

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year 2021-2022

**MEETING TODAY'S
CHALLENGES,**

**PREPARING
FOR TOMORROW'S.**



Los Angeles County, CA



LVMWD Board of Directors*

*Fiscal Year 2021 - 2022, as of June 30, 2022



Jay Lewitt
President, Division 5



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Vice President, Division 4



Lynda Lo-Hill
Treasurer, Division 2



Lee Renger
Secretary, Division 3



Charles P. Caspary
Director, Division 1

Las Virgenes Municipal Water District
4232 Las Virgenes Road
Calabasas, CA, 91302

818-251-2200

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 Biennial Budget, Annual Comprehensive Financial Report (ACFR), planning documents and more can be found at www.LVMWD.com. For Fiscal Year 2020-21, 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 ACFR.

Our Mission:
Dedicated to providing
high-quality, reliable
water service in a
cost-effective and
environmentally
sensitive manner

To Our Customers and The Communities We Serve

We are pleased to present the Las Virgenes Municipal Water District (District or LVMWD) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2022. The information presented here is a reader-friendly summary of financial data derived from the Annual Comprehensive Financial Report (ACFR), which is prepared on the accrual basis of accounting and presented in conformity with Generally Accepted Accounting Principles (GAAP).

The PAFR is unaudited and is not intended to supplement the ACFR, nor does it include all information and disclosures required by GAAP; rather, it is a concise summary of the financial health of the District for Fiscal Year 2021-22. LVMWD's management is responsible for ensuring timely and accurate financial reporting that supports the water and sanitation operations of the District.

We are pleased to report that the District continues to issue timely and accurate financial reporting, as demonstrated by the continued receipt of the Certificate of Achievement for Excellence in Financial Reporting for 24 consecutive years by the Government Finance Officer's Association (GFOA). Information regarding the activities and financial health of the District can be found in our June 30, 2022 ACFR, which is available on our website at LVMWD.com

Please do not hesitate to email finance@lvmwd.com or call (818) 251-2224 with any questions, comments, or feedback related to the report.

Respectfully submitted,



A handwritten signature in black ink that reads "David W. Pedersen". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

David w. Pedersen, P.E.
General Manager

Did You Know?

In June of 2022, LVMWD customers responded to generational water supply shortages and reduced their water usage by 37% compared to 2020.

The Services we Provide

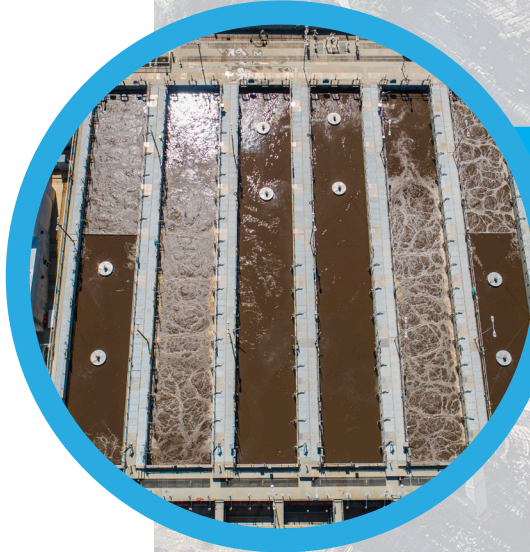
Potable Water

We reliably deliver high quality drinking water to approximately 70,000 residents and businesses throughout western Los Angeles County.



Sanitation

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.



Biosolids

Treated biosolids, a by-product of the wastewater treatment process, is transformed into EPA Class A compost at the Rancho Las Virgenes Composting Facility and is made available to the public.



Recycled Water

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



Las Virgenes - Triunfo Joint Powers Authority

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 LVMWD.com/Financial-Reports.

