



LOS ANGELES COUNTY, CALIFORNIA

POPULAR ANNUAL FINANCIAL REPORT

fiscal year 2018-2019

A photograph of a water treatment facility at night. In the foreground, there are concrete structures with metal railings and large white pipes. A tall, thin brown vent pipe stands in the center. In the background, a large fire is burning on a hillside, with bright orange and yellow flames and a thick plume of white smoke rising into a dark red and orange sky. Streetlights illuminate the facility.

RESILIENCE

FOR THE COMMUNITIES WE SERVE



Charles P. Caspary
Division 1



Lynda Lo-Hill
Division 2



Lee Renger
Division 3



Leonard E. Polan
Division 4



Jay Lewitt
Division 5

Founded in 1958, Las Virgenes Municipal Water District (LVMWD) is a special district that provides potable water, wastewater treatment, biosolids composting and recycled water services for a 122-square-mile service area located in Western Los Angeles County. LVMWD is organized under the Municipal Water District Law of 1911 (California Water Code 71000).

What is a “Popular Annual Financial Report”?

This Popular Annual Financial Report (PAFR) represents LVMWD’s ongoing commitment to transparency in its operations and governance. Additional information, including the District’s Annual Budget, Comprehensive Annual Financial Reports (CAFR), planning documents and more can be found at www.lvmwd.com/Financial-Reports. In recent years, the District has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada, for its CAFR and for its FY 2017-18 PAFR.

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A Letter from the General Manager

Resilience is the capacity to recover quickly following disaster.

In November 2018, the resiliency of Las Virgenes Municipal Water District (District) was tested as the Woolsey Fire burned 96,949 acres, destroyed 1,643 structures, and killed three people. At the height of the fire, nearly 300,000 people were evacuated in western Los Angeles County and southeastern Ventura County. Within the District, over 80 square miles were burned, 521 customers had homes damaged or destroyed, and nearly all of the District's 70,000 residential customers were evacuated. The District suffered \$6.5 million in damages to its facilities, including the Rancho Las Virgenes Composting Facility and Westlake Filtration Plant.



Through the dedicated effort of staff, long-term disaster planning, and system design, the District was able to continue to serve water and process wastewater throughout the fire. By the end of Fiscal Year 2018-19, the District was able to recover all operations, with the exception of the Rancho Las Virgenes Composting Facility. The District continues to rebuild and repair fire damage and is continuing to seek recovery of fire-related expenses through its insurance carrier, the State of California Office of Emergency Management (CalOES) and the Federal Emergency Management Agency (FEMA). In addition to the fire damage repair, the District also began work on several resiliency projects including expanding the number of stationary and mobile generators, increasing system redundancy, and improving the District's emergency management systems.

The Woolsey Fire followed a persistent drought that lasted from 2011 through 2014. This five-year period represented the driest in California history and led to the District's effort, through the Las Virgenes – Triunfo Joint Powers Authority, to develop the Pure Water Project Las Virgenes – Triunfo. The project will take recycled water from the Tapia Water Reclamation Facility and treat it to drinking water standards to create a local supply of water, increasing resiliency during droughts and natural disasters. During Fiscal Year 2018-19, the design of the Pure Water Demonstration Project and Garden was nearly completed. The demonstration project, located at the District's headquarters campus, is a small-scale water treatment facility that replicates the full-scale project, while providing training for staff and an educational experience for the public on the process of how recycled is purified to become safe, clean, reliable drinking water.

