

LAS VIRGENES MUNICIPAL WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2018



4232 LAS VIRGENES ROAD, CALABASAS
LOS ANGELES COUNTY, CALIFORNIA



Comprehensive Annual Financial Report

For the Year Ended June 30, 2018



Prepared by:
The Finance and Administration Department

Donald Patterson	Director of Finance & Administration
Angela Saccareccia	Finance Manager
Jennifer Chen	Senior Accountant
Michael Hamilton	Financial Analyst

Las Virgenes Municipal Water District

BOARD OF DIRECTORS

Glen D. Peterson	President
Charles P. Caspary	Vice President
Jay Lewitt	Secretary
Lee Renger	Treasurer
Leonard E. Polan	Director

MANAGEMENT

David W. Pedersen	General Manager
David Lippman	Director of Facilities & Operations
Donald Patterson	Director of Finance & Administration
Joe McDermott	Director of Resource Conservation & Public Outreach

LEGAL COUNSEL

W. Keith Lemieux	Counsel
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Las Virgenes Municipal Water District

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>	
Letter of Transmittal	i
GFOA Certificate of Achievement	v
Organization Chart.....	vi
Maps of Service Area	vii
<u>FINANCIAL SECTION</u>	
Independent Auditors' Reports:	
Report on Financial Statements	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Management's Discussion and Analysis (Required Supplementary Information) (Unaudited)	7
Basic Financial Statements:	
Statement of Net Position.....	14
Statement of Revenues, Expenses, and Changes in Net Position.....	16
Statement of Cash Flows.....	18
Notes to the Basic Financial Statements	21
Required Supplementary Information (Unaudited):	
Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Pension Plan	51
Schedule of Contributions – CalPERS Pension Plan	52
Schedule of Changes in OPEB Liability and Related Ratios – Other Post-Employment Benefits Plan.....	53
<u>STATISTICAL SECTION (Unaudited)</u>	
Index to Statistical Section	55
Net Position.....	56
Changes in Net Position	58
Revenue Base	60
Revenue Rates.....	61
Principal Revenue Payers.....	63
Property Tax Levies, Special Assessment and Collections.....	64
Ratios of Outstanding Debt by Type.....	65
Ratios of General Bonded Debt Outstanding	66
Direct and Overlapping District Debt	67
Pledged-Revenue Coverage	69
Demographic and Economic Statistics.....	70
Principal Employers	71
Full-Time Equivalent District Employees by Function.....	72
Operating Indicators by Function.....	73
Capital Assets Statistics by Function	74
Annual Water and Sewer Capacity Fee Deposits Report.....	75





Dedicated to Providing High-Quality Water Service in a Cost-Effective and Environmentally Sensitive Manner

OFFICERS

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Glen D. Peterson
Director, Division 2
MWD Representative

Vice President

Charles P. Caspary
Director, Division 1

Secretary

Jay Lewitt
Director, Division 5

Treasurer

Lee Renger
Director, Division 3

Leonard E. Polan
Director, Division 4

David W. Pedersen, P. E.
General Manager

W. Keith Lemieux
Counsel

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Fax (818) 251-2109

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FILTRATION PLANT
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Fax (818) 251-2379

TAPIA WATER
RECLAMATION FACILITY
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Fax (818) 251-2309

RANCHO LAS VIRGENES
COMPOSTING FACILITY
(818) 251-2340
Fax (818) 251-2349

www.LVMWD.com



November 13, 2018

To: Board of Directors

From: David W. Pedersen, General Manager
Donald Patterson, Director of Finance & Administration

Subject: **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2017-18**

California law requires that every local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year that ended on June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Pun Group, LLP, Accountants and Advisors, has issued an unqualified (“clean”) opinion on the Las Virgenes Municipal Water District’s financial statements for the fiscal year that ended on June 30, 2018. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Las Virgenes Municipal Water District (LVMWD or District), incorporated in 1958, is located on the western edge of Los Angeles County, California, and includes the cities of Agoura Hills, Calabasas, Hidden Hills and Westlake Village, and adjacent areas of Los Angeles County. LVMWD occupies 122 square miles and serves a population of approximately 70,000. LVMWD is also the administering agent for the Las Virgenes –

Triunfo Joint Powers Authority (JPA), which provides sanitation services to approximately 100,000 people within 172 square miles of western Los Angeles County and southeastern Ventura County.

LVMWD is empowered to levy an assessment on real property located within its boundaries, up to \$10 per parcel, and has a miniscule share of the property tax assessment. The majority of revenue is from user fees for service. LVMWD also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

LVMWD has operated under the board-general manager form of government since its inception. Policy-making and legislative authority are vested in a governing board (Board) consisting of five members elected by division on a non-partisan basis. The Board appoints the general manager, who in turn appoints the heads of the various departments. Board members serve overlapping four-year terms, and every two years -- concurrent with installation of the newly elected board -- select board officers. A District representative to the board of directors of Metropolitan Water District of Southern California is appointed to serve an indefinite term.

LVMWD provides potable water, sanitation and recycled water services to its customers. Sanitation and recycled water services are provided in conjunction with Triunfo Sanitation District through the JPA.

Although not required by law, the Board adopts a final budget for the next fiscal year by the close of the current fiscal year. This annual budget serves as the foundation for LVMWD's financial planning and control. The budget is prepared by enterprise, function (e.g. system operations) and department (e.g. Facilities and Operations). Department heads may transfer resources within a department or enterprise as they see fit, but transfers between departments or enterprises need special approval from the Board.

Local Economy

The region is highly desirable for both residences and businesses, with exceptional natural attributes. Much of the service area lies within the Santa Monica Mountains with the associated hilly terrain, mountain and ocean views and moderate climate. Open space and recreational opportunities are abound with considerable local acreage dedicated as national and state parkland via the 244.5-square-mile Santa Monica Mountains National Recreation Area. Beaches lie within minutes of any location in the area. Varied academic institutions are proximate and easily accessible, including Pepperdine University's Malibu campus, California Lutheran University in Thousand Oaks, and California State University, Northridge.

The service area contains some of the highest assessed values for property in the county. All are relatively new communities with recent infrastructure and an award-winning, highly sought school system.

More than 80% of local housing is single-family dwellings, in sharp contrast to the countywide average of 56%. Median home prices in the District considerably exceed county averages. The District benefits from its close proximity to Los Angeles and quality commercial and retail spaces. The District has few major industrial customers.

Primarily residential, LVMWD is also a home to notable corporations and commercial activities. Located within the service area are several significant employers including Las Virgenes Unified School District, Bank of America Home Loans, Farmers Insurance, IXIA Communication, The Cheesecake Factory corporate offices and bakery; Four Seasons Hotel; Move, Inc.; Move, Inc.; Dole Food Company; and Conversant LLC.

Financial Condition and Outlook

Over recent years, the District successfully recovered from the financial downturn and was in the third year of a five-year rate adjustment plan that ensures continued financial sustainability. District staffing levels have stabilized and compensation has generally kept pace with comparable agencies. The District has continued to pay for capital projects with available resources resulting in minimal debt.

The overall financial position of the District is stable. The District continued to see increases in potable water sales. Potable water sales during Fiscal Year 2017-18 increased by 11.30% from Fiscal Year 2016-17. Recycled water sales during the same period increased by 13.51%. Recycled water use increases were anticipated in the Fiscal Year 2017-18 as winter rainfall was significantly reduced from the prior year. For Fiscal Year 2018-19, the District has a stable outlook and continues to monitor economic and hydrologic conditions.

Long Term Financial Planning

The District presented a two-year budget plan on May 22, 2018 for Fiscal Years 2018-20. The document improves long-range and strategic planning, financial management, and program monitoring. The two-year budget represents the concerted efforts of staff to estimate the financial needs of the District for two fiscal years to continue to provide high quality water and sanitation services to the District's customers. The budget is also aligned to meet the District's adopted Strategic Plan Goals and Financial Policies.

Relevant financial policies

Since 1999, the District has utilized a broad-based set of Board-adopted financial policies to guide it in making important financial decisions. The policies are reviewed annually and updated periodically to address changing conditions and adopted annually as an integral part of the budget.

Major initiatives

The District supported the Las Virgenes-Triunfo Joint Powers Authority in an extensive stakeholder-driven process to identify the best means to maximize the beneficial reuse of treated effluent from the Tapia Water Reclamation Facility. Following two-years of study and community stakeholder input that focused on how to best manage discharge from the Tapia Water Reclamation Facility to Malibu Creek, the Pure Water Project Las Virgenes-Triunfo emerged as the preferred alternative to meet the goal, while also providing a local source of potable water. The proposed Pure Water Project will take surplus recycled water from the Tapia Water Reclamation Facility and further treat it to better than drinking water standards. The treated water will be mixed with imported water stored in Las Virgenes Reservoir until needed. At that time, the water will be treated again prior to use in the potable water system.

In Fiscal Years 2018-19 and 2019-20, the District will be spending \$2.8 million, its share of the Las Virgenes-Triunfo Joint Powers Authority project, on the design and the construction of a demonstration facility to be built at the District's headquarters campus. Tours of the facility are intended to educate and promote public confidence in the treatment technology.

Several technical studies including an Advanced Water Treatment Plant Siting Study, Hydrodynamic Modeling of Las Virgenes Reservoir and a Title XVI Feasibility Study have been completed for the Pure Water Project. These studies will be used in the next step of preliminary design and environmental analysis.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded LVMWD the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the Fiscal Year that ended on June 30, 2017. This was the 20th consecutive year that LVMWD received this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is only valid for a period of one year. Staff believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

In addition, LVMWD also received the GFOA's Distinguished Budget Presentation Award for its annual budget document and the Award for Outstanding Achievement in Popular Annual Financial Reporting in fiscal year 2016-17. The District posts all of its financial documents on its public website at <http://www.lvmwd.com/about-us/adopted-budget-and-annual-financial-reports>.

Acknowledgements

The preparation and development of this report would not have been possible without the year-round work of the Finance Division staff and their special efforts, working in conjunction with the District's independent auditors. We would also like to thank the Board for its continued interest and support in managing the District's financial resources in a responsible manner that ensures transparency and proper stewardship of ratepayer's money.

Respectfully submitted,



David W. Pedersen
General Manager



Donald Patterson
Director of Finance & Administration



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Las Virgenes Municipal Water District
California**

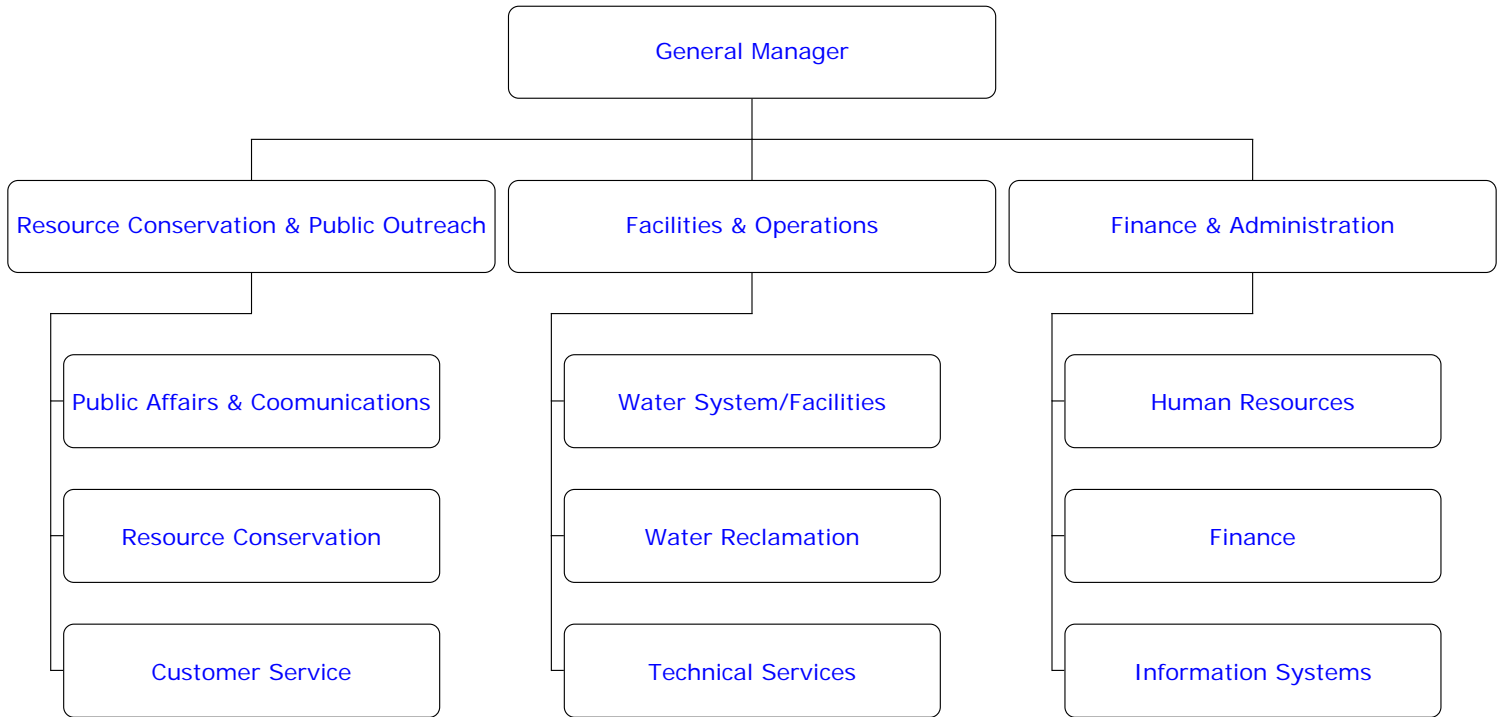
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