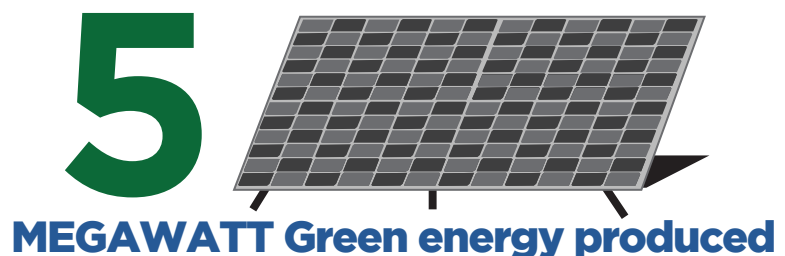
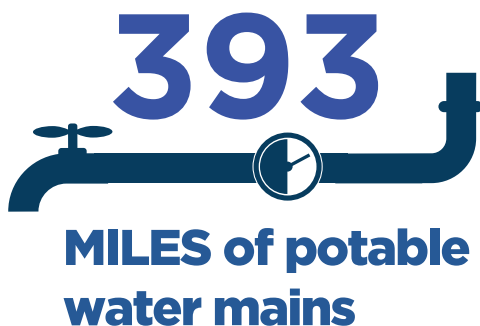
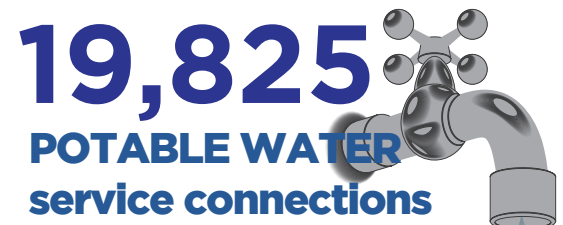
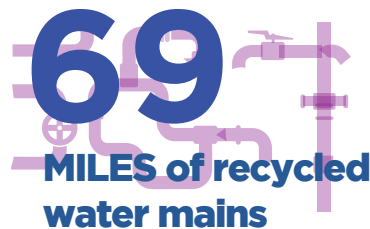
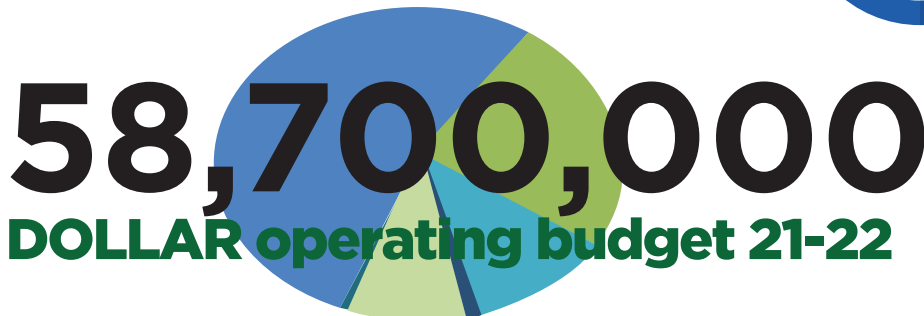


Did You Know?

When completed, the Pure Water Project Las Virgenes - Triunfo will provide LVMWD with 20% of its potable water needs.

About LVMWD

Every day, the employees and leadership at Las Virgenes Municipal Water District ensure the delivery of safe, clean, dependable water and environmentally protective wastewater treatment services in a cost-effective manner. LVMWD provides services to the cities of Agoura Hills, Calabasas, Hidden Hills, Westlake Village and neighboring unincorporated areas of Los Angeles County.



2021 - 2022 LVMWD Drought Response

In **June of 2021**, the Las Virgenes Municipal Water District Board of Directors issued a **Water Shortage Alert and the District entered Stage 1 of the Water Shortage Contingency Plan (WSCP)**, recognizing the previous dry years had left the State Water Project, LVMWD's source of drinking water, at perilously low levels. On **July 19, the Board moved the District into Stage 2 of the WSCP** and, on November 16, as late summer and fall saw exceptionally warm and dry conditions, the District made the decision to move into **Stage 3 of the WSCP, and to reduce outdoor water budgets and revise the penalty structure to promote greater water use efficiency.**



On December 1, 2021 the Department of Water Resources declined to give an initial allocation of water from the State Water Project due to the dire conditions of the primary reservoirs including Lake Oroville.