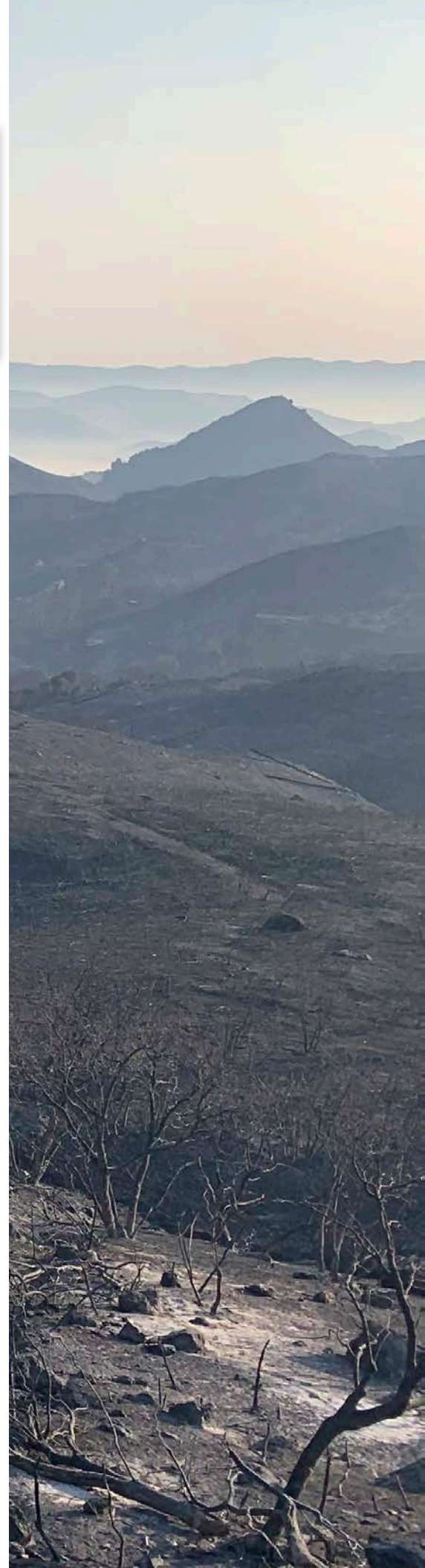
As we move forward, resilience will be key in a changing environment with more extremes in weather, longer fire seasons, and the constant threat of earthquakes. The Board and staff of Las Virgenes Municipal Water District are dedicated to have a high degree of resilience to continue to provide customers with reliable water and wastewater services into the future.

This report reflects the dedication of the Board and staff to provide high-quality, reliable, and safe water and sanitation services. It also provides a summary of the District's finances. I encourage you to review this document, along with the more detailed information found in the District's Comprehensive Annual Financial Report and Annual Budget, both of which are available at www.lvmwd.com/Financial-Reports.

Sincerely,

A handwritten signature in black ink that reads "David W. Pedersen". The signature is written in a cursive, flowing style.

David W. Pedersen, P.E.
General Manager



We reliably deliver high quality drinking water to over 75,000 residents and businesses throughout western Los Angeles County.



We take all the water that flows from homes and businesses and treat it to a water quality standard suitable for irrigation or discharge to the ocean via Malibu Creek.



Treated wastewater or recycled water is distributed through 68 miles of pipes to 11 parks, 17 schools, 52 common areas for homeowners associations, 3 golf courses, and many street medians and parkways throughout the District.



Treated biosolids, a by-product of the wastewater treatment process, is transformed into EPA Class A compost at the Rancho Las Virgenes Composting Facility. This excellent soil amendment is available free of charge every Saturday.



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The Las Virgenes–Triunfo Joint Powers Authority (JPA)

The JPA provides sanitation services for about 100,000 customers in western Los Angeles County and eastern Ventura County. Wastewater is treated at the Tapia Water Reclamation Facility, and the biosolids generated during this treatment are processed at the Rancho Las Virgenes Composting Facility. Both facilities are jointly owned and operated by the JPA. This partnership creates an efficient means to serve residents within the Malibu Creek watershed. The sanitation enterprise charges in this report reflect the total cost and revenue to provide these services for LVMWD customers. Financial statements of the JPA can be found at www.lvmwd.com/Financial-Reports.



In 1964, LVMWD Board members approved a Joint Powers Authority agreement with Triunfo Sanitation District (now Triunfo Water and Sanitation District), the signing of which is shown above.

Did You Know?

Wastewater entering the Tapia Water Reclamation Facility is 99% water and only 1% solid and inert material.