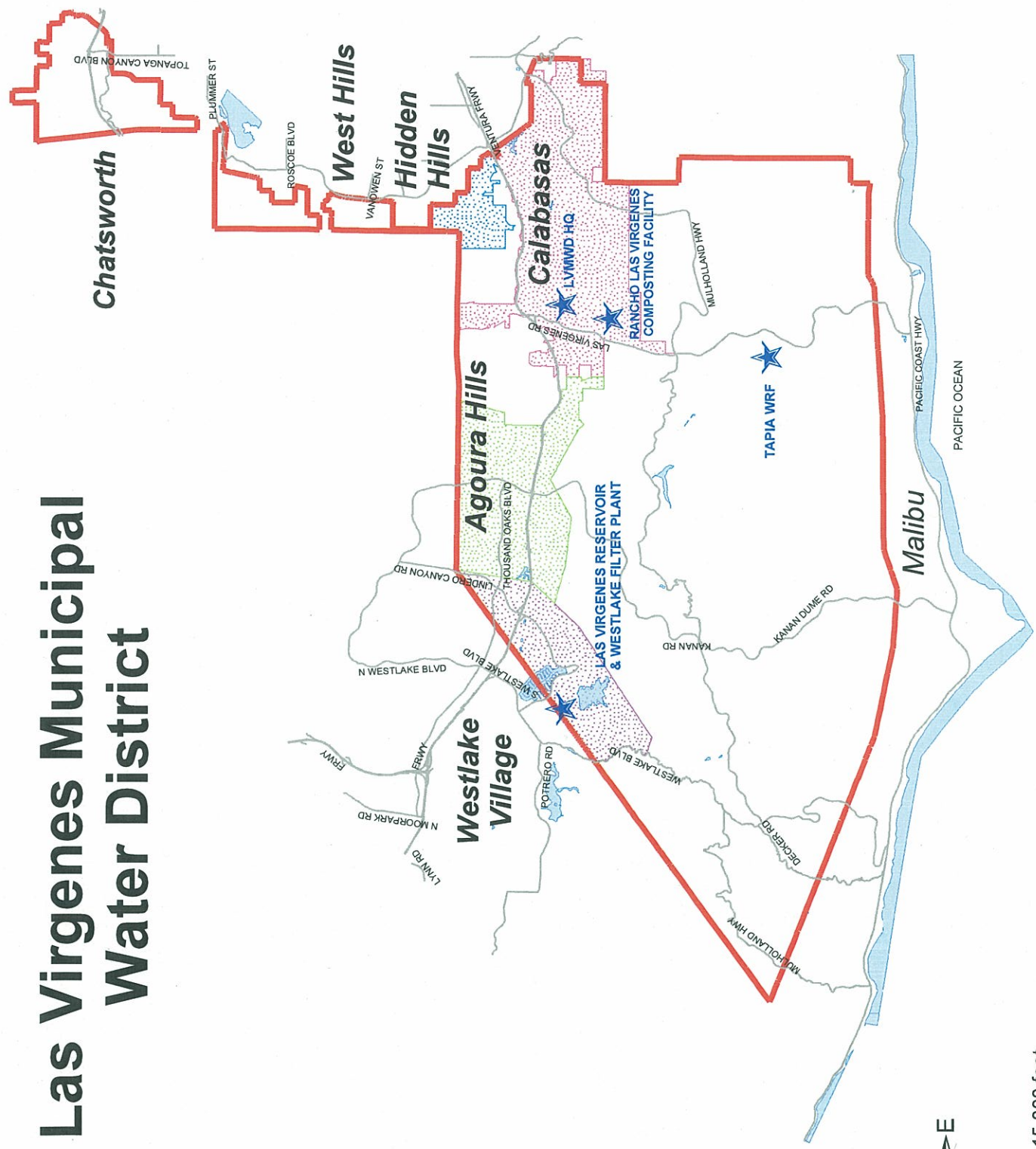
Executive Director/CEO

LVMWD Organizational Chart



Revised June 30, 2018

Las Virgenes Municipal Water District



1 inch equals 15,000 feet





INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Las Virgenes Municipal Water District
Calabasas, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Las Virgenes Municipal Water District, California (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and the discretely presented component unit of the District, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principle

As discussed in Note 11 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this statement requires retrospective application of previously reported net position at July 1, 2017 as described in Note 12 to the basic financial statements. In addition, Net OPEB Liability is reported in the Statement of Net Position in the amount of \$19,183,096 as of June 30, 2017, the measurement date. This Net OPEB Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2018. Our opinion is not modified with respect to this matter.

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 Changes in Net Pension Liability and Related Ratios – CalPERS Pension Plan, the Schedule of Contributions – CalPERS Pension Plan, the Schedule of Changes in OPEB Liability and Related Ratios – Other Post-Employment Benefits Plan, and the Schedule of Contributions – Other Post-Employment Benefits Plan on pages 5 through 12 and 51 through 53, 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical Sections 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.

To the Board of Directors
of the Las Virgenes Municipal Water District
Calabasas, California
Page 2

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "The Pun Group, LLP".

Santa Ana, California
November 6, 2018

Handwritten signature in blue ink that reads "K.H. Pun".

Kenneth H. Pun, CPA, CGMA
CPA Number: 88316





**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
of the Las Virgenes Municipal Water District
Calabasas, 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 business-type activities and the discretely presented component unit of the Las Virgenes Municipal Water District, California (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2018.

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*.

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To the Board of Directors
of the Las Virgenes Municipal Water District
Calabasas, California
Page 2

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "The Pun Group, LLP".

Santa Ana, California
November 6, 2018

Handwritten signature in purple ink that reads "K.H. Pun".

Kenneth H. Pun, CPA, CGMA
CPA Number: 88316

LAS VIRGENES MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This section of the District's annual financial report presents management's analysis of the District's financial performance during the Fiscal Year that ended on June 30, 2018. Please read it in conjunction with the Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's 2018 net position increased by \$13.9 million to \$218.3 million.
- During FY 2018, the District's revenues increased by 12.22% to \$68.9 million, expenses increased by 5.43% to \$57.5 million.
- In FY 2018, capital contributions to the District increased to \$2.6 million or 313.8% more than FY 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to Las Virgenes Municipal Water District's basic financial statements. The District's basic financial statements are comprised of two components: Financial Statements and Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

CHANGES TO THE FINANCIAL STATEMENTS

Governmental Accounting Standards Board (GASB) Statement 75

GASB 75, dated June 2015, was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). GASB 75 defines how the District will present OPEB liability and contributions, and is reflected in Note 11. GASB 75 also requires adding the District's Net OPEB liabilities to the Financial Statements beginning on page 14. The District's reported Net OPEB liability is \$19.2 million at June 30, 2018.

BASIC FINANCIAL STATEMENTS

Because the District is comprised of three business type enterprises, potable water, recycled water, and sanitation, the Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets, deferred outflow of resources, liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine the District's credit worthiness and whether the District has successfully recovered all its costs through its user fees and other charges.

The final required Financial Statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations and investments. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

The Financial Statements provide information on whether the District, as a whole, is in a stronger or weaker financial position compared to the last year. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide a means to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, weather, and new or changed government legislation.

During Fiscal Year 2017-18 the District saw continued increased water sales as a rebound from the multi-year drought continued. The District's potable water-budget based rate structure supports a conservation philosophy through increasing tier structure and an annual incremental increase in the percentage of fixed cost recovered through fixed fees, which over time will reduce dependence on fluctuating water sales to meet revenue needs. The sanitation and recycled water enterprises continued to build additional reserves as the District prepares to construct its Pure Water project that will take surplus recycled water and process it through an advanced treatment facility; then store it at Las Virgenes Reservoir for later use as drinking water. The District is well positioned to meet demands of a changing climate to meet its customer's water and sanitation needs.

Las Virgenes Municipal Water District operates a Joint Powers Authority (JPA) with Triunfo Sanitation District for the transmission and treatment of sanitation. In conformance with GASB 61, the JPA is presented in the District's Financial Statements as a Discretely Presented Component Unit. The JPA annually issues an Independent Auditors' Report and Financial Statements that includes a Management Discussion and Analysis. It is recommended to review this document for additional information on the financial condition of the JPA.

NET POSITION

Table 1 shows a comparative analysis of the District's Net Position. As shown below, net position increased by \$13.9 million to \$218.3 million in FY 2017. The implementation of GASB 75 restated the net position at June 30, 2018 by \$18.1 million.

TABLE 1
Condensed Statements of Net Position
(in thousands of dollars)

	FY 2018	FY 2017 (restated)
Current and Other Assets	\$ 96,369	\$ 82,884
Capital Assets	124,526	125,810
Investment in JPA	62,521	62,556
Total Assets	283,416	271,250
Deferred Outflow of Resources	9,065	9,158
Long-Term Debt Outstanding	15,596	14,670
Net Pension Liability	20,493	19,563
Net OPEB Liability	19,183	18,064
Other Liabilities	16,592	18,956
Total Liabilities	71,864	71,253
Deferred Inflows of Resources	2,274	4,707
Net Position:		
Net Investment in Capital Asset,	109,794	108,930
Restricted	2,683	2,654
Unrestricted	105,866	92,864
Total Net Position	\$ 218,343	\$ 204,448

REVENUES, EXPENSES AND CHANGES IN NET POSITION

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides information concerning the nature and source of these changes. As shown in Table 2 below, the income before capital contributions was \$11.3 million. The income plus capital contributions lead to the overall increase in net position of \$13.9 million, when compared to last year's CAFR.

Water sales, the District's primary revenue source, were higher as the drought restrictions were lifted and customers adjusted to their water budgets. Wasteful water use penalties impose increasing fines on customers who exceed their water budgets by 200%, which has helped limit the increase.

Operating expenses were higher by 5.4% year-over-year primarily due to salary and benefits increase and increased maintenance costs.

Capital contributions are irregular, as the District does not experience many large-scale projects. In July 2017, the District adopted a new capacity fee structure that focuses contributions on maintenance and upgrading of existing infrastructure.

TABLE 2
Condensed Statements of Revenues,
Expenses and Changes in Net Position

	FY 2018	FY 2017 (restated)
Operating Revenues:		
Water Sales	\$ 46,250	\$ 39,963
Sanitation and Other	20,467	19,832
Non-operating Revenues:		
Taxes and Penalties	946	953
Interest Income and Other	1,212	625
Total Revenues	68,875	61,373
Depreciation Expense	3,943	4,076
Other Operating Expenses	39,169	36,500
Share of JPA Net Expenses	13,718	13,139
Non-Operating Expenses	716	867
Total Expenses	57,546	54,582
Income (Loss) Before Capital Contributions	11,329	6,791
Capital Contributions	2,566	620
Change in Net Position	13,895	7,411
Net Position - Beginning of Year	204,448	215,101
Net Position - End of Year	\$ 218,343	\$ 204,448

CAPITAL ASSETS

At the end of FY 2018, the District had invested \$237.3 million in a broad range of infrastructure including water and sewer lines, wastewater facilities, reservoirs, tanks, distribution facilities, compost facility, maintenance and administration facilities, vehicles and equipment and an investment in Joint Venture of \$62.5 million as shown in Table 3. This amount represents a net decrease (including additions, deletions, and depreciation) of \$1.3 million from last year. The decrease is predominantly due to fewer projects added as the District prepares for Las Virgenes Triunfo Pure Water Project that is planned to treat sanitation effluent into potable water.

More information about the District's Capital Assets Depreciation policy is presented in Note 2 of the Basic Financial Statements. A more detailed summary of Capital Assets is presented in Note 7 to the Basic Financial Statements.

TABLE 3
Capital Assets
(In thousands of dollars)

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Land	\$ 6,915	\$ 6,915	\$ -	0.00%
Buildings and Improvements	22,094	22,023	71	0.32%
Machinery and Equipment	11,416	11,173	243	2.13%
Infrastructure	195,570	188,638	6,932	3.54%
Construction in Progress	1,290	6,108	(4,818)	-373.49%
Subtotal	237,285	234,857	2,428	1.02%
Less Accumulated Depreciation	112,760	109,048	3,712	3.29%
Net Property, Plant and Equipment	124,525	125,809	(1,284)	-1.03%
Investment in Joint Venture	62,521	62,556	(35)	-0.06%
Total Capital Assets	\$ 187,046	\$ 188,365	\$ (1,319)	-0.71%

The following is a summary of some of the major improvements to the system during FY 2018.