December 2021 saw strong storms that brought significant snow and precipitation across the state, giving water experts cause for guarded optimism and a modest increase in the State Water Project allocation to 15%. Unfortunately, through the month of January and into February, La Niña conditions brought dry weather and no precipitation or snow, flipping our levels of above average rainfall into below average rainfall and creating an immediate need to double down on our communication efforts from 2021.

Throughout 2021, LVMWD executed the original action items and messages as outlined in the 2021 Strategic Communications Plan. **These successful implementations included:**

- Promoted the **Board actions on drought** and the escalation of stages in the Water Shortage Contingency Plan.
- In October, customers received **Water Use Efficiency Alerts** that informed customers of how their water use compared to their water budgets.
- Expanded outreach to customers educating them on the benefits of their new **Advanced Meters and the LVMWD WaterSmart portal.**
- Executed an expanded and more diverse digital ad strategy, leveraging expertise from Ad-Taxi for display ads and **increased output of content created in-house** directly related to the District's drought response.
- Expanded regional partnerships and collaborations establishing a universal messaging campaign and collateral to amplify LVMWD's drought messaging.

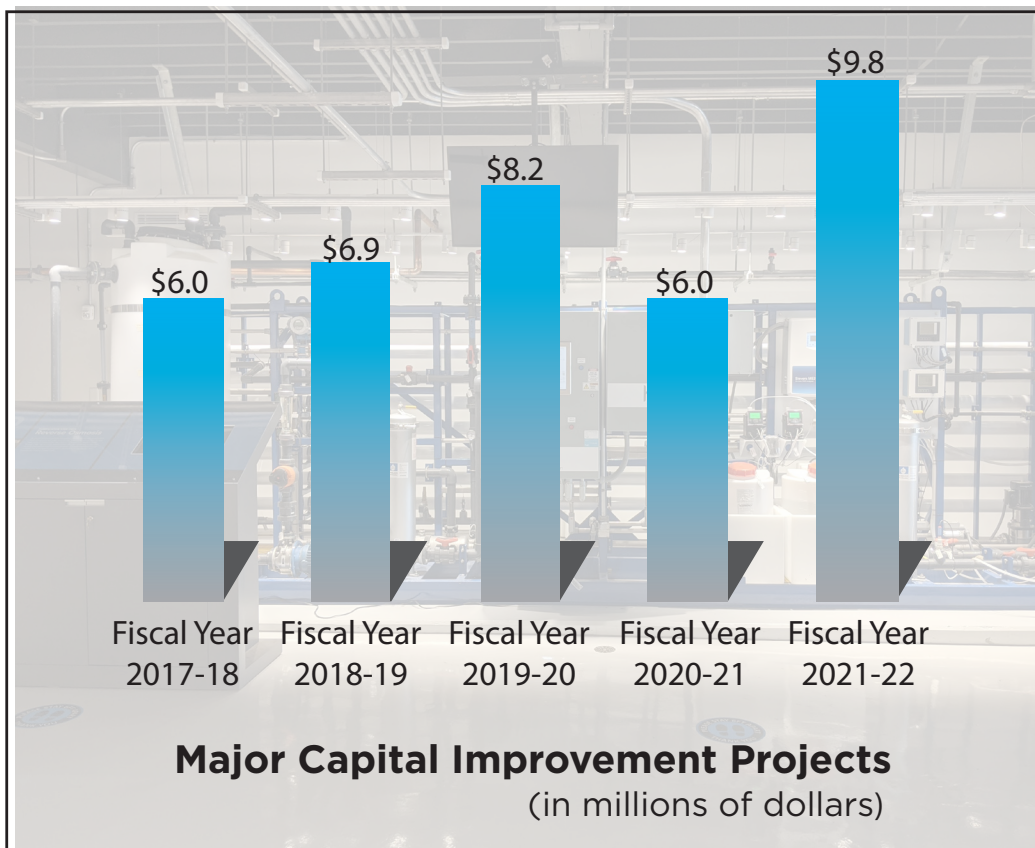
The 2022 Strategic Communications Plan - Drought Messaging continued the programs LVMWD has implemented to help customers meet their water use efficiency goals and educate them on LVMWD water supplies.

