building (November) and technical (May) workshops since the inception of the program, staff took the opportunity on September 19 to meet with the MWD event organizers to go over plans and expectations for the upcoming Solar Cup. The meeting proved productive and with the level of participation and commitment from MWD and TVMWD staff expected to meet or exceed that of prior years, we anticipate that all will go smoothly over the next several months leading up to the crowning event in May 2020.

The kickoff boat building workshop will take place on Saturday, November 2 at TVMWD.

**Strategic Plan Objective(s):**

3.3 – Be accountable and transparent with major decisions

3.4 – Communicate TVMWD’s role in the delivery of water

**Attachment(s):**

None

**Meeting History:**

None

KH/ML