Established

1958

Budget 2018-2019

\$75.7 million

Governance

Five-member board of directors, publicly elected by geographic division

Water served 2018-19

Potable 18,384 acre-feet

Recycled 4,104 acre-feet

Customer Connections

Potable Water

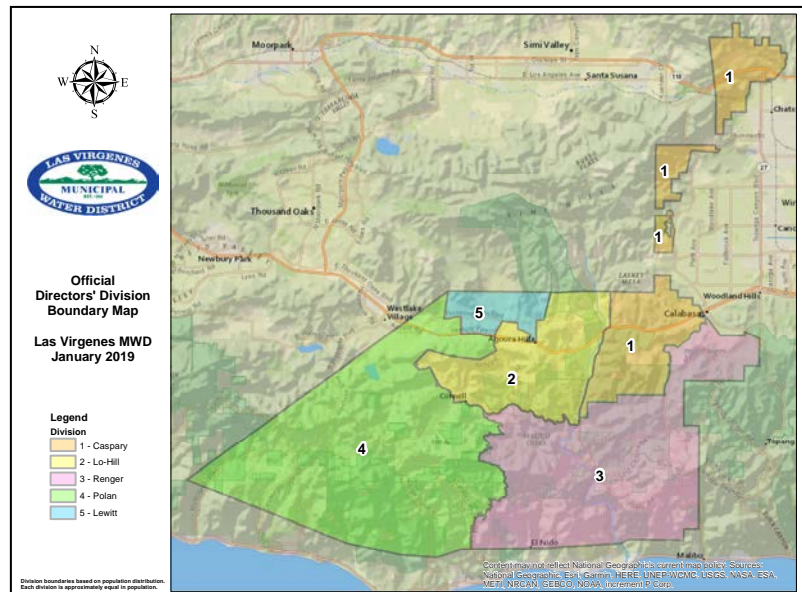
Residential 18,745

Commercial 830

Recycled Water 654

Service area

122 square miles



Population Served

LVMWD serves approximately 72,000 residents in Agoura Hills, Calabasas, Hidden Hills, Westlake Village, and parts of unincorporated Los Angeles County. Triunfo Sanitation District, its Joint Powers Authority partner, provides sanitation services to 30,000 residents in Ventura County.



Annually, LVMWD performs extensive state-mandated testing for water quality contaminants by collecting over 1,200 samples, taken from various locations throughout the drinking water conveyance system, and routinely conducts over 11,000 laboratory analyses on those samples at state-certified water quality labs.

These daily tests are conducted by our highly trained and skilled LVMWD professional staff to ensure that your water is safe to drink. In California, water utilities are required by the State Water Resources Control Board and the Division of Drinking Water to undergo arguably the most stringent and comprehensive water quality testing in the United States, if not the world. Like always, LVMWD met or exceeded all of the standards for safe and high quality drinking water as established by the state.

LVMWD conducted a recent survey to better understand water preferences and the perceptions of tap water versus bottled water of our customers. Over 68 percent of respondents routinely drink tap water albeit 60 percent of these customers filter the water first (e.g. Britta Filter™, PUR™, ZeroWater™, AquaGear™, et al). These customers primarily preferred tap water because it was convenient (41%), was better for the environment (24%) or was more cost effective (18%).

When you turn the faucet on, the water flows. At LVMWD, we utilize an extremely experienced and dedicated staff to manage and maintain our potable water distribution system. Routine maintenance protocols, emergency responses and timely repairs ensure that delicious and safe LV Tap water is reliably delivered into our customer's home 24/7.

Tap water is extremely affordable. For instance, one gallon of LVMWD tap water costs less than a penny delivered to your home from the Sierra Nevada Mountains over 400 miles away. In comparison, the same amount of bottled water can easily exceed \$1, or 100 times the cost. Foregoing bottled water and drinking from the sink can result in significant savings for LVMWD customers.

Tap water is the most sustainable drinking water product available. Tremendous amounts of plastic waste pile up in in landfills and oceans as a result from the manufacturing and sale of single-use bottled water. According to research on the subject, humans on this planet collectively purchase one million single-use plastic bottles every minute, 91 percent of which do not get recycled (Trevor Nace, "We're Now At a Million Plastic Bottles Per Minute – 91% of which are not Recycled", www.forbes.com, 26 July, 2017, 5/28/19). For those single-use plastic bottles that are neither recycled nor placed in landfills, they end up in the environment where they are a visual blight and harmful to wildlife.