TABLE 4
Major Capital Improvement Projects
(In thousands of dollars)

	<u>FY 2018</u>
Westlake Filtration Plant Expansion	\$ 4,636
Jed Smith Pipeline Replacement	714
Raise Air Vacuum Valves	536
Building 7 & 8 Lighting Efficiency Upgrades	200
Total	\$ 6,086
	<u>FY 2017</u>
Westlake Pump Station Upgrade	\$ 4,236
Westlake Filtration Plant Expansion	3,838
Centrate Equalization Tank	1,785
Tapia Primary Tanks No. 2-5 Rehabilitation	874
Jed Smith Pipeline Replacement	643
Tapia Sluice Gates and Drives Replacement	437
Twin Lakes Tank Site Drainage Project	274
Recycled Water Seasonal Storage Study	224
Total	\$ 12,311

LONG TERM DEBT

At year-end, the District had total long-term debt of \$15.5 million, down from \$17.9 million in FY 2017. The majority of this, \$15.5 million is for the 2009 Sanitation Refunding Revenue Bond and Unamortized Premium, which had a FY 2018 year-end balance of \$14.7 million. This debt is solely the obligation of the Sanitation Enterprise. More detailed information about the District's long-term liabilities is presented in Note 9 to the Basic Financial Statements. No new debt was incurred in FY 2018.

The District maintains an "AA" rating from Standard & Poor's for the refunding revenue bonds. One area that demonstrates the District's financial strength and future borrowing capability is seen in its debt coverage ratio. Current bond covenants require that the debt coverage ratio must be greater than 1.10. The debt coverage ratio for FY 2018 was 2.69%.

TABLE 5
Debt Coverage Ratio - Sanitation
(In thousands of dollars)

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Total Percent Change</u>
Sanitation:			
Total Operating Revenues	18,818	18,613	1.10%
Total Operating Expenses (less depreciation)	<u>11,421</u>	<u>10,614</u>	<u>7.60%</u>
Net Earnings	7,397	7,999	-7.53%
Maximum Annual Debt Service	2,752	2,756	-0.15%
Debt Coverage Ratio	<u>2.69</u>	<u>2.90</u>	<u>-7.39%</u>

The District has outstanding refunding revenue bonds issued in December 2009. The District's current average cost of capital were 3.66% and 3.93% at June 30, 2018 and 2017, respectively, as shown on Table 6.

TABLE 6
Cost of Capital
(In thousands of dollars)

	<u>Debt Balace</u>	<u>Average Coupon Rate</u>
Refunding Revenue Bonds at June 30 ,2018	14,670	3.66%
Refunding Revenue Bonds at June 30, 2017	16,795	3.93%

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our residents, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Las Virgenes Municipal Water District, Department of Finance and Administration, 4232 Las Virgenes Road, Calabasas, California, 91302; or visit our website at www.lvmwd.com.

BASIC FINANCIAL STATEMENTS

Las Virgenes Municipal Water District
Statement of Net Position
June 30, 2018

ASSETS	Primary Government	Discretely Presented Component Unit - JPA
Current assets:		
Cash and cash equivalents (Note 3)	\$ 27,811,040	\$ 4,282,084
Investments (Note 3)	47,206,546	972,870
Receivables:		
Sales and services, net of allowance for uncollectible (Note 4)	7,468,124	1,112,207
Due from Joint Powers Authority (Note 6)	2,830,105	-
Interest	332,150	19,350
Interest receivable - designated for capital projects	830	-
Taxes	212,654	-
Other	436,325	-
Inventories (Note 5)	7,036,431	171,555
Prepaid items	268,024	52,427
Total current assets	93,602,229	6,610,493
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	2,766,678	-
Investments in Joint Powers Authority (Note 6)	62,520,957	-
Capital assets (Note 7):		
Nondepreciable	8,204,902	19,322,622
Depreciable, net of accumulated depreciation	116,320,804	71,852,004
Capital assets, net	124,525,706	91,174,626
Total noncurrent assets	189,813,341	91,174,626
Total assets	283,415,570	97,785,119
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refunding	864,464	-
Pension related deferred outflows of resources (Note 10)	6,568,390	-
OPEB related deferred outflows of resources (Note 11)	1,632,555	-
Total deferred outflows of resources	9,065,409	-

Las Virgenes Municipal Water District
Statement of Net Position (Continued)
June 30, 2018

	Primary Government	Discretely Presented Component Unit - JPA
LIABILITIES		
Current liabilities:		
Accounts and contracts payable and accrued expenses	4,934,135	1,325,214
Interest payable	95,729	-
Unearned capacity and developer fees	9,124,718	-
Due to primary government (Note 6)	-	2,830,105
Due to other government	-	2,455,174
Deposits and other	284,764	-
Compensated absences - due within one year (Note 8)	938,425	-
Long-term debt - due within one year (Note 9)	2,233,076	-
Total current liabilities	17,610,847	6,610,493
Noncurrent liabilities:		
Compensated absences (Note 8)	1,213,575	-
Long-term debt - due in more than one year (Note 9)	13,363,149	-
Net pension liabilities (Note 10)	20,493,355	-
Net OPEB liabilities (Note 11)	19,183,096	-
Total noncurrent liabilities	54,253,175	-
Total liabilities	71,864,022	6,610,493
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows of resources (Note 10)	2,273,619	-
Total deferred inflows of resources	2,273,619	-
NET POSITION (Note 12)		
Primary government's net investment in capital assets	109,793,945	60,563,415
Other government's net investment in capital assets	-	30,611,211
Restricted for:		
Debt services	2,683,039	-
Unrestricted	105,866,354	-
Total net position	\$ 218,343,338	\$ 91,174,626

Las Virgenes Municipal Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Primary Government	Discretely Presented Component Unit - JPA
Operating Revenues:		
Water sales and service fees	\$ 45,256,520	\$ -
Sanitation service fees	18,818,242	-
Wholesale recycle water sales	-	2,281,256
Other income	2,642,349	64,477
Total operating revenues	66,717,111	2,345,733
Operating Expenses:		
Water expenses:		
Source of supply	25,574,893	-
Pumping	1,668,779	-
Transmission and distribution	2,834,052	-
Meter	734,851	-
Water conservation	265,324	-
Rental	7,303	-
General and administrative	6,208,338	-
Total water expenses	37,293,540	-
Sanitation expenses:		
Other sewage treatment	447,386	-
Lifting	197,785	-
General and administrative	1,230,521	-
Total sanitation expenses	1,875,692	-
JPA expenses:		
Operating expenses	-	8,282,475
General and administrative	-	7,396,735
Total JPA expenses	-	15,679,210
Depreciation	3,943,121	5,695,161
Total operating expenses	43,112,353	21,374,371
Billings to primary government	-	8,954,213
Billings to other government	-	4,309,990
Total JPA billings	-	13,264,203
Net Operating Income (Loss)	23,604,758	(5,764,435)

Las Virgenes Municipal Water District
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2018

	Primary Government	Discretely Presented Component Unit - JPA
Nonoperating Revenues (Expenses):		
Taxes and penalties	945,976	-
Interest income	451,792	69,274
Facilities charge	351,673	-
Interest expense and fiscal charges	(642,341)	-
Share of Joint Powers Authority (expense)	(13,718,223)	-
Gain (loss) on disposal of capital asset	(72,917)	(215)
Other revenues/(expenses)	408,364	(237,471)
Total nonoperating revenues (expenses)	(12,275,676)	(168,412)
Capital Contributions:		
Capital contributions from others	2,566,438	-
Capital contributions from primary government	-	4,305,114
Capital contributions from other government	-	1,792,782
Total capital contributions	2,566,438	6,097,896
Changes in Net Position	13,895,520	165,049
Net Position:		
Beginning of year, as restated (Note 12)	204,447,818	91,009,577
End of year	\$ 218,343,338	\$ 91,174,626

Las Virgenes Municipal Water District
Statement of Cash Flows
For the Year Ended June 30, 2018

	Primary Government
Cash Flows From Operating Activities:	
Cash received from customers	\$ 63,763,330
Cash payments to suppliers for operations	(30,326,726)
Cash received from Joint Powers Authority	1,267,600
Cash payments for general and administrative expenses	(7,842,722)
Cash received from others	2,394,182
Net cash provided by operating activities	29,255,664
Cash Flows From Noncapital Financing Activities:	
Receipt from facilities charges	351,673
Receipt from other revenues	408,364
Property taxes and fee collected	941,050
Net cash provided by noncapital financing activities	1,701,087
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(2,783,810)
Proceeds from sale of assets	51,629
Capital contribution	2,566,438
Repayment of bonds payable and capital leases	(2,146,467)
Interest payment	(659,751)
Capital facilities and developer fees received	2,766,299
Capital facilities and developer fees refunded and developer fees used	(1,725,927)
Net cash (used in) capital and related financing activities	(1,931,589)
Cash Flows From Investing Activities:	
Interest received	943,219
Contributions to Joint Power Authority	(13,683,030)
Investments matured	8,673,426
Purchase of investments	(20,112,490)
Net cash (used in) investing activities	(24,178,875)
Net Change in Cash and Cash Equivalents	4,846,287
Cash and Cash Equivalents:	
Beginning of year	25,731,431
End of year	\$ 30,577,718
Financial Statement Presentation:	
Cash and cash equivalents	\$ 27,811,040
Restricted cash and cash equivalents	2,766,678
Total cash and cash equivalents	\$ 30,577,718
Noncash investing activities:	
Change in fair value of investments	\$ (959,686)

Las Virgenes Municipal Water District
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

	Primary Government
Reconciliation of Net Operating Income to Net Cash	
Provided By Operating Activities:	
Net operating income	\$ 23,604,758
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	3,943,121
Changes in operating assets and liabilities	
(Increase) decrease in accounts and other receivables	(604,010)
(Increase) decrease in due from Joint Powers Authority	1,267,600
(Increase) decrease in inventories	1,565,619
(Increase) decrease in prepaid items	(24,920)
(Increase) decrease in deferred outflows or resources - pension	1,565,891
(Increase) decrease in deferred outflows or resources - OPEB	(1,632,555)
Increase (decrease) in accounts and contracts payable and accrued expenses	(118,389)
Increase (decrease) in compensated absences	28,649
Increase (decrease) in deposits and other	44,411
Increase (decrease) in net pension liability	930,320
Increase (decrease) in net OPEB liability	1,118,701
Increase (decrease) in deferred inflows or resources - pension	(2,433,532)
Net cash provided by Operating Activities	\$ 29,255,664

Disclosure of Noncash Transactions:

- 1 Projects funded by water and sewer capacity fees/connection fees and meter installation fees were completed during the fiscal year. As a result, capital contributions in the amount of \$1,477,147 from capacity fees and \$60,942 from meters installed were reclassified from deferred capacity and developer fees to contributed capital for the year ended June 30, 2018.



Las Virgenes Municipal Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 – Reporting Entity

Las Virgenes Municipal Water District (the “District”) is organized under the Municipal Water District Act of 1911 (California Water Code 71000). A five-member board of directors, who are elected by geographic divisions, provide governance. The District was formed to secure a high quality, reliable source of water for areas which include the cities of Agoura Hills, Calabasas, Hidden Hills and Westlake Village, plus surrounding unincorporated portions of western Los Angeles County.

Discretely Presented Component Unit

The *Las Virgenes-Triunfo Joint Powers Authority* (“JPA”) was created on October 12, 1964 between the District and Triunfo Sanitation District (“TSD”) for the purpose of constructing, operating, maintaining and providing for the replacement of a joint sewage system to serve the Malibu Canyon drainage area. The JPA consists of ten board members where five of them are the board members of the District and the other five are the board members of TSD. The JPA is fiscally dependent in that the JPA could not issue bonded debt without approval from the District. There is a financial benefit and burden relationship between the District and the JPA. The JPA issues a separate financial report that is available upon request from the District. The financial statements of the JPA are included as a discretely presented component of the District’s financial statements.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the District.

The financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net assets from operations as "operating income" in the statement of revenues, expenses, and changes in net assets. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, settlement receivable allowance, and other infrequently occurring transaction of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund ("LAIF"), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and assets-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares.

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

Restricted Cash and Investments

Cash and investments with fiscal agents are restricted due to limitations on their use by bond covenants or donor limitations. Fiscal agents acting on behalf of the District hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, and have been invested only as permitted by specific State statutes or applicable District ordinance, resolution or bond indenture.

Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 — Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 — Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 — Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Receivables and Unbilled Revenues

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts, if any. The District also accrues an estimated amount for services that have been provided, but not yet billed. Federal and State grants accrued as revenue when all eligibility requirements have been met. Amount earned but outstanding at year end are reported as due from other governments.

Inventories

Inventories consist of expendable materials, supplies, and water in storage and are stated at average cost.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their acquisition value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at \$5,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Primary Government

Water Plant	Source of supply (primarily water tanks)	10 - 100 Years
	Plant	10 - 75 Years
	Structures	25 - 35 Years
Sanitation Plant	Plant	10 - 100 Years
	Machinery and equipment	3 - 25 Years
General Utility Plant	Building and improvements	10 - 50 Years
	Machinery and equipment	3 - 25 Years

Discretely Presented Component Unit - JPA

Recycle Water Plants	Plant	10 - 100 Years
	Machinery and equipment	3 - 25 Years

Major outlays for capital assets are capitalized as projects, once constructed, and repairs and maintenance costs are expensed. Interest accrued during capital assets construction, if any, is capitalized as part of the asset cost, net of interest income on construction bond proceeds.

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Contributions

Prepayments of water and sewer capacity fees/connection fees assessed by the District are reported as unearned revenues until construction of the related projects has commenced and the District is reasonably certain they will be completed. Upon completion, the applicable amounts are recognized as capital contributions.