Building a Resilient Future

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

In Fiscal Year 2021-22, the District spent \$6.8 million on implementing its Advanced Metering Infrastructure (AMI) project, \$1.7 million on establishing an interconnection with Calleguas Municipal Water District, and \$1.2 million in repair of facilities due to the Woolsey Fire in 2018.

In Fiscal Year 2022-23, the District is projecting to spend approximately \$4.9 million related to its Pure Water Project, along with \$1.5 million on finalizing the AMI project and \$1.5 million on the construction of a one-million gallon (MG) potable water storage tank to replace an existing 400,000-gallon tank.



FY 2021-22 Financial Performance

Las Virgenes Municipal Water District (LVMWD or the District) uses the accrual method of accounting in accordance with generally accepted accounting principles to produce its financial statements. LVMWD operates a Joint Powers Authority (JPA) with Triunfo Water & Sanitation District for the transmission and treatment of wastewater, wholesale recycled water supply and biosolids composting. Additional information about the JPA can be found in both the District's Annual Comprehensive Financial Report and the JPA Audited Financial Statements on the District's website at LVMWD.com/Financial-Reports.

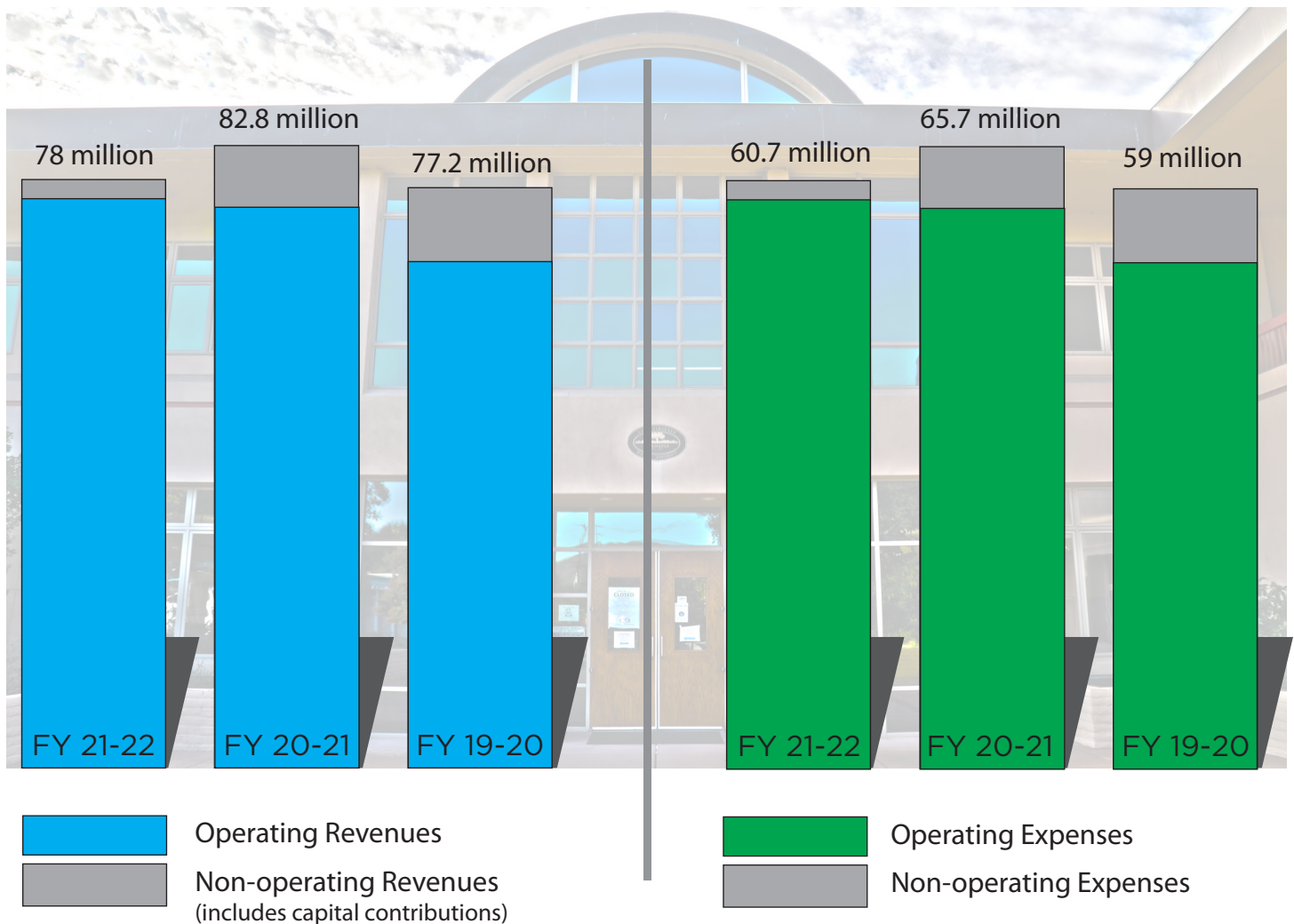
Financial Highlights

- On June 30, 2022, the District's net position (excess of assets and deferred outflows over liabilities and deferred inflows) was \$286.5 million. Of this amount \$127.7 million consisted of the District's net investment in capital assets, while the remaining \$158.8 million was unrestricted and may be used to meet the District's ongoing obligations, fund capital projects, and meet policy-required reserves.
- The District's Fiscal Year 2021-22 net position increased by \$17.3 million, which compares similarly to an increase of \$17.0 million in Fiscal Year 2020-21.
- Total operating revenues in Fiscal Year 2021-22 were \$75.7 million, \$1.2 million (or 1.7%) above the prior year's revenues of \$74.5 million. The increase in revenues as compared to the prior year was due to an increase in sanitation service fees of \$1.5 million (or 8.3%), an increase in other income of \$0.4 million (or 13.2%), offset by a decrease in water sales and service fees of \$0.7 million (or 1.4%).