LV Tap is our initiative to highlight the benefits tap water presents for our customers and the communities we serve. Delivering safe, high quality drinking water reliably to our customers is our mission and LV Tap is an expression of that dedication. So when you are thirsty, join the majority of our community and experience the affordability, sustainability and convenience LV Tap delivers when you "drink from the sink." www.ourLVTap.com





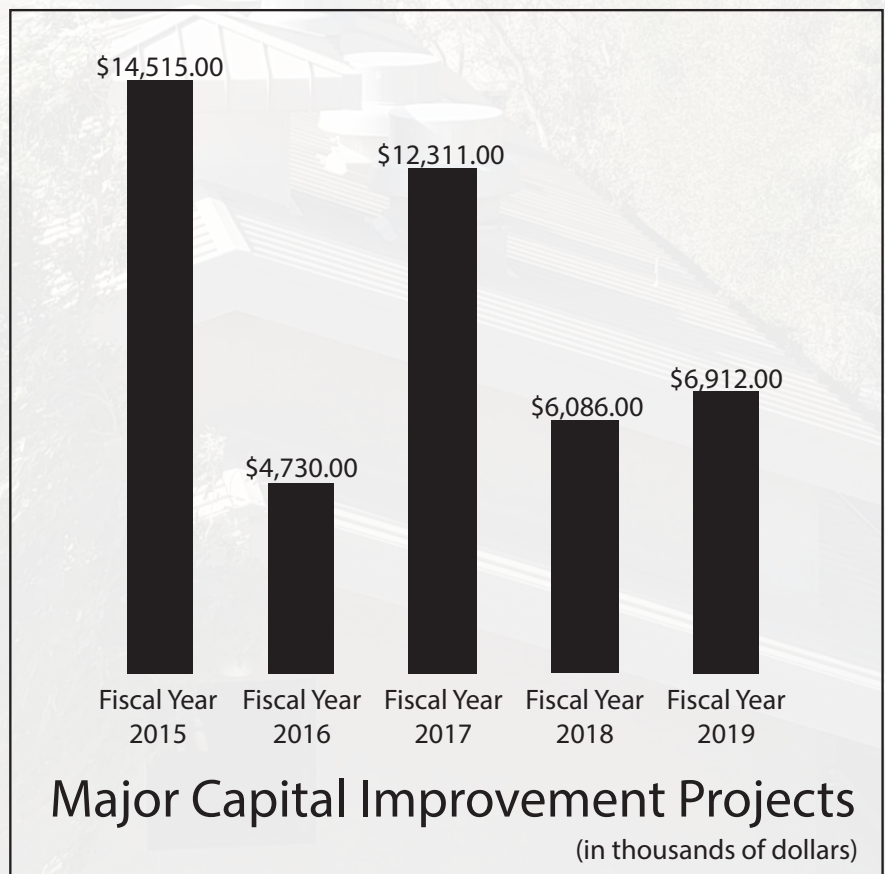
The District takes great pride in ensuring delivery of water and sanitation services to our customers through a comprehensive capital improvement program. Adequate investments are made to maintain a reliable system to address emergencies and unplanned service interruptions.

In Fiscal Years 2018-19 the District spent \$2.2 million on Process Air Improvements, \$1.9 million on the Tapia Water Reclamation Facility Rehabilitation, and \$1.9 million on the cleaning and repair of the Rancho Las Virgenes Composting Facility.

In Fiscal Years 2019-20, the District will be spending approximately \$6.5 million on Woolsey Fire related damages to the District's facilities. In No-

vember of 2018, the Board declared a state of emergency due to the Woolsey Fire that broke out on the afternoon of Thursday, November 8, 2018, in Ventura County. The District experienced significant damages at various facilities due to the fire. Since the event, staff has been working with the California Governor's Office of Emergency Services (CalOES), Federal Emergency Management Agency (FEMA), and the District's insurance provider on reimbursement for the damages.

In addition, in Fiscal Years 2019-20 the District will be spending \$3.5 million, it's share of the Las Virgenes-Triunfo Joint Powers Authority project, on construction of a demonstration facility located at the District's headquarters campus. Tour of the facility are intended to educate and promote public confidence in the treatment technology.



FY 2018-19 Financial Performance

Las Virgenes Municipal Water District (LVMWD or the “Agency”) uses the accrual method of accounting in accordance with generally accepted accounting principles to produce its financial statements. The following table illustrates how the Agency uses the adopted budget to monitor and compare actual financial performance. GAAP and auditing standards do not require the adopted budget to be included in the audited financial statements.