Compensated Absences

District's policy permits its employees to accumulate not more than 288 hours of their current annual vacation for the miscellaneous general and office units and not more than 311 hours for the supervisor, professional, confidential and management units. General Managers are compensated 5 days into accrued sick leave bank at onset of employment and 8 hours per month thereafter up to 96 hours per year with a maximum of 311 hours accrual. Non-Represented employees are compensated 8 hours per month. The annual accrual of sick leave has no maximum accrual. The combined unused vacation and sick pay will be paid to employee or his/her beneficiary upon leaving the District's employment. The amount due will be determined using salary/wage rate in effect at the time of separation and vesting period.

All vested vacation and compensatory leave time is recognized as an expense and as a liability at the time the benefit vests. The liability for compensated absences is included as part of compensated absences payable from unrestricted current assets.

Long-Term Debt

Debt premiums and discounts are amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable unamortized bond premium or discount. Debt issuance costs are expensed when incurred.

Arbitrage Rebate Requirement

The District is subject to the Internal Revenue Code ("IRC") Section 148(f), related to its tax exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. The District had no rebate liability for arbitrage as of June 30, 2018.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

For the Year Ended	June 30, 2018
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Pension (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Other Postemployment Benefits (“OPEB”)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan (“OPEB Plan”) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for pension reporting:

For the Year Ended	June 30, 2018
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Net Position

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets and related deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the 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 component of net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is March 1. The County of Los Angeles, California (“County”) bills and collects property taxes and remits them to the District according to a payment schedule established by the County.

The County is permitted by State law to levy on properties at 1% of full market value (at time of purchase) and can increase the property tax rate at no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978.

Property taxes are recognized in the fiscal year for which the taxes have been levied.

No allowance for doubtful accounts was considered necessary.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the District’s fiscal year ended June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement did not have a significant effect on the District’s fiscal year ending June 30, 2018.

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement did not have a significant effect on the District’s fiscal year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement did not have a significant effect on the District’s fiscal year ending June 30, 2018.

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments

At June 30, 2018, cash and investments are classified in the accompanying statements of net position as follow:

	Primary Government	Discretely Presented Component Unit - JPA	Total
Unrestricted Assets:			
Cash and cash equivalents	\$ 27,811,040	\$ 4,282,084	\$ 32,093,124
Investments	47,206,546	972,870	48,179,416
Restricted Assets:			
Cash and cash equivalents	2,766,678	-	2,766,678
Total cash and investments	<u>\$ 77,784,264</u>	<u>\$ 5,254,954</u>	<u>\$ 83,039,218</u>

At June 30, 2018, cash and investments consisted of the following:

	Primary Government	Discretely Presented Component Unit - JPA	Total
Deposits:			
Demand Deposits	\$ 9,679	\$ 692,269	\$ 701,948
Petty Cash	2,200	-	2,200
Total deposits	<u>11,879</u>	<u>692,269</u>	<u>704,148</u>
Investments:			
Municipal Bonds	9,722,457	-	9,722,457
U.S. Government Sponsored Agency Security	33,403,680	972,870	34,376,550
Certificate of Deposit	4,080,409	-	4,080,409
California Local Agency Investment Fund	27,799,161	3,589,815	31,388,976
Total investments	<u>75,005,707</u>	<u>4,562,685</u>	<u>79,568,392</u>
Investments with Fiscal Agents:			
California Local Agency Investment Fund	2,766,678	-	2,766,678
Total investments with fiscal agents	<u>2,766,678</u>	<u>-</u>	<u>2,766,678</u>
Total cash and investments	<u>\$ 77,784,264</u>	<u>\$ 5,254,954</u>	<u>\$ 83,039,218</u>

The statements of cash flows for the year ended June 30, 2018 have been prepared by considering the following deposits and investment instruments to be cash and cash equivalents:

	Primary Government	Discretely Presented Component Unit - JPA	Total
Demand Deposits	\$ 9,679	\$ 692,269	\$ 701,948
Petty Cash	2,200	-	2,200
California Local Agency Investment Fund	30,565,839	3,589,815	34,155,654
Total cash and cash and cash equivalents	<u>\$ 30,577,718</u>	<u>\$ 4,282,084</u>	<u>\$ 34,859,802</u>

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

Fair Value Measurement

At June 30, 2018, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2018:

	Significant Other Observable Input (Level 2)	Uncategorized	Total
Municipal Bonds	\$ 9,722,457	\$ -	\$ 9,722,457
Federal Agricultural Mortgage Corporation	969,390	-	969,390
Federal Farm Credit Bank	6,886,480	-	6,886,480
Federal Home Loan Bank	7,847,450	-	7,847,450
Federal Home Loan Mortgage Corporation	12,795,210	-	12,795,210
Federal Nation Mortgage Association	5,878,020	-	5,878,020
Certificate of Deposit	4,080,409	-	4,080,409
Local Agency Investment Fund	-	31,388,976	31,388,976
Investment with fiscal agents:			
Local Agency Investment Fund	-	2,766,678	2,766,678
Total investments	\$ 48,179,416	\$ 34,155,654	\$ 82,335,070

Demand Deposits

Demand deposits are held in pool by the District. The carrying amounts of cash deposits were \$701,948 at June 30, 2018. Bank balance at June 30, 2018 was \$932,664, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The fair value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

California Local Agency Investment Funds

The District is a voluntary participant in the California Local Agency Investment Fund (“LAIF”) that is regulated by California Government Code Section 18429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The District’s investments with LAIF include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- **Structured Notes** – debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- **Asset-Backed Securities** – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO’s) or credit card receivables.

JPA’s investment in LAIF was pooled with the District. As of June 30, 2018, the District had \$34,155,654 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities, respectively. The value of the investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are reported at net asset value.

Investments Authorized by the California Code and The District’s Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills, Bonds and Notes	5 years	None	None
United States Government Sponsored Agency Securities	5 years	None	None
Time Deposits	1 year	25%	None
Repurchase Agreements/Reverse Repurchase Agreement	30 days	25%/10%	None
California Local Agency Investment Fund (LAIF)	None	25%	\$65,000,000
Bonds Issue by Local Agencies or States	5 years	None	None
Certificates of Deposits	5 years	25%	\$250,000

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of risk.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	None	None	None
United States Government Sponsored Agency Securities	3 years	None	None
Time Deposits	360 days	None	None
Banker's Acceptances	360 days	None	None
Money Market Mutual Fund	None	None	None
Local Agency Fund	None	None	None
Commercial Paper	270 days	None	None
Investment Agreement	None	None	None
Other investments approved by bond insurer	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2018.

Investment Type	Remaining Maturity (in Years)					Fair Value Total
	Less Than 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	
Municipal Bonds	\$ 903,725	\$ 985,410	\$ 4,854,263	\$ 1,562,228	\$ 1,416,831	\$ 9,722,457
Federal Agricultural Mortgage Corporation	-	-	-	-	969,390	969,390
Federal Farm Credit Bank	1,985,140	1,976,330	-	-	2,925,010	6,886,480
Federal Home Loan Bank	1,992,430	-	977,960	1,941,740	2,935,320	7,847,450
Federal Home Loan Mortgage Corporation	-	1,969,650	1,963,310	3,894,830	4,967,420	12,795,210
Federal Nation Mortgage Association	-	3,931,850	1,946,170	-	-	5,878,020
Certificate of Deposit	488,870	971,389	717,654	709,635	1,192,861	4,080,409
Local Agency Investment Fund	31,388,976	-	-	-	-	31,388,976
Investment with fiscal agents:						
Local Agency Investment Fund	2,766,678	-	-	-	-	2,766,678
	<u>\$39,525,819</u>	<u>\$ 9,834,629</u>	<u>\$ 10,459,357</u>	<u>\$ 8,108,433</u>	<u>\$ 14,406,832</u>	<u>\$ 82,335,070</u>

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the District's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard and Poor's, and Moody's Investors Service. Presented in the following table are the Standard and Poor's credit ratings for the Districts investments as of June 30, 2018.

Investment	Total As of June 30, 2018	Minimum Legal Requirement	AAA	AA+/-	A+	Unrated
Municipal Bonds	9,722,457	AA-	\$ 1,969,820	\$ 7,207,991	\$ 544,646	\$ -
Federal Agricultural Mortgage Corporation	969,390	None	-	-	-	969,390
Federal Farm Credit Bank	6,886,480	None	-	4,915,140	-	1,971,340
Federal Home Loan Bank	7,847,450	None	-	3,934,270	-	3,913,180
Federal Home Loan Mortgage Corporation	12,795,210	None	-	6,891,130	-	5,904,080
Federal Nation Mortgage Association	5,878,020	None	987,730	1,954,740	-	2,935,550
Certificate of Deposit	4,080,409	None	-	-	-	4,080,409
Local Agency Investment Fund	31,388,976	None	-	-	-	31,388,976
Investment with fiscal agents:						
Local Agency Investment Fund	2,766,678	None	-	-	-	2,766,678
	<u>\$ 82,335,070</u>		<u>\$ 2,957,550</u>	<u>\$ 24,903,271</u>	<u>\$ 544,646</u>	<u>\$ 53,929,603</u>

Disclosures Relating to Concentration of Credit Risk

Investments in any one issuer that represents 5% or more of total District's investments (excluding cash with fiscal agents) are as follows:

Issuer	Investment Type	Reported Amount	Percentage of Investments
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	\$ 6,886,480	8.65%
Federal Home Loan Bank	United States Government Sponsored Agency Securities	7,847,450	9.86%
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	12,795,210	16.08%
Federal National Mortgage Association	United States Government Sponsored Agency Securities	5,878,020	7.39%

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Note 4 – Accounts Receivable

Accounts receivable primarily consist of sales and services fees as well as the District’s allocation of property taxes collected but not remitted by the Los Angeles County. As of June 30, 2018, sales and services receivable, net of allowance for uncollectible accounts, was in the amount of \$7,468,124 for the District and \$1,112,207 for the JPA, respectively.

Note 5 – Inventories

Inventories consisted of the following as of June 30, 2018:

<u>Primary Government</u>	
Material and supplies	\$ 875,683
Water in storage	<u>6,160,748</u>
Total	<u><u>\$ 7,036,431</u></u>
 <u>Discretely Presented Component Unit - JPA</u>	
Material and supplies	<u><u>\$ 171,555</u></u>

Water in storage was calculated by taking the volume of the reservoir and tanks times the average cost per acre foot.

Note 6 – Investment in Joint Powers Authority

The District was the designated administering agent for the Las Virgenes-Triunfo Joint Powers Authority (“JPA”). Costs and capital contributions are generally shared by the two districts in accordance with capacity rights reserved in each component of the joint system. Maintenance and operating costs are pro-rated to the districts in accordance with the average monthly flows contributed by each to the system. The allocation of construction costs related to projects in process is based upon engineering estimates of the capacity rights and is subject to increase or decrease when final costs are determined.

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Investment in Joint Powers Authority (Continued)

Summary of changes in investment in Joint Powers Authority is as follows:

Beginning of year	\$ 62,556,150
Contributions	13,683,030
Share in income (loss):	
Sanitation expenses	(9,545,571)
Depreciation expenses	(4,172,500)
Loss on disposal of capital assets	(152)
End of year	<u>\$ 62,520,957</u>

Investment in Joint Powers Authority includes capitalized interests for the debt issued for the JPA's facilities held under the District's name as follows:

Primary government's net investment in JPA's capital assets	\$ 60,563,415
Capitalized interest, net	<u>1,957,542</u>
Investment in JPA	<u>\$ 62,520,957</u>

Condensed financial statement of the JPA as of and for the year ended June 30, 2018 including the participants' approximate percentage shares as follows:

	Amount	Las Virgenes Municipal Water District	Triunfo Sanitation District
Total assets	\$ 97,785,119	66%	34%
Total liabilities	6,310,491	67%	33%
Total equity	91,174,625	66%	34%
Billings to participants	13,264,203	68%	32%
Depreciation	5,695,161	70%	30%
Construction cost	6,097,896	71%	29%

The amount due from the JPA at June 30, 2018 consisted of the following:

Beginning of year	\$ 4,097,705
Additions (Deletions)	<u>(1,267,600)</u>
End of year	<u>\$ 2,830,105</u>

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Capital Assets

Primary Government

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

	Balance July 1, 2017	Additions	Deletions	Reclassification	Balance June 30, 2018
Capital assets, not depreciated					
Land and land rights:					
Water plant	\$ 6,804,099	\$ 12	\$ -	\$ -	\$ 6,804,111
Sanitation plant	111,235	-	-	-	111,235
Construction in progress	6,108,328	1,733,846	(39,554)	(6,513,064)	1,289,556
Total capital assets, not depreciated	13,023,662	1,733,858	(39,554)	(6,513,064)	8,204,902
Capital assets, being depreciated					
Water plant:					
Source of supply	41,737,630	-	-	-	41,737,630
Plant	118,986,331	987,670	(127,117)	5,912,188	125,759,072
Structure	20,512,668	14,679	(1,868)	146,975	20,672,454
Sanitation plant:					
Plant	7,472,620	-	-	-	7,472,620
Machinery and equipment	17,318	-	-	-	17,318
General utility plant					
Building and improvements	22,023,030	-	(129,165)	200,478	22,094,343
Machinery and equipment	11,084,233	47,603	(58,211)	253,422	11,327,047
Total capital assets, being depreciated	221,833,830	1,049,952	(316,361)	6,513,063	229,080,484
Less accumulated depreciation					
Water plant:					
Source of supply	(10,442,596)	(906,051)	-	-	(11,348,647)
Plant	(54,918,909)	(1,824,542)	83,041	-	(56,660,410)
Structure	(17,586,292)	(192,560)	1,869	-	(17,776,983)
Sanitation plant:					
Plant	(3,766,851)	(147,851)	-	-	(3,914,702)
Machinery and equipment	(16,454)	(866)	-	-	(17,320)
General utility plant					
Building and improvements	(12,454,599)	(520,175)	88,252	-	(12,886,522)
Machinery and equipment	(9,862,231)	(351,076)	58,211	-	(10,155,096)
Total accumulated depreciation	(109,047,932)	(3,943,121)	231,373	-	(112,759,680)
Total capital assets, being depreciated, net	112,785,898	(2,893,169)	(84,988)	6,513,063	116,320,804
Total capital assets, net	\$ 125,809,560	\$ (1,159,311)	\$ (124,542)	\$ -	\$ 124,525,706