- Total operating revenues in Fiscal Year 2020-21 of \$74.5 million, were \$7.1 million (or 10.5%) above the previous year's revenues of \$67.4 million. The increase in revenues as compared to the prior year was due to an increase in water sales and service fees of \$6.9 million (or 15.1%), an increase in other income of \$0.3 million (or 10.3%), offset by a slight decrease in sanitation service fees of \$0.1 million (or 0.7%).
- Total operating expenses in Fiscal Year 2021-22 were \$45.2 million, \$2.3 million (or 5.0%) below the prior year's expenses of \$47.5 million. The decrease in operating expenses as compared to the prior year was due mainly from reduced source of supply costs, down \$2.2 million versus Fiscal Year 2020-21 (or 7.6%) due to lower customer potable water deliveries.
- Total operating expenses in Fiscal Year 2020-21 of \$47.5 million, were \$2.3 million (or 5.2%) higher than the previous year's expenses of \$45.2 million. The increase in operating expenses as compared to the prior year was due mainly from increased source of supply costs, up \$3.4 million versus Fiscal Year 2019-20 (or 13.6%).

Revenue and Expenses FY 21-22

Revenue

Expenses



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 Districts Fiscal Year 2021-22 financial statements were audited by the Agency’s auditor, Rogers, Anderson, Malody & Scott, LLP in accordance with GAAP auditing standards, and the statements met the State Controller’s Minimum Audit Requirements for California Special Districts. The District’s Audited Financial Statements and accompanying Independent Auditor’s Report can be found in the Annual Comprehensive Financial Report (ACFR), available online at LVMWD.com/Financial-Reports.

Did You Know?

70% of the water used by LVMWD customers is used outdoors to irrigate landscapes.

Financial Analysis

The Financial Statements provide information on whether the District 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. Considering other non-financial factors such as changes in economic conditions, population growth, weather, and new or changed government legislation is also vital. It is important to note that the District's goal is to have sufficient revenue to cover operating and capital expenses while maintaining affordable rates for its customers.