The District’s Fiscal Year 2018-19 financial results reflect a decrease in potable water sales, the District’s primary revenue source, as a result of the District’s targeted outreach efforts. Wasteful water use penalties impose increasing fines on customers who exceed their water budgets by 200%. Potable water sales decreased 1.75% and recycled water sales decreased 8.5% in Fiscal Year 2018-19. The overall financial position of the District is stable.

Las Virgenes Municipal Water District operates a Joint Powers Authority (JPA) with Triunfo Water and Sanitation District for the transmission and treatment of sanitation. Additional information about the JPA can be found in both the District’s Comprehensive Annual Financial Report and the JPA Audited Financial Statements on the District’s website at www.LVMWD.com/Financial-Reports.

**Financial Highlights**

The District’s net position increased by \$15.7 million to \$234.0 million

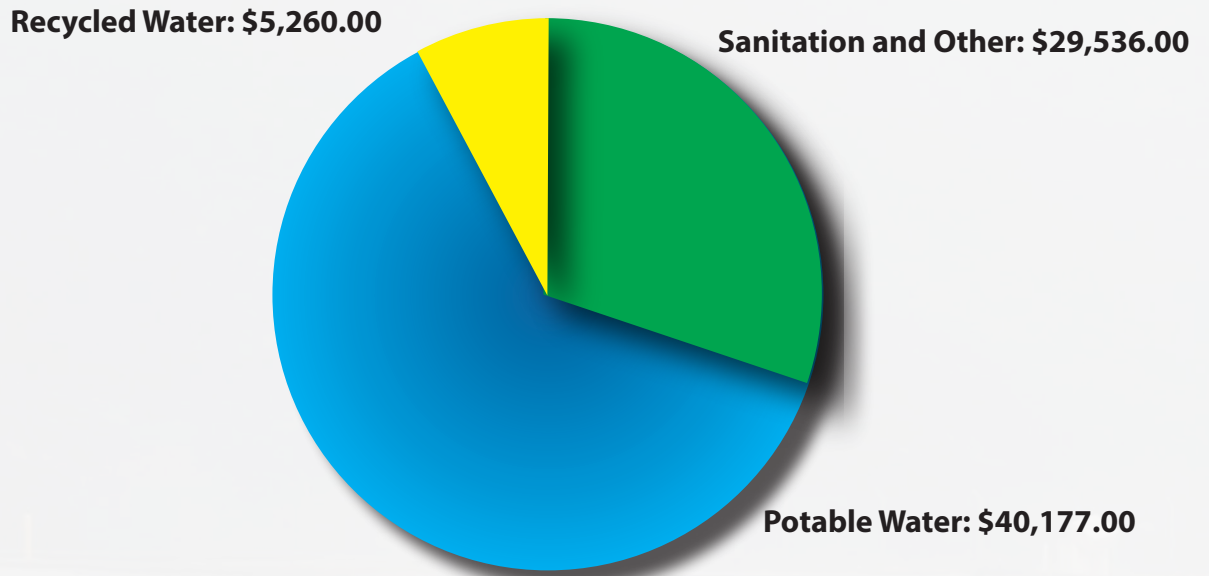
During the fiscal year, the District’s revenues decreased by 2.6% to \$64.9 million, expenses increased by 1.8% to \$43.1 million.

In Fiscal Year 2019, capital contributions to the District increased to \$3.9 million, 34.2% more than Fiscal Year 2018.