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Capital Assets (Continued)

Discretely Presented Component Unit – JPA

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

	Balance July 1, 2017	Additions	Deletions	Reclassification	Balance June 30, 2018
Capital assets, not depreciated					
Land and land rights	\$ 12,258,791	\$ -	\$ -	\$ 2,109,359	\$ 14,368,150
Construction in progress	3,039,783	5,860,424	-	(3,945,735)	4,954,472
Total capital assets, not depreciated	<u>15,298,574</u>	<u>5,860,424</u>	<u>-</u>	<u>(1,836,376)</u>	<u>19,322,622</u>
Capital assets, being depreciated					
Sewer and treatment plant	120,681,832	-	(6,215)	419,159	121,094,776
Compost plant and farm	71,196,292	-	(9,278)	595,872	71,782,886
Recycled water system	34,013,089	-	(15,030)	821,345	34,819,404
Total capital assets, being depreciated	<u>225,891,213</u>	<u>-</u>	<u>(30,523)</u>	<u>1,836,376</u>	<u>227,697,066</u>
Less accumulated depreciation					
Sewer and treatment plant	(81,808,847)	(2,821,922)	6,215	-	(84,624,554)
Compost plant and farm	(48,236,081)	(1,888,398)	9,278	-	(50,115,201)
Recycled water system	(20,135,282)	(984,841)	14,816	-	(21,105,307)
Total accumulated depreciation	<u>(150,180,210)</u>	<u>(5,695,161)</u>	<u>30,309</u>	<u>-</u>	<u>(155,845,062)</u>
Total capital assets, being depreciated, net	<u>75,711,003</u>	<u>(5,695,161)</u>	<u>(214)</u>	<u>1,836,376</u>	<u>71,852,004</u>
Total capital assets, net	<u>\$ 91,009,577</u>	<u>\$ 165,263</u>	<u>\$ (214)</u>	<u>\$ -</u>	<u>\$ 91,174,626</u>

Note 8 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2018 is as follows:

Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in More than One Year
\$ 2,123,351	\$ 895,961	\$ (867,312)	\$ 2,152,000	\$ 938,425	\$ 1,213,575

Note 9 – Long-Term Debt

Summary of changes in long-term debt for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in More Than One Year
2009 Sanitation Refunding Revenue Bonds	\$ 16,795,000	\$ -	\$ (2,125,000)	\$ 14,670,000	\$ 2,210,000	\$ 12,460,000
Add: Unamortized Premium	1,022,141	-	(159,295)	862,846	-	862,846
Capital Lease	84,846	-	(21,467)	63,379	23,076	40,303
Total long-term debt	<u>\$ 17,901,987</u>	<u>\$ -</u>	<u>\$ (2,305,762)</u>	<u>\$ 15,596,225</u>	<u>\$ 2,233,076</u>	<u>\$ 13,363,149</u>

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Long-Term Debt (Continued)

2009 Sanitation Refunding Revenue Bonds

The District issued sanitation refunding revenue bonds (“2009 bonds”) dated December 1, 2009, totaling \$29,415,000. The purpose of the 2009 bonds was to advance refund 1998 Installment Purchase Refunding Revenue Bonds.

The 2009 bonds mature through November 1, 2023, and bear interest at rates ranging from 1.00% to 5.00%. Interest is payable semiannually on May 1 and November 1, beginning May 1, 2010. The 2009 bonds are subject to optional early redemption provisions. The 2009 bonds fully mature on November 1, 2023.

The District completed the refunding to reduce its debt service over the next 14 years by approximately \$7,604,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$4,796,000.

Total balance outstanding as of June 30, 2018, net of unamortized premium was as follows:

Principal outstanding	\$ 14,670,000
Add unamortized premium	<u>862,846</u>
Net bonds outstanding	<u><u>\$ 15,532,846</u></u>

The annual debt service requirements at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 2,210,000	\$ 541,225	\$ 2,751,225
2020	2,305,000	450,450	2,755,450
2021	2,400,000	353,825	2,753,825
2022	2,480,000	272,975	2,752,975
2023	2,580,000	174,075	2,754,075
2024	<u>2,695,000</u>	<u>58,513</u>	<u>2,753,513</u>
Total	<u><u>\$ 14,670,000</u></u>	<u><u>\$ 1,851,063</u></u>	<u><u>\$ 16,521,063</u></u>

Capital Leases

The District entered into various leases agreement for the copiers at interest rates range from 2% to 6.72%. These leases are classified as capital leases and have been recorded at the present value of the future minimum lease payments at the inception date of the leases. The assets acquired through capital leases are included in the District’s capital assets in the amount of \$128,377, net of accumulated depreciation in the amount of \$58,817.

Year Ended June 30,	
2019	23,076
2020	24,815
2021	<u>15,488</u>
Subtotal	63,379
Less amount representing interest	<u>6,376</u>
Present value of future minimum lease payments	<u><u>\$ 69,755</u></u>

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plan – Defined Benefit Plan

The Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows:

Deferred outflows of resources:	
Pension contribution after measurement date	\$ 2,063,540
Projected earning on pension plan investments in excess of actual earnings on pension plan investments	919,804
Changes of assumption	3,585,046
Total deferred outflows of resources	\$ 6,568,390
Net pension liabilities:	
Net pension liabilities	\$ 20,493,355
Total net pension liabilities	\$ 20,493,355
Deferred inflows of resources:	
Difference between expected and actual experiences	\$ 2,098,046
Changes of assumption	175,573
Total deferred inflows of resources	\$ 2,273,619

General Information about the Pension Plan

Plan Description

The District contributes to the California Public Employees’ Retirement System (“CalPERS”), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2016 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay. Retirement benefits for classic miscellaneous employees are calculated as 2% of the average final 12 months compensation. Retirement benefits for PEPRAs miscellaneous employees are calculated as 2% of the average final 36 months compensation.

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plan – Defined Benefit Plan (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3 percent.

Employees Covered by Benefit Terms

At June 30, 2016 valuation date, the members covered by the benefit terms are as follow:

Active employees	111
Transferred and terminated employees	74
Retired employees and beneficiaries	141
	<u>326</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("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 CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017, the employees' contribution rate was 6.990% of annual pay, and the employer's contribution rate was 17.351% of employee annual payroll, respectively.

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plan – Defined Benefit Plan (Continued)

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement periods ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability, respectively. The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation was based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the June 30, 2017 total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund ("PERF"). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

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

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plan – Defined Benefit Plan (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects 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. The target allocation shown was adopted by the Board effective on July 1, 2016.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
	<u>100.00%</u>		

¹ An expected inflation of 2.5% used

² An expected inflation of 3.0% used

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plan – Defined Benefit Plan (Continued)

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period of July 1, 2016 to June 30, 2017.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2015 (Valuation Date)	\$ 88,299,511	\$ 68,736,476	\$ 19,563,035
Changes Recognized for the Measurement Period:			
Service cost	1,813,978	-	1,813,978
Interest on the total pension liability	6,456,858	-	6,456,858
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(2,211,229)	-	(2,211,229)
Changes of assumptions	5,214,612	-	5,214,612
Contributions from the employer	-	1,992,743	(1,992,743)
Contributions from employees	-	741,264	(741,264)
Net investment income, net of administrative expense	-	7,711,377	(7,711,377)
Benefit payments, including refunds of employee contributions	(3,808,359)	(3,808,359)	-
Administrative expense	-	(101,485)	101,485
Net Changes during July 1, 2015 to June 30, 2016	<u>7,465,860</u>	<u>6,535,540</u>	<u>930,320</u>
Balance at June 30, 2016 (Measurement Date)	<u>\$ 95,765,371</u>	<u>\$ 75,272,016</u>	<u>\$ 20,493,355</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
June 30, 2017 Measurement Date	<u>\$ 33,105,020</u>	<u>\$ 20,493,355</u>	<u>\$ 9,989,785</u>

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plan – Defined Benefit Plan (Continued)

Changes in the Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report.

For the measurement periods ended June 30, 2017, the District incurred a pension expense of \$2,126,219.

As of measurement date of June 30, 2017, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution made after the measurement period	\$ 2,063,540	\$ -
Difference between expected and actual experience	-	(2,098,046)
Changes of assumptions	3,585,046	(175,573)
Net difference between projected and actual earning on pension plan investments	919,804	-
Total	\$ 6,568,390	\$ (2,273,619)

The amounts above are net of outflows and inflows recognized in the 2016-17 measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the Plan for the 2016-17 measurement periods is 3.2 years, which was obtained by dividing the total service years of 1,042 (the sum of remaining service lifetimes of the active employees) by 324 (the total number of participants: active, inactive, and retired).

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

\$2,063,540 reported as deferred outflows of resources related to pension resulting from the District’s contributions subsequent to the measurement date during the year ended June 30, 2017 is recognized as a reduction of the net pension liability in the years ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 148,069
2020	2,049,262
2021	604,017
2022	(570,117)
	\$ 2,231,231

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Post-Employment Benefits

Aggregate net OPEB liability and deferred outflows of resources are reported in the accompanying Statement of Net Position as follows:

Deferred outflows of resources:	
OPEB contribution after measurement date	\$ 1,632,555
Total deferred outflows of resources	\$ 1,632,555
Net OPEB liabilities:	
Net OPEB liabilities	\$ 19,183,096
Total net OPEB liabilities	\$ 19,183,096

General Information about the OPEB Plan

Plan Description

The District contributes to a multi-employer defined benefit plan to provide post-employment medical benefits. Specifically, the District provides postretirement medical benefits to all employees who retire from the District. The level of benefit and vesting time varies based on the entry date and employee bargaining unit. Benefits range from 100% coverage for employee plus one dependent after 5 years of service to 75% of lowest cost plan for employee only after 10 years of service. The plan does not provide a publicly available financial report.

The District has elected to join the *California Employers' Retiree Benefit Trust* (the "Trust") in accordance with GASB Statement No. 75, which provides a means to fund the annual OPEB costs, referred to as the *Actuarially Determined Contribution* (ADC). The ADC includes the normal cost (current accrual for benefits being earned) plus an amortization of the unfunded accrued liability or net OPEB liability over 15 years on level-percentage of pay basis. The ADC for fiscal year ended 2018 was \$1,553,193.

Eligibility

Employees of the District are eligible for retiree health benefits if they retire from the District and commence pension benefits under PERS (typically on or after age 50 with at least five years of PERS eligible service). Membership in the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation

Active employees	109
Retired employees and beneficiaries	85
	194

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Post-Employment Benefits (Continued)

Net OPEB Liability

Actuarial Assumptions

The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.00%
Mortality Rate Table	2014 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rates	Hired before 2013: 2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees. Hired after 2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2%@60 adjusted to minimum retirement age of 52

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2017

Discount Rate

The discount rate used to measure the net OPEB liability was 7.0%. This discount rate assumes the District continues to fully fund for its retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) under its investment allocation strategy 1. The rate reflects the CERBT published median interest rate for strategy 1 of 7.28% with an additional margin for adverse deviation.

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

Asset Class	Percentage of Portfolio	Real Return ¹
US Large Cap	24.00%	7.795%
Long-Term Corporate Bonds	34.00%	5.295%
Long-Term Government Bonds	8.00%	4.500%
US Small Cap	8.00%	7.795%
Treasury Inflation Protected Securities (TIPS)	15.00%	7.795%
US Real Estate	8.00%	7.795%
All Commodities	3.00%	7.795%
	100.00%	

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Post-Employment Benefits (Continued)

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$ 23,976,480	\$ 4,254,341	\$ 19,722,139
Changes Recognized for the Measurement Period:			
Service cost	174,032	-	174,032
Interest on the total OPEB liability	1,412,981	-	1,412,981
Contributions from the employer	-	1,657,742	(1,657,742)
Net investment income, net of administrative expense	-	472,252	(472,252)
Benefit payments, including refunds of employee contributions	(1,022,844)	(1,022,844)	-
Administrative expense	-	(3,938)	3,938
Net Changes during July 1, 2016 to June 30, 2017	564,169	1,103,212	(539,043)
Balance at June 30, 2017 (Measurement Date)	\$ 24,540,649	\$ 5,357,553	\$ 19,183,096

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (5.00%) or 1-percentage point higher (7.00%) than the current discount rate:

	Plan's OPEB Liability/(Asset)		
	Discount Rate - 1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate + 1% (7.00%)
June 30, 2017 Measurement Date	\$ 22,667,120	\$ 19,183,096	\$ 16,364,870

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in Total OPEB Liability (“TOL”) due to plan changes; all adjusted for deferred inflows and outflows. The District determined that it was not reasonable to rerun prior valuations under GASB 75. Therefore, we used the transition approach provided in GASB 75, Paragraph 244 where in circumstances in which OPEB is provided through OPEB plans that are not administered through trusts, no other beginning balances for deferred outflows of resources and deferred inflows of resources related to OPEB should be reported. If restatement of all prior periods presented is not practical, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. That means that there are no deferred inflows/outflows in the first year (with the possible exception of contributions after the measurement date). The OPEB expense shown below is considered to be preliminary because there can be employer specific deferred items (e.g., contributions made after the measurement date, and active employee contributions toward the OPEB plan).