| Condensed Statements Of Net Position (dollars in thousands) | | | |
|---|------------------|------------------|------------------|
| | 2022 | 2021 | 2020 |
| Current and Other Assets | \$128,584 | \$127,250 | \$122,170 |
| Capital Assets | 136,126 | 129,230 | 121,812 |
| Investment in JPA | 68,942 | 67,140 | 66,420 |
| Total Assets | \$333,652 | \$323,620 | \$310,402 |
| Deferred Outflow of Resources | \$7,277 | \$8,765 | \$7,846 |
| Long-Term liabilities | 30,803 | 47,243 | 10,115 |
| Other Liabilities | 9,686 | 11,470 | 17,551 |
| Total Liabilities | \$40,489 | \$58,713 | \$27,666 |
| Deferred Inflows of Resources | \$13,921 | \$2,891 | \$2,143 |
| Net Position: | | | |
| Net Investment in Capital Assets, | \$127,736 | \$119,802 | \$111,697 |
| Restricted | 0 | 0 | 19 |
| Unrestricted | 158,783 | 149,432 | 140,495 |
| Total Net Position | \$286,518 | \$269,234 | \$252,211 |

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 Liabilities: Long-term financial obligations and employee retirement benefits.

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

Total Net Position: Represents the excess of assets over liabilities

Did You Know?

LVMWD lacks a local groundwater supply, and instead relies 100% on imported water to meet our potable water needs.

Financial Analysis

The Condensed Statement of Revenues, Expenses, and Net Position summarizes LVMWD's operating and non-operating revenues and expenses.

As shown in the comparative table on the next page, the income before capital contributions was \$13.6 million in Fiscal Year 2021-22 versus \$11.5 million in Fiscal Year 2020-21 and \$16.8 million in 2019-20. The income plus capital contributions (\$13.6 million income plus \$3.7 million capital contributions) lead to the overall increase in net position of \$17.3 million, when compared to last year's ACFR.

Fiscal Year 2021-22 water sales and service fees of \$51.6 million decreased 1.4% versus prior years fees of \$52.3 million. This decrease was despite District Board adopted rate increases of 5.0% and 8.0% respectively in the Potable Water Enterprise and Recycled Water Enterprise. The District's targeted outreach program to increase conservation from inefficient and wasteful water users along with on-going drought conservation messaging resulted in lower customer demand for potable water supply in Fiscal Year 2021-22 versus the prior year. Potable water deliveries for the fiscal year of 18,105 acre-feet were down 18.1% versus prior year deliveries of 21,391 acre-feet.

Sanitation service fees were \$20.3 million in Fiscal Year 2021-22, up \$1.6 million (or 8.3%), as compared to Fiscal Year 2020-21 revenues of \$18.7 million. The District Board adopted a rate increase of 3.75% that drove some of this increase in revenues along with an increase in "household size" among the District's residential customers.

Water operating expenses were \$37.3 million in Fiscal Year 2021-22, lower than the prior year's operating expenses of \$41.0 million due to reduced source of supply costs. Source of supply costs of \$25.9 million were down \$2.2 million (or 7.6%) from reduced customer water deliveries year over year.

Sanitation operating expenses were \$3.5 million in Fiscal Year 2021-22, up \$0.8 million (or 28.8%) compared to the prior year. Most of this increase was driven by higher general and administrative labor costs year over year.

The District's share of JPA net expenses reflected in the nonoperating revenues (expenses) section was \$15.3 million in Fiscal Year 2021-22, \$2.7 million (or 14.8%) below prior year's expenses of \$18.0 million. These expenses result from purchased sanitation services from the Las Virgenes-Triunfo Joint Powers Authority (JPA). The JPA received a one-time payment of \$2.8 million in March 2022 and due to the billing arrangement between the District and the JPA, the one-time revenue reduced the net expenses invoiced to the District for sanitation services, resulting in lower operating expenses year-over-year.

Capital contributions are irregular, as the District does not experience many large-scale projects. In July 2019, the District adopted a new capacity fee structure that focuses contributions on maintenance and upgrading of existing infrastructure.

Did You Know?

Customers who signed up for the WaterSmart portal used 46% less water in 2022 compared to the same period in 2020.

