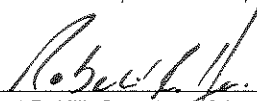


I hereby certify that the following agenda was posted at least 72 hours prior to the time of the meeting so noticed below at 24251 Los Alisos Boulevard, Lake Forest, California.


Robert R. Hill, Secretary of the
El Toro Water District and the Board of
Directors thereof

AGENDA

EL TORO WATER DISTRICT

REGULAR MEETING OF THE BOARD OF DIRECTORS ENGINEERING COMMITTEE MEETING AND FINANCE/INSURANCE COMMITTEE MEETING

December 18, 2017

7:30 a.m.

CALL TO ORDER – Director Vergara

PLEDGE OF ALLEGIANCE – Director Monin

ORAL COMMUNICATION – PUBLIC COMMENT

Members of the public may address the Committee at this time or they may reserve this opportunity with regard to an item on the agenda until said item is discussed by the Committee. Comments on other items will be heard at the time set aside for “COMMENTS REGARDING NON-AGENDA ITEMS.” The public will identify themselves when called on and limit their comments to three minutes.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize items(s) which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present, or, if less than two-thirds of the Board members are present, a unanimous vote of those members present.)

1. Approval of Minutes

The Engineering and FIC Committee will consider approving minutes for the November 27, 2017 Engineering and Finance/Insurance Committee meeting.

Recommended Action: Approve minutes for the November 27, 2017 Engineering and Finance/Insurance Committee meeting.

ENGINEERING COMMITTEE

ENGINEERING ACTION ITEMS

There are no action items.

ENGINEERING GENERAL INFORMATION ITEMS

2. **El Toro Water District Capital Project Status Report**
(Reference Material Included)

Staff will review and comment on the El Toro Water District Capital Project Status Report.

3. **Engineering Items Discussed at Various Conferences and Meetings** (Oral Report)

The Committee will discuss any pertinent Engineering items discussed at Conferences.

COMMENTS REGARDING NON-AGENDA ENGINEERING COMMITTEE ITEMS

CLOSE ENGINEERING COMMITTEE MEETING

FINANCE/INSURANCE COMMITTEE MEETING

CALL MEETING TO ORDER – Director Monin

4. **ETWD Comprehensive Annual Financial Report/Audit – Fiscal Year Ended June 30, 2017** (Reference Material Included)

Staff and the District's independent Auditor, The PUN Group, will review and comment on the District's Comprehensive Annual Financial Report (CAFR) – Audit for fiscal year ended June 30, 2017.

Recommended Action: Staff recommends that the Board of Directors receive and file the District's Comprehensive Annual Financial Report (CAFR) – Audit for fiscal year ended June 30, 2017.

FINANCIAL ACTION ITEMS

5. **Financial Package - Authorization to Approve Bills for Consideration dated December 18, 2017 and Receive and File Financial Statements as of November 30, 2017** (Reference Material Included)

Staff will review and comment on the Bills for Consideration dated December 18, 2017 and Receive and File Financial Statements as of November 30, 2017.

Recommended Action: Staff recommends that the Board: 1) Approve, ratify and confirm payment of those bills as set forth in the schedule of Bills for Consideration dated December 18, 2017, and 2) receive and file the Financial Statements for the period ending November 30, 2017.

FINANCIAL INFORMATION ITEMS

6. **Tiered Water Usage and Revenue Tracking** (Reference Material Included)

Staff will review and comment on monthly and year to date Tiered Water Usage and Revenue tracking.

COMMENTS REGARDING NON-AGENDA FIC ITEMS

CLOSE FINANCE AND INSURANCE COMMITTEE MEETING

ATTORNEY REPORT

CLOSED SESSION

At this time the Board will go into Closed Session as follows:

1. In accordance with Government Code Section 54956.8 to consult with the District's Negotiator (Dennis Cafferty, Assistant General Manager) regarding the terms and conditions concerning the potential sale/disposition of the following property: Property and Easements within Assessor Parcel Number 613-011-01 (District's existing Pump Station site).
2. In accordance with Government Code Section 54956.96 in order to receive, discuss, and/or take action concerning information obtained by the District's representative pertaining to a closed session of the South Orange County Wastewater Authority ("SOCWA"), a joint powers agency.
3. In accordance with Government Code Section 54957 to review the General Manager's Employment Agreement.
4. To conduct the General Manager's annual performance evaluation pursuant to Government Code Section 54957 (b) (1).

REGULAR SESSION

REPORT ON CLOSED SESSION (Legal Counsel)

Mr. Granito will provide an oral report on the Closed Session.

7. GENERAL MANAGER COMPENSATION

Board Action: The District's Board of Directors will discuss and consider granting the District's General Manager a compensation increase in the amount and form as determined by the Board.

ADJOURNMENT TO 7:30 a.m., Tuesday, January 23, 2018.

The agenda material for this meeting is available to the public at the District's Administrative Office, which is located at 24251 Los Alisos Blvd., Lake Forest, Ca. 92630. If any additional material related to an open session agenda item is distributed to all or a majority of the board of directors after this agenda is posted, such material will be made available for immediate public inspection at the same location.

Request for Disability-Related Modifications or Accommodations

If you require any disability-related accommodation, including auxiliary aids or services, in order to participate in this public meeting, please telephone the District's Recording Secretary, Polly Welsch at (949) 837-7050, extension 225 at least forty-eight (48) hours prior to said meeting. If you prefer, your request may be submitted in writing to El Toro Water District, P.O. Box 4000, Laguna Hills, California 92654, Attention: Polly Welsch.

MINUTES OF THE REGULAR MEETING
OF THE
ENGINEERING COMMITTEE MEETING
AND
FINANCE/INSURANCE COMMITTEE

November 27, 2017

President Goldman called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:00 a.m. on November 27, 2017.

Director Adjarian led in the Pledge of Allegiance to the flag.

Present at today's meeting were Committee Members M. SCOTT GOLDMAN, WILLIAM H. KAHN, FRED ADJARIAN, and MARK MONIN.

Director JOSE F. VERGARA was absent.

Also present were ROBERT