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Post-Employment Benefits (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB (Continued)

Certain types of TOL changes are subject to deferral, as are investment gains/losses. To qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. Since the District’s prior valuation was performed in accordance with GASB 43/45, it is not practical to calculate compliant deferred outflows and inflows as stated in GASB 75 Appendix E, Paragraph 244. Therefore, valuation-based deferred items will not begin until the next valuation. However, there could be employer-specific deferred items that need to be reflected, as mentioned earlier.

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,118,700 for the District Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
OPEB contribution made after the measurement period	\$ 1,632,555	\$ -
Total	\$ 1,632,555	\$ -

Note 12 – Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Designations of unrestricted net position represent the District management’s intentions for the use of resources. The net position amounts were as follows:

	Debt Service
Restricted Assets:	
Restricted cash and investments	\$ 2,766,678
Restricted receivables	
Interest	12,090
Total restricted assets	2,778,768
Current Liabilities Payable from Restricted Assets:	
Interest payable	(95,729)
Total current liabilities payable from restricted assets	(95,729)
Total restricted net position	2,683,039
Total net position (deficit)	\$ 2,683,039

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Net Position (Continued)

As of June 30, 2018, the restricted net position for the District consisted of the following:

	Primary Government	Discretely Presented Component Unit - JPA
Net investments in capital assets:		
Capital assets, net of accumulated depreciation	\$ 124,525,706	\$ 91,174,626
Less:		
Capital lease obligations	(63,379)	-
2009 Sanitation refunding revenue bond, net	(14,668,382)	-
Total investment in capital assets, net of related debt	109,793,945	91,174,626
Restricted for:		
Debt Service	2,683,039	-
Total restricted	2,683,039	-
Unrestricted:		
Designated for:		
Investment in JPA	62,520,957	-
Rate stabilization	7,750,000	-
Insurance	7,554,513	-
Operating emergencies	13,466,301	-
Pure water	15,000,000	-
Undesignated	(425,417)	-
Total unrestricted	105,866,354	-
Total net position	\$ 218,343,338	\$ 91,174,626

Prior Period Adjustment

The District recorded the following prior period adjustments to the beginning net position in order to record beginning balances of OPEB-related items as part of GASB Statement 75 implementation.

Net position at July 1, 2017, as previously reported	\$ 222,512,214
To implement GASB 75 for the net OPEB liability	(18,064,396)
Net position at July 1, 2017, as restated	\$ 204,447,818

Las Virgenes Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Risk Management

The District retained Tolman & Wiker Insurance Services, LLC, for general liability, property, inverse condemnation, auto and physical damage. In addition, reinsurance support for the program is provided by Swiss Reinsurance of America and Travelers Reinsurance. The coverage for the general liability provides \$11 million per occurrence and \$61 million in the aggregate with a \$50,000 self insured retention limit per occurrence. The coverage for the property provides \$61 million of coverage with a deductible of \$50,000 per occurrence. The District paid premiums of \$835,844 for the year ended June 30, 2018.

Effective August 1, 2012, the District retained the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/APIA) for its workers' compensation insurance coverage. The District paid premiums of \$284,687 the year ended June 30, 2018.

Note 14 – Construction and Other Significant Commitments

Lawsuits

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the option of the District's legal counsel and the District's management that resolution of these matters will not have a material adverse effect on the financial condition of the District.

Contract Commitments

As of June 30, 2018, the District had no material construction commitments evidenced by contractual commitments with contractors.

As of June 30, 2018, the JPA had five material construction commitments evidenced by contractual commitments with contractors in the amount of \$171,713.

Project Name	Contractual Commitment
Pure Water Project Demonstration	\$ 171,713
	<u>171,713</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)



Las Virgenes Municipal Water District
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS")

Measurement period	2016-17 ¹	2015-16	2014-15	2013-14
Total pension liability				
Service cost	\$1,813,978	\$ 1,511,819	\$ 1,593,701	\$ 1,694,463
Interest	6,456,858	6,362,749	6,129,355	6,040,285
Differences between expected and actual experience	(2,211,229)	(600,876)	(2,996,239)	-
Changes of assumptions	5,214,612	-	(1,492,369)	-
Benefit payments, including refunds of employee contributions	(3,808,359)	(3,984,639)	(4,076,072)	(3,145,116)
Net change in total pension liability	7,465,860	3,289,053	(841,624)	4,589,632
Total pension liability - beginning	88,299,511	85,010,458	85,852,082	81,262,450
Total pension liability - ending (a)	<u>\$ 95,765,371</u>	<u>\$ 88,299,511</u>	<u>\$ 85,010,458</u>	<u>\$ 85,852,082</u>
Pension fiduciary net position				
Contributions - employer	\$ 1,992,743	\$ 1,888,232	\$ 1,701,878	\$ 1,780,006
Contributions - employee	741,264	694,766	700,118	919,090
Net investment income ²	7,711,377	341,006	1,610,606	10,570,584
Benefit payments, including refunds of employee contributions	(3,808,359)	(3,984,639)	(4,076,072)	(3,145,116)
Other	(101,485)	(42,564)	(78,615)	-
Net change in plan fiduciary net position	6,535,540	(1,103,199)	(142,085)	10,124,564
Plan fiduciary net position - beginning	68,736,476	69,839,675	69,981,760	59,857,196
Plan fiduciary net position - ending (b)	<u>\$ 75,272,016</u>	<u>\$ 68,736,476</u>	<u>\$ 69,839,675</u>	<u>\$ 69,981,760</u>
District's net pension liability - ending (a) - (b)	<u>\$ 20,493,355</u>	<u>\$ 19,563,035</u>	<u>\$ 15,170,783</u>	<u>\$ 15,870,322</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.60%</u>	<u>77.84%</u>	<u>82.15%</u>	<u>81.51%</u>
Covered payroll	<u>\$ 10,538,421</u>	<u>\$ 9,882,462</u>	<u>\$ 10,333,277</u>	<u>\$ 10,635,596</u>
District's net pension liability as a percentage of covered payroll	<u>194.46%</u>	<u>197.96%</u>	<u>146.81%</u>	<u>149.22%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

² Net of administrative expenses in 2013-14.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2017, amounts reported reflect an adjustment of the discount rate from 7.65 percent (net of administrative expense) to 7.15 percent (without a reduction for pension plan administrative expense). In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

Las Virgenes Municipal Water District
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS")

	2017-18 ¹	2016-17 ¹	2015-16	2014-15	2013-14
Actuarially determined contribution	\$ 2,063,540	\$ 1,992,743	\$ 1,888,232	\$ 1,701,878	\$ 1,780,006
Contributions in relation to the actuarially determined contribution	(2,063,540)	(1,992,743)	(1,888,232)	(1,701,878)	(1,780,006)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll ²	\$ 10,854,574	\$ 10,538,421	\$ 9,882,462	\$ 10,333,277	\$ 10,635,596
Contributions as a percentage of covered-employee payroll ²	19.01%	18.91%	19.11%	16.47%	16.74%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

² Payroll from 2015-16 in the amount of \$9,882,462 was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Remaining amortization period	20 years
Asset valuation method	Market Value of Assets
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Las Virgenes Municipal Water District
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Years Ended June 30, 2018

	2016-17 ¹
Measurement period	
Total OPEB liability	
Service cost	\$ 174,032
Interest	1,412,981
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(1,022,844)
Net change in total OPEB liability	564,169
Total OPEB liability - beginning	23,976,480
Total OPEB liability - ending (a)	\$ 24,540,649
OPEB fiduciary net position	
Contributions - employer	\$ 1,657,742
Contributions - employee	-
Net investment income ²	472,252
Benefit payments, including refunds of employee contributions	(1,022,844)
Other	(3,938)
Net change in plan fiduciary net position	1,103,212
Plan fiduciary net position - beginning	4,254,341
Plan fiduciary net position - ending (b)	\$ 5,357,553
District's net OPEB liability - ending (a) - (b)	\$ 19,183,096
Plan fiduciary net position as a percentage of the total OPEB liability	21.83%
Covered payroll	\$ 10,031,195
District's net OPEB liability as a percentage of covered payroll	191.23%

¹ Ten year historical information is not available.



Las Virgenes Municipal Water District
Index to Statistical Section
June 30, 2018

This part of the Las Virgenes Municipal Water District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial states, note disclosures, and required supplementary information say about the District's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
1. Net Position	56
2. Changes in Net Position	58
<u>Revenue Capacity</u> - These schedule contain information to help the reader assess the District's most significant revenue source.	
3. Revenue Base	60
4. Revenue Rates	61
5. Principal Revenue Payers	62
6. Property Tax Levies, Special Assessment and Collections	63
<u>Debt Capacity</u> - These schedule present information to help the reader assess the affordability of the district's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
7. Ratios of Outstanding Debt by Type	64
8. Ratios of General Bonded Debt Outstanding	65
9. Direct and Overlapping District Debt	66
10. Pledged-Revenue Coverage	68
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
11. Demographic and Economic Statistics	69
12. Principal Employers	70
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	
13. Full-Time Equivalent District Employees by Function	71
14. Operating Indicators by Function	72
15. Capital Assets Statistics by Function	73
16. Annual Water and Sewer Capacity Fee Deposits Reports	74

Note: The District has no governmental funds; therefore, does not present information about changes in fund balances. Also, the District has no legal debt limitations.

Schedule 1
Las Virgenes Municipal Water District
Net Position
Last Ten Fiscal Years (accrual basis of accounting)
(in thousands of dollars)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Business-type Activities					
Net investment in capital assets	\$ 68,886	\$ 77,351	\$ 79,319	\$ 83,425	\$ 82,870
Restricted:					
Debt service	3,529	2,602	2,581	2,588	2,595
Capital projects	10,752	9,766	7,645	5,935	4,614
Total restricted	<u>14,281</u>	<u>12,368</u>	<u>10,226</u>	<u>8,523</u>	<u>7,208</u>
Unrestricted	<u>149,444</u>	<u>140,981</u>	<u>140,373</u>	<u>137,785</u>	<u>140,793</u>
Total Net Position	<u>\$ 232,611</u>	<u>\$ 230,700</u>	<u>\$ 229,918</u>	<u>\$ 229,733</u>	<u>\$ 230,871</u>

Schedule 1
Las Virgenes Municipal Water District
Net Position (Continued)
Last Ten Fiscal Years (accrual basis of accounting)
(in thousands of dollars)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Business-type Activities					
Net investment in capital assets	\$ 90,476	\$ 100,170	\$ 101,272	\$ 108,930	\$ 109,794
Restricted:					
Debt service	2,608	2,617	2,634	2,654	2,683
Capital projects	1,498	1,264	-	-	
Total restricted	<u>4,106</u>	<u>3,881</u>	<u>2,634</u>	<u>2,654</u>	<u>2,683</u>
Unrestricted	<u>139,671</u>	<u>110,269</u>	<u>111,195</u>	<u>110,928</u>	<u>105,866</u>
Total Net Position	<u>\$ 234,253</u>	<u>\$ 214,320</u>	<u>\$ 215,101</u>	<u>\$ 222,512</u>	<u>\$ 218,343</u>

Schedule 2
Las Virgenes Municipal Water District
Changes in Net Position
Last Ten Fiscal Years (accrual basis of accounting)
(in thousands of dollars)

	Fiscal Year				
	2009	2010	2011	2,012	2013
Expenses					
Water	\$ 30,912	\$ 30,845	\$ 31,556	\$ 35,972	\$ 38,468
Sanitation(includes JPA)	16,134	15,628	15,727	14,894	15,022
Total Operating Expenses	47,046	46,473	47,283	50,866	53,490
Program Revenues					
Water	29,708	26,160	26,974	31,205	35,637
Sanitation	15,847	15,473	16,402	16,394	16,588
Capital contributions	1,203	1,632	859	1,569	2,168
Other	419	414	278	749	842
Total Program Revenues	47,177	43,679	44,513	49,917	55,235
Net (Expense)/Revenue	131	(2,794)	(2,770)	(950)	1,745
General Revenues and Other Changes in Net Assets					
Taxes and penalties	917	898	879	884	888
Investment earnings	2,596	1,297	890	747	610
Miscellaneous(includes JPA)	(3,357)	(1,312)	219	(828)	(1,655)
Total General Revenues	156	883	1,988	804	(157)
Changes in Net Assets (Business-type activities)	\$ 287	\$ (1,911)	\$ (782)	\$ (146)	\$ 1,587

Schedule 2
Las Virgenes Municipal Water District
Changes in Net Position (Continued)
Last Ten Fiscal Years (accrual basis of accounting)
(in thousands of dollars)