Financial Analysis

Condensed Statements of Revenues, Expenses and Changes in Net Position (dollars in thousands)

| | 2022 | 2021 | 2020 |
|--|------------------|------------------|------------------|
| Operating Revenues: | | | |
| Water Sales | \$51,564 | \$54,648 | \$47,672 |
| Sanitation and Other | 24,175 | 19,910 | 19,746 |
| Non-operating Revenues: | | | |
| Taxes and Penalties | 1,001 | 929 | 915 |
| Interest Income and Gain (Loss) | (2,439) | 1,736 | 7,507 |
| Total Revenues | \$74,301 | \$77,223 | \$75,840 |
| Depreciation Expense | 4,413 | 3,831 | 4,012 |
| Other Operating Expenses | 40,779 | 43,714 | 41,192 |
| Share of JPA Net Expenses | 15,314 | 17,969 | 13,634 |
| Non-Operating Expenses | 209 | 194 | 231 |
| Total Expenses | \$60,715 | \$65,708 | \$59,069 |
| Income (Loss) Before Capital Contributions | 13,586 | 11,515 | 16,771 |
| Capital Contributions | 3,698 | 5,498 | 1,419 |
| Change in Net Position | 17,284 | 17,013 | 18,190 |
| Net Position - Beginning of Year | 269,234 | 252,211 | 234,021 |
| Net Position - End of Year | \$286,518 | \$269,224 | \$252,211 |

Definitions:

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

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

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 Water & 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 combined net revenue and expenditure activity within the JPA.

Capital Assets

As of June 30, 2022, the District has invested \$264.0 million in capital assets, including a broad range of infrastructure such as water and sewer lines, wastewater facilities, reservoirs, tanks, distribution facilities, a compost facility, maintenance and administration facilities, vehicles and equipment, as well as an investment in the Las Virgenes-Triunfo Joint Venture of \$68.9 million

| Capital Assets (dollars in thousands) | | | |
|---|------------------|------------------|----------------------|
| | 2022 | 2021 | Dollar Change |
| Land | | | |
| Buildings and Improvements | 22,095 | 22,095 | 0 |
| Machinery and Equipment | 12,170 | 11,839 | 331 |
| Infrastructure | 202,644 | 200,315 | 2,329 |
| Construction in Progress | 20,242 | 11,593 | 8,649 |
| Subtotal | \$264,066 | \$252,757 | 11,309 |
| Less Accumulated Depreciation | 127,985 | 123,591 | 4,394 |
| Net Property, Plant and Equipment | 136,081 | 129,166 | 6,915 |
| Intangible right to use asset | 44 | 64 | (20) |
| Investment in Joint Venture | 68,942 | 67,140 | 1,802 |
| Total Capital Assets | \$205,067 | \$196,370 | 8,697 |

Did You Know?

In a nod to sustainability, the Pure Water Demonstration Facility is housed in the repurposed LVMWD headquarters building that had previously been vacant.

Long-Term Debt

On June 30, 2022, the District had total long-term debt of \$8.4 million, down from \$9.4 million on June 30, 2021. Excluding the District's minimal lease liability on the balance sheet of \$45 thousand, this remaining debt is solely the obligation of the Potable Water Enterprise and is for the Advanced Meter Infrastructure Project.