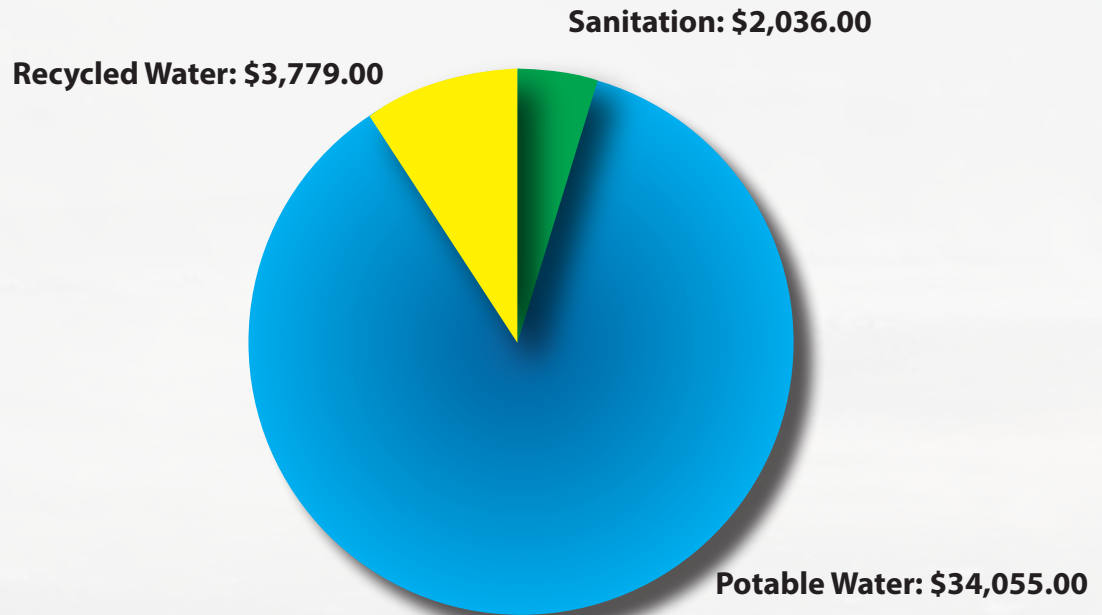
Did You Know?

Nearly 70% of the water delivered to LVMWD customers is used for irrigation.

Operating Revenue (in thousands of dollars)



Operating Expenses (in thousands of dollars)



Audit of Agency's Financial Statements by Independent Auditor

State statute requires an annual audit by independent Certified Public Accountants which is filed with the California State Controller's Office. The Agency's FY 2018-19 financial statements were audited by the Agency's auditor, The Pun Group LLP, Irvine, CA, in accordance with GAAP auditing standards, and the statements met the State Controller's Minimum Audit Requirements for California Special Districts. The Agency's Audited Financial Statements and accompanying Independent Auditor's Report can be found in the Agency's Comprehensive Annual Financial Report (CAFR), available online at www.LVMWD.com/Financial-Reports.

The analysis of the District is focused on the Financial Statements. The 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, zoning, and new or changed government legislation.

Condensed Statements of Net Position
(in thousands of dollars)

	FY 2018	FY 2018
Current and Other Assets	\$ 105,102	\$ 96,369
Capital Assets	123,727	124,526
Investment in JPA	64,137	62,521
Total Assets	\$ 292,966	\$ 283,416
Deferred Outflow of Resources	\$ 8,718	\$ 9,065
Long-Term Debt Outstanding	13,204	15,596
Net Pension Liability	16,055	20,493
Net OPEB Liability	19,301	19,183
Other Liabilities	15,466	16,592
Total Liabilities	\$ 64,026	\$ 71,864
Deferred Inflows of Resources	3,636	2,274
Net Position:		
Net Investment in Capital Assets,	\$ 111,229	\$ 109,794
Restricted	2,734	2,683
Unrestricted	120,058	105,866
Total Net Position	\$ 234,021	\$ 218,343

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>FY 2019</u>	<u>FY 2018</u>
Operating Revenues:		
Water Sales	\$ 45,437	\$ 46,250
Sanitation and Other	19,536	20,467
Non-operating Revenues:		
Taxes and Penalties	984	946
Interest Income and Other	4,195	1212
Total Revenues	\$ 70,152	\$ 68,875
Depreciation Expense	4,016	3,943
Other Operating Expenses	39,870	39,169
Share of JPA Net Expenses	13,958	13,718
Non-Operating Expenses	530	716
Total Expenses	\$ 58,374	\$ 57,546
Income (Loss) Before Capital	11,778	11,329
Capital Contributions	3,900	2566
Change in Net Position	<u>15,678</u>	<u>13,895</u>
Net Position - Beginning of Year:	<u>218,343</u>	<u>204,448</u>
Net Position - End of Year	<u>\$ 234,021</u>	<u>\$ 218,343</u>

The Condensed Statements of Revenues, Expenses and Changes in Net Position table to the left summarizes LVMWD's operating and non-operating revenues and expenses. The largest source of revenue is water sales to customers. Total revenues decreased by 2.6% in Fiscal Year 2018-19, while expenses increased by 1.8%. The increase in revenues was due to decreased water sales based on targeted outreach efforts. Expenses were stable with increases predominantly due to salary and benefit increases.