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses					
Water	\$ 42,270	\$ 42,497	\$ 38,940	\$ 38,857	\$ 37,294
Sanitation(includes JPA)	15,421	15,412	15,115	14,859	15,594
Total Operating Expenses	57,691	57,909	54,055	53,716	52,888
Program Revenues					
Water	41,177	37,547	34,019	39,962	45,257
Sanitation	16,552	16,726	17,050	18,614	18,818
Capital contributions	1,540	990	377	620	2,566
Other	951	1,911	1,960	1,219	2,642
Total Program Revenues	60,220	57,174	53,406	60,415	69,283
Net (Expense)/Revenue	2,529	(735)	(649)	6,699	16,395
General Revenues and Other Changes in Net Assets					
Taxes and penalties	892	904	926	953	946
Investment earnings	496	477	574	254	452
Miscellaneous(includes JPA)	(536)	(953)	(70)	(495)	(3,898)
Total General Revenues	852	428	1,430	712	(2,500)
Changes in Net Assets (Business-type activities)	\$ 3,381	\$ (307)	\$ 781	\$ 7,411	\$ 13,895

Schedule 3
Las Virgenes Municipal Water District
Revenue Base
Last Ten Fiscal Years

Potable Water					
Fiscal Year	Operating Revenue in thousand \$	Number of Customers			Total
		Residential	Commercial	Irrigation	
2009	25,308	19,308	725	275	20,308
2010	22,050	19,320	776	237	20,333
2011	23,220	19,184	802	254	20,240
2012	26,754	18,799	814	241	19,854
2013	30,472	18,806	818	255	19,879
2014	35,402	18,820	820	253	19,893
2015	34,306	18,853	825	257	19,935
2016	29,417	18,873	825	255	19,953
2017	35,146	18,881	832	257	19,970
2018	40,502	19,053	874	287	20,214

Sanitation				
Fiscal Year	Operating Revenue in thousand \$	Number of Customers		Total
		Residential	Commercial	
2009	15,847	16,142	650	16,792
2010	15,473	16,087	639	16,726
2011	16,402	16,050	690	16,740
2012	16,394	16,093	699	16,792
2013	16,588	16,100	702	16,802
2014	16,552	16,113	704	16,817
2015	16,726	16,133	712	16,845
2016	17,050	16,157	711	16,868
2017	18,614	16,202	715	16,917
2018	18,818	16,328	749	17,077

Source: LVMWD Accounting

Schedule 4
Las Virgenes Municipal Water District
Revenue Rates (Continued)
Last Ten Fiscal Years

Bi-Monthly Sewer Service Charges:

	2007	11/1/2007	7/1/2008	07/01/2009	2010-2012	7/1/2013	7/1/2014
Residential							
Single-family	\$57.19-60.26	\$84.00	\$102.00	\$102.00	\$108.00	\$74.31-\$108.00	\$75.80-\$110.74
Multi-family	\$57.19	\$53.00	\$64.25	\$64.25	\$68.03	\$68.59	\$69.97
Commercial							
ERU-based Charge	\$57.19	\$84.00	\$84.00	\$90.79	\$90.79	\$91.35	\$91.35
Account Service	\$0.00	\$13.50	\$16.25	\$16.25	\$17.21	\$17.21	\$17.21
Base Water Use:							
Class 1 (Hcf)	24.10	29.50	29.50	29.50	29.50	29.50	29.50
Per hcf of water	\$2.37-\$2.58	\$2.85	\$2.91	\$2.91	\$3.08	\$3.10	\$3.10
Class 2 (Hcf)	24.10	17.30	17.30	17.30	17.30	17.30	17.30
Per hcf of water	\$4.18-\$4.53	\$4.87	\$4.96	\$4.96	\$5.25	\$5.29	\$5.29
Class 3 (Hcf)	24.10	11.40	11.40	11.40	11.40	11.40	11.40
Per hcf of water	\$6.31-\$6.85	\$6.19	\$7.53	\$7.53	\$7.96	\$8.02	\$8.02

Monthly Sewer Charge

	1/1/2016	1/1/2017	1/1/2018
Residential			
Household Size:			
1	\$21.37	\$21.37	\$21.82
2	35.75	35.75	36.51
3	50.13	50.13	51.20
4	64.51	64.51	65.89
5	78.90	78.90	80.58
6 or more	93.28	93.28	95.27
Commercial			
Account Charge	\$6.98	\$6.98	\$7.12
Base Charge, inclusive of 6.6 hcf/ERU			
Class 1	\$41.94	\$41.94	\$42.78
Class 2	57.82	57.82	58.98
Class 3	76.56	76.56	78.10
Class 4	96.36	96.36	98.29
Per Excess ERU			
Class 1	\$6.35	\$6.35	\$6.48
Class 2	8.75	8.75	8.93
Class 3	11.58	11.58	11.82
Class 4	14.58	14.58	14.88

Schedule 5
Las Virgenes Municipal Water District
Principal Revenue Payers
Current Fiscal Year and Nine Years Ago

Potable Water Customer Name	2018			2009		
	Potable Water Revenue	Rank	Percentage of Total Operating Revenue	Potable Water Revenue	Rank	Percentage of Total Operating Revenue
Westlake Wellbeing Properties LLC	\$ 234,160	1	0.41%	\$ 156,289	1	0.34%
ERP-Operating Ltd Partnership	171,369	2	0.30%	113,641	2	0.25%
Malibu Canyon Apartments	142,233	3	0.25%	69,820	9	0.15%
LVUSD	132,551	4	0.23%	68,367	10	0.15%
Calabasas Crest LTD	115,320	5	0.20%	91,013	6	0.20%
Malibu Conference Center	108,522	6	0.19%	102,758	5	0.22%
LACO Internal Service Dept.	103,545	7	-	105,618	4	0.23%
Archstone Communities Calabasas	103,096	8	0.18%	-	-	-
California West HOA	102,879	9	0.18%	-	-	-
Seminole Springs Mobile Home	88,906	10	0.16%	-	-	-
The Cheesecake Factory	-	-	-	110,558	3	0.24%
Oakview Garen Homes	-	-	-	75,512	7	0.16%
Mountain View Mobile Estate	-	-	-	73,372	8	0.16%
Total	\$ 1,302,581		2.10%	\$ 966,948		2.10%

Sanitation Customer Name	2018			2009		
	Sanitation Revenue	Rank	Percentage of Total Operating Revenue	Sanitation Revenue	Rank	Percentage of Total Operating Revenue
Westlake Wellbeing Properties LLC	\$ 517,571	1	0.91%	\$ 301,067	1	0.65%
Archstone Communities Calabasas	368,553	2	0.65%	211,331	3	0.46%
Malibu Canyon Apts	287,268	3	0.50%	244,304	2	0.53%
Archstone Oak Creek I LLC	207,043	4	0.36%	-	-	-
LVUSD	179,768	5	0.31%	188,858	4	0.41%
Annandale II HOA	178,750	6	0.31%	107,516	7	0.23%
The Cheesecake Factory	143,523	7	0.25%	168,939	5	0.37%
Westpark Condominiums	142,021	8	-	-	-	-
Seminole Springs Mobile Home	132,543	9	0.23%	-	-	-
Pepperdine University	130,235	10	0.23%	93,737	10	0.20%
Archstone-Smith	-	-	-	118,056	6	0.26%
ERP-Operating Ltd Partnership	-	-	-	105,274	8	0.23%
Oak Park Calabasas HOA	-	-	-	100,191	9	0.22%
Total	\$ 2,287,275		3.76%	\$ 1,639,273		3.56%

Source: LVMWD Accounting

Schedule 6
Las Virgenes Municipal Water District
Property Tax Levies, Special Assessment and Collections
Last Ten Fiscal Years
(in thousands of dollars)

Property Tax Levies and Collections:

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	351	322	91.74%	29	351	100.00%
2010	361	333	92.24%	28	361	100.00%
2011	352	328	93.18%	24	352	100.00%
2012	354	324	91.53%	30	354	100.00%
2013	358	345	96.37%	13	358	100.00%
2014	369	360	97.56%	9	369	100.00%
2015	379	377	99.47%	2	379	100.00%
2016	405	396	97.78%	9	405	100.00%
2017	427	409	95.78%	11	420	98.36%
2018	451	429	95.12%	-	429	95.12%

Note:

1. Total tax collection does not include standby charge direct assessments.
2. 2006 total tax levy and collected amounts are before ERAF adjustments (\$159,000).

Special Assessment and Collections:

Fiscal Year	Standby Charge (Direct Assessment)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	522	446	85.44%	76	522	100.00%
2010	520	439	84.42%	81	520	100.00%
2011	519	441	84.97%	78	519	100.00%
2012	514	443	86.19%	71	514	100.00%
2013	510	467	91.57%	43	510	100.00%
2014	509	463	90.96%	46	509	100.00%
2015	495	455	91.92%	40	495	100.00%
2016	497	457	91.95%	24	481	96.78%
2017	496	457	92.14%	-	457	92.14%
2018	488	438	89.75%	-	438	89.75%

Note: Standby charge is imposed at \$10 per acre or parcel.

Source: County of Los Angeles Auditor-Controller's Office.

Schedule 7
Las Virgenes Municipal Water District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (dollars in thousands, except per capita)

Fiscal Year	Business-Type Activities		Total	Percentage of Personal Income	Per Capita
	Refunding Revenue Bonds	Capital Lease Payable			
2009	38,231	101	38,332	1.62%	1,016
2010	29,261	68	29,329	0.84%	1,753
2011	27,622	76	27,698	0.79%	1,655
2012	25,944	94	26,038	0.75%	1,551
2013	24,230	71	24,301	0.70%	1,446
2014	22,585	61	22,646	0.65%	1,347
2015	20,745	36	20,781	0.60%	1,234
2016	18,820	105	18,925	0.54%	1,122
2017	16,795	84	16,879	0.48%	998
2018	14,670	63	14,733	0.42%	863

Note:

1. Per Capita is based on number of customers for the District.
2. Years 2007-2009: Personal Income is based on 2000 census information with population of 50,813.
Years 2010-2018: Personal Income is based on 2010 census information with population of 53,514.
3. On December 1, 2009, the District issued 2009 Sanitation Refunding Revenue Bonds to advance refund 1998 Bonds.

Schedule 8
Las Virgenes Municipal Water District
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years (dollars in thousands, except per capita)

Fiscal Year	Business-Type Activities Refunding Revenue Bonds	Total	Percentage of Gross Revenue for Bond Coverage	Per Capita
2008	39,697	39,697	74.83%	1,056
2009	38,231	38,231	77.66%	1,014
2010	29,261	29,261	176.47%	1,749
2011	27,622	27,622	159.03%	1,650
2012	25,944	25,944	145.39%	1,545
2013	24,230	24,230	132.82%	1,442
2014	22,585	22,585	124.44%	1,343
2015	20,745	20,745	119.95%	1,232
2016	18,820	18,820	108.17%	1,116
2017	16,795	16,795	90.23%	993
2018	14,670	14,670	77.96%	859

Note:

1. Gross revenue includes operating, non-operating and capacity fee revenues
2. Per Capita is based on number of customers for the District.
3. On December 1, 2009, the District issued 2009 Sanitation Refunding Revenue Bonds to advance refund 1998 Bonds.
For fiscal years 2010, and all subsequent years, numbers shown above are for sanitation operations only.

Schedule 9
Las Virgenes Municipal Water District
Direct and Overlapping District Debt
June 30, 2018

2017-18 Assessed Valuation: \$ 23,305,881,976

	Total Debt June 30, 2018	Percent Applicable (1)	District's Share of Debt June 30, 2018
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	\$ 60,600,000	0.851%	\$ 515,706
Los Angeles Community College District	4,165,830,000	2.799%	116,601,582
Santa Monica Community College District	639,140,630	2.070%	13,230,211
Las Virgenes Joint Unified School District	125,636,474	95.169%	119,566,976
Los Angeles Unified School District	10,604,150,000	0.133%	14,103,520
Santa Monica-Malibu Unified School District	362,490,614	2.066%	7,489,056
City of Los Angeles	700,210,000	0.028%	196,059
Las Virgenes Municipal Water District	\$.	100.000%	- (2)
City of Calabasas Community Facilities District No. 1998-1	\$ 3,476,055	100.000%	3,476,055
City of Calabasas Community Facilities District No. 2001-1	18,062,930	100.000%	18,062,930
Los Angeles County Regional Park and Open Space Assessment District	26,575,000	1.636%	434,767
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 293,676,862

- (1) The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping District's assessed value that is within the boundaries of the District divided by the overlapping District's total taxable assessed value.
- (2) Excludes revenue issues.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Schedule 9
Las Virgenes Municipal Water District
Direct and Overlapping District Debt (Continued)
June 30, 2018