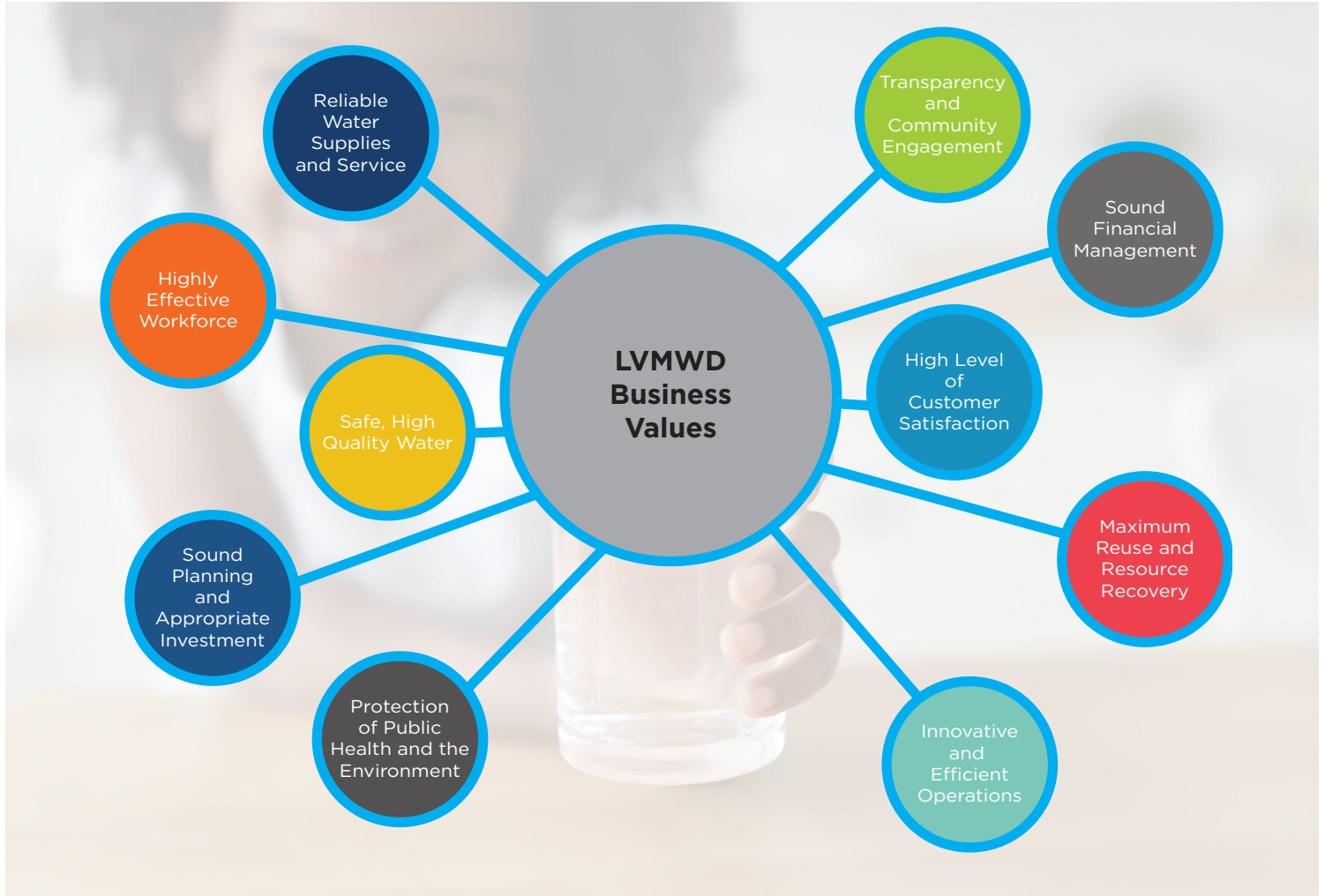
| Long-Term Debt (dollars in thousands) | | | | |
|---|----|---------------|---------------|-----------------------------|
| | | 2022 | 2021 | Total Percent Change |
| Potable Water Operating Revenues | \$ | 51,564 | \$ 52,249 | -1.31% |
| Potable Water Operating Expenses (less depreciation) | | 37,191 | 41,018 | -9.33% |
| Net Earnings | | 14,373 | 11,231 | 27.98% |
| Maximum Annual Debt Service | | 1,127 | 971 | 16.07% |
| Debt Coverage Ratio | | 12.75 | 11.57 | 10.26% |



Did You Know?

The Las Virgenes Reservoir holds enough drinking water to serve our customers for six months in case of an emergency.

Our Budget, Our Values and Our Customers



LVMWD is dedicated to providing high-quality, reliable water service in a cost-effective and environmentally sensitive manner. An important way we accomplish this mission is with the creation, adoption and execution of our operating budgets. These budgets reflect our core business values and provide our customers with a transparent way to see what the District's priorities are and how the policies, procedures and programs the dedicated staff executes is directly connected to our customers and the services we provide. Scan the QR code to the right or visit [LVMWD.com/OurBudget](https://www.lvmwd.com/OurBudget) To learn more about how the LVMWD budget connects the work we do with the customers and communities we serve.



Did You Know?

LVMWD's budget is approved on an annual basis by the elected Board of Directors, but is created in two year cycles to better plan for future operations and expenses.

Photo of Lake Oroville (p. 1,2,4,5,7) provided by the CA Department of Water Resources