Definitions:

Capital Assets: Includes land, buildings, including water and sewer lines, wastewater facilities, reservoirs, tanks, distribution facilities, compost facility, maintenance and administration facilities, vehicles, and equipment net of depreciation.

Currents and Other Assets: Assets easily converted to cash or consumed within one year: cash, investments, receivables, and prepaid expenses.

Deferred Outflow of Resources: Represents outflow of resources that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Long-Term Debt Outstanding: Payment due on LVMWD's 2009 Sanitation Refunding Bond that are more than 12 months in the future.

Other Liabilities: Payment due on obligations owed by LVMWD within the next 12 months.

Restricted Assets: Cash and investments set aside for a specific purpose.

Total Net Position: Equity associated with general government assets and liabilities.

Unrestricted Assets: Agency-owned assets that can be used for any purpose.

Capital Contributions: Funds that are used for capital and expansion projects.

Change in Net Position: The total of net income (loss) plus capital contributions.

Over the years and by the end of FY 2018-19, the District had invested \$240.2 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 \$64.1 million.

Capital Assets
(In thousands of dollars)

	FY 2019	FY 2018	Dollar Change	Total Percent Change
Land	\$ 6,915	\$ 6,915	\$ 0	0.00%
Buildings and Improvements	22,094	22,094	0	0.00%
Machinery and Equipment	11,678	11,416	262	2.24%
Infrastructure	197,692	195,570	2,122	1.07%
Construction in Progress	1,855	1,290	565	30.46%
Subtotal	240,234	237,285	2,949	1.23%
Less Accumulated Depreciation	116,506	112,760	3,746	3.22%
Net Property, Plant and Equipment	123,728	124,525	(797)	-0.64%
Investment in Joint Venture	64,138	62,521	1,617	2.52%
Total Capital Assets	\$ 187,866	\$ 187,046	\$ 820	0.44%

Definitions:

Depreciation Expense: If an asset is expected to produce a benefit in future periods, some of these costs must be deferred rather than treated as a current expense. LVMWD records depreciation expense in its financial reporting as the current period's allocation of such costs.

Income (Loss) Before Capital Contributions: The difference between total revenue less total expenses.

Net Position: The sum of total net position at the beginning of the fiscal year plus the change in net position resulting in ending net position at the end of the fiscal year.

Non-Operating Revenues and Expenses: Revenues and expenses that are incidental to LVMWD's main purpose and derived from activities not directly related to LVMWD's operations: taxes and penalties, interest earnings and rental income, and costs associated with debt.

Operating Expenses: Expenses incurred in the provision of potable water, sanitation, and recycled water services.

Operating Revenues: Revenues received for the sale of water to customers, services, inspections, and programs provided by LVMWD.

JPA Expense: LVMWD and Triunfo Sanitation District established a Joint Powers Authority (JPA) to construct, operate, maintain and provide for the replacement of joint sewerage system. The share of JPA net expenses is LVMWD's allocation of compined net revenue.

LVMWD 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 2019 was 2.59%.

Debt Coverage Ratio				
(In thousands of dollars)				
		<u>FY 2019</u>	<u>FY 2018</u>	Total Percent Change
Total Operating Revenues	\$	18,922	\$ 18,818	0.55%
Total Operating Expenses (less depreciation)		11,803	11,421	3.34%
Net Earnings		<u>7,119</u>	<u>7,397</u>	<u>-3.76%</u>
Maximum Annual Debt Service		2,751	2,752	-0.04%
Debt Coverage Ratio		<u>2.59</u>	<u>2.69</u>	<u>-3.72%</u>

Did You Know?

The water that LVMWD serves to our customers travels over 400 miles and begins as snow in the Sierra Nevada Mountains.



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**Las Virgenes Municipal Water District
California**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO



Dedicated to providing high-quality water service in a cost-effective and environmentally sensitive manner.

Our business values:

High Level of Customer Satisfaction	Transparency and Community Engagement	Highly Effective Workforce	Safe, High Quality Water	Protection of Public Health and the Environment
Maximum Reuse and Resource Recovery	Sound Financial Management	Reliable Water Supplies and Service	Sound Planning and Appropriate Investment	Innovative and Efficient Operations

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