	Total Debt June 30, 2018	Percent Applicable (1)	District's Share of Debt June 30, 2018
OVERLAPPING GENERAL FUND DEBT:			
Los Angeles County General Fund Obligations	\$ 1,921,992,404	1.636%	\$ 31,443,796
Los Angeles County Superintendent of Schools Certificates of Participation	6,500,306	1.636%	\$106,345
Santa Monica Community College District Certificates of Participation	16,418,064	2.070%	\$339,854
Las Virgenes Joint Unified School District Certificates of Participation	10,825,617	95.169%	\$10,302,631
Los Angeles Unified School District Certificates of Participation	195,975,000	0.133%	\$260,647
Santa Monica-Malibu Unified School District Certificates of Participation	6,371,501	2.066%	\$131,635
City of Agoura Hills General Fund Obligations	13,045,000	100.000%	\$13,045,000
City of Calabasas Certificates of Participation	40,925,000	99.170%	\$40,585,323
City of Los Angeles General Fund and Judgment Obligations	1,575,490,524	0.028%	\$441,137
City of Westlake Village Certificates of Participation	15,960,000	100.000%	\$15,960,000
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT			112,616,368
Less: Los Angeles Unified School District self-supporting QZABs supported by investment fund			\$9,842
TOTAL NET OVERLAPPING GENERAL FUND DEBT			<u>\$ 112,606,526</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	6,245,000	100.000%	\$ 6,245,000
TOTAL DIRECT DEBT			\$ -
TOTAL GROSS OVERLAPPING DEBT			\$412,538,230
TOTAL NET OVERLAPPING DEBT			\$412,528,388
GROSS COMBINED TOTAL DEBT			\$ 412,538,230 (3)
NET COMBINED TOTAL DEBT			\$ 412,528,388

- (1) The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping District's assessed value that is within the boundaries of the District divided by the overlapping District's total taxable assessed value.
- (2) Excludes revenue issues.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2017-18 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.26%
Gross Combined Total Debt	1.77%
Net Combined Total Debt	1.77%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$709,566,625)

Total Overlapping Tax Increment Debt	0.88%
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Schedule 10
Las Virgenes Municipal Water District
Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands except coverage)

Fiscal Year	Refunding Revenue Bonds					Coverage
	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2009	49,230	38,079	11,151	1,785	2,036	2.92
2010	16,581	10,984	5,597	2,025	731	2.03
2011	17,369	10,902	6,467	1,650	1,103	2.35
2012	17,845	10,077	7,768	1,690	1,065	2.82
2013	18,243	10,209	8,034	1,725	1,031	2.92
2014	18,149	10,692	7,457	1,765	987	2.71
2015	17,429	10,653	6,776	1,840	903	2.47
2016	17,398	10,260	7,138	1,925	814	2.61
2017	18,613	10,584	8,029	2,025	731	2.91
2018	18,818	11,421	7,397	2,125	628	2.69

Note:

1. Gross revenues include operating, non-operating, and capacity fee revenues.
2. Operating expenses exclude depreciation and amortization.
3. On December 1, 2009, the District issued 2009 Sanitation Refunding Revenue Bonds to advance refund 1998 Bonds. From fiscal year 2010 and going forward, gross revenue and operating expenses are for sanitation operations only, and the debt service expense shown is maximum debt service for the Bond.

Schedule 11
Las Virgenes Municipal Water District
Demographic and Economic Statistics
Current Year, Year 2010, Year 2000 and Year 1990

<u>Year</u>	<u>Population</u>	<u>Total Personal Income (thousand of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>	<u>Population 25 and over</u>	<u>High School Graduate</u>	<u>Bachelor's Degree or Higher</u>
1990	29,574	\$973,106	\$32,904	n/a	18,803	17,647	8,498
2000	50,813	\$2,372,138	\$46,684	5.20%	33,634	32,199	17,847
2010	53,514	\$3,488,456	\$64,795	11.50%	36,440	38,102	22,634
2018	55,424	n/a	n/a	4.50%	n/a	n/a	n/a

Note:

1. Population includes City of Calabasas, City of Hidden Hills, City of Agoura Hills, City of Westlake Village
 However, 1990 population does not include City of Calabasas, which was incorporated in 1991.
2. Total Personal Income and Per Capita Personal Income information are based on 2010, 2000 and 1990 Census information.
3. Unemployment rate is for the area of Los Angeles-Long Beach-Glendale, CA Metropolitan area, Source: U.S. Department of Labor
4. Population 25 and over, High School Graduate, and Bachelor's degree or higher are based on 2010, 2000 and 1990 census information.

Source: LVMWD Accounting, census information and U.S. Department of Labor

Schedule 12
Las Virgenes Municipal Water District
Principal Employers
Current Fiscal Year and Nine Years Ago

Employer by Industry	2018			2009		
	Number of Employees	Rank	Percentage of Total Area Employment	Number of Employees	Rank	Percentage of Total Area Employment
Professional, Scientific, and Technical Services	5,125	1	13.83%	4,612	1	13.26%
Finance and Insurance	4,528	2	12.22%	3,952	2	11.36%
Accommodation and Food Services	4,468	3	12.06%	3,901	3	11.22%
Administrative, Support, Waste Management & Remediation Service	2,810	4	7.58%	2,657	5	7.64%
Retail Trade	2,606	5	7.03%	2,862	4	8.23%
Manufacturing	2,115	6	5.71%	2,428	6	6.98%
Educational Services	2,053	7	5.54%	1,810	9	5.20%
Health Care and Social Assistance	2,037	8	5.50%	1,914	8	5.50%
Government	1,884	9	5.09%			
Management of Companies and Enterprises	1,758	10	4.74%			
Wholesale Trade				1,786	10	5.13%
Information				2,188	7	6.29%
Total	29,384		79.31%	28,110		80.81%

Source: California State Employment Development Department Labor Market Information Division
Quarterly Census of Employment and Wages - 1st Quarter 2018
Areas covered by Las Virgenes Municipal Water District: zip codes 91301, 91302, 91361, 90263.

Schedule 13
Las Virgenes Municipal Water District
Full-time Equivalent District Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Manager Office	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Facilities and Operations:										
Administration	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Facilities Maintenance	16.5	17.5	17.2	17.2	16.2	16.2	16.2	16.2	16.2	16.7
Water Treatment and Production	13.0	13.5	12.8	11.8	11.8	11.8	11.8	11.8	11.8	11.3
Reclamation	24.5	25.0	25.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Construction	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0
Technical Service	8.5	9.0	9.0	9.0	8.0	8.0	8.0	8.0	8.0	9.0
<i>Subtotal</i>	<i>73.5</i>	<i>76.0</i>	<i>75.0</i>	<i>71.0</i>	<i>69.0</i>	<i>69.0</i>	<i>69.0</i>	<i>69.0</i>	<i>69.0</i>	<i>69.0</i>
Finance and Administration:										
Administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance and Accounting	10.0	10.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Human Resources	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Information System	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<i>Subtotal</i>	<i>19.0</i>	<i>19.0</i>	<i>19.0</i>	<i>19.0</i>	<i>19.0</i>	<i>19.0</i>	<i>19.0</i>	<i>19.0</i>	<i>19.0</i>	<i>19.0</i>
Resource Conservation and Public Outreach:										
Administration	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Customer Service	14.0	18.0	18.0	19.0	19.0	19.0	19.0	20.0	20.0	19.0
Water Conservation	6.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Public Information	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Planning/New Customer	7.5	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Subtotal</i>	<i>32.5</i>	<i>31.0</i>	<i>31.0</i>	<i>27.0</i>	<i>27.0</i>	<i>27.0</i>	<i>27.0</i>	<i>28.0</i>	<i>28.0</i>	<i>27.0</i>
Total	127.0	128.0	127.0	119.0	117.0	117.0	117.0	118.0	118.0	117.0

Schedule 14
Las Virgenes Municipal Water District
Operating Indicators by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013
Water:					
New Connections	53	25	15	14	51
Water Main Leak Repairs	49	55	28	56	39
Average Daily Consumption (thousands of gallons)	20,917	17,029	16,954	18,577	19,879
Potable Water:					
Connections	20,308	20,333	20,240	19,854	19,879
Deliveries (acre-feet)	23,427	19,072	18,988	20,806	22,264
Realized Capacity Fee/Connection Fee Deposits	\$ 772,170	\$ 823,836	\$ 283,662	\$ 282,454	\$ 513,062
Wastewater/Sanitation:					
Connections	16,720	16,726	16,740	16,792	16,802
Average Daily Sewage Flow/Dry Weather Flow (thousands of gallons):					
Tapia Plant	8,219	8,001	8,053	7,610	7,579
LVMWD	5,488	5,322	5,400	4,983	5,031
Triunfo Sanitation District	2,731	2,679	2,653	2,627	2,548
Realized Capacity Fee/Connection Fee Deposits	\$ 282,250	\$ 537,800	\$ 448,350	\$ 918,600	\$ 1,085,000
Function	2014	2015	2016	2017	2018
Water:					
New Connections	18	15	15	11	32
Water Main Leak Repairs	47	83	67	48	49
Average Daily Consumption (thousands of gallons)	21,310	18,132	15,316	16,202	17,227
Potable Water:					
Connections	19,893	19,935	19,953	19,970	20,214
Deliveries (acre-feet)	23,867	20,307	17,153	18,146	19,294
Realized Capacity Fee/Connection Fee Deposits	\$ 359,934	\$ 342,868	\$ 143,068	\$ 138,833	\$ 686,226
Wastewater/Sanitation:					
Connections	16,817	16,845	16,868	16,917	17,077
Average Daily Sewage Flow/Dry Weather Flow (thousands of gallons):					
Tapia Plant	7,281	6,397	6,109	6,029	6,246
LVMWD	4,880	3,956	3,667	3,688	3,941
Triunfo Sanitation District	2,401	2,441	2,442	2,341	2,305
Realized Capacity Fee/Connection Fee Deposits	\$ 1,124,550	\$ 462,000	\$ 224,000	\$ 458,590	\$ 790,921

Source: LVMWD Operations and Accounting

Schedule 15
Las Virgenes Municipal Water District
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013
Potable Water					
Water Main (miles)	382.4	382.4	383.6	384.5	387.1
Fire Hydrants (#)	3,123	3,134	3,138	3,147	3,154
Valves (#)	4,393	4,395	4,419	4,434	4,452
Storage Capacity (millions of gallons)					
Reservoirs	3,100	3,100	3,100	3,100	3,100
Tanks	33.3	33.3	33.3	33.3	33.3
Recycled Water					
Water Main (miles)	63.6	63.8	65.5	65.9	65.9
Valves (#)	338	338	344	341	342
Storage Capacity (millions of gallons)					
Reservoirs	19.3	19.3	19.3	19.3	19.3
Tanks	5.6	5.6	5.6	5.6	5.6
Wastewater					
Sanitary Sewers (miles)	55.7	57.1	56.2	56.2	56.1
Treatment Capacity (millions of gallons)	16	16	16	16	16

Function	2014	2015	2016	2017	2018
Potable Water					
Water Main (miles)	389.1	389.3	388.8	389.2	390.3
Fire Hydrants (#)	3,167	3,172	3,171	3,175	3,181
Valves (#)	4,477	4,485	4,472	4,447	4,461
Storage Capacity (millions of gallons)					
Reservoirs	3,100	3,100	3,100	3,100	3,100
Tanks	33.3	33.3	38.8	38.8	38.8
Recycled Water					
Water Main (miles)	66.2	66.2	67.1	68.1	68.1
Valves (#)	342	342	359	365	366
Storage Capacity (millions of gallons)					
Reservoirs	19.3	19.3	19.3	19.3	19.3
Tanks	5.6	5.6	5.6	5.6	5.6
Wastewater					
Sanitary Sewers (miles)	56.9	56.9	56.9	56.9	56.8
Treatment Capacity (millions of gallons)	16	16	16	16	16

Source: LVMWD Operations

Schedule 16
Las Virgenes Municipal Water District
Annual Water & Sewer Capacity Fee Deposits Report
Per Government Code Section 66013 (d) and (e)
Fiscal Year Ended June 30, 2018

Beginning Balance:			
Capacity Fees		\$ 7,274,546	
Developer Fees		808,568	
Interest		<u>1,484,936</u>	
Total Beginning Balance			\$ 9,568,050
Fees Collected:			
Capacity Fees	\$ 2,585,799		
Developer Fees	<u>180,500</u>		
Total Fees Collected		\$ 2,766,299	
Reimbursed to Developer/Rec. as Exp.		-	
Interest Earned		<u>160,620</u>	
Fees Available		\$ 2,926,919	
Applied to:			
Capital Costs Funded by:			
Capacity Fees	\$ 1,477,147		
Meter Installation	60,942		
Developer Fees	144,063		
Interest Earned	<u>60,655</u>		
Total Capital Costs		\$ 1,742,807	
Refunds		<u>44,066</u>	
Total Funds Applied		\$ 1,786,873	
Net Changes for the Year			1,140,046
Ending Balance:			
Capacity Fees		\$ 8,285,466	
Developer Fees		837,729	
Interest (1)		<u>1,584,901</u>	
Total Ending Balance			<u><u>\$ 10,708,096</u></u>

(1): Interest earned is not reflected as a liability on the Statement of Net Position.

California Government Code (CGC) Section 66013(c) requires the District to place capital facilities connection fees received and any interest income earned from the investment of these monies in a separate capital facilities fund. These monies are to be used solely for the purposes for which they were collected and not commingled with other District funds.

CGC Section 66013(d) requires the District to make certain information available to the public within 180 days after the close of each fiscal year. CGC Section 66013(e) allows the required information to be included in the District's annual financial report. The Annual Connection Fee Report shown above meets this requirement.

Capacity fees are imposed for initiating water and sewer connection service by the District at the request of the customer. No fees are imposed upon real property or upon persons as an incident of property ownership, but rather as a condition of service.

Developer fees are imposed for other services such as plan check, right-of-way, inspection and coring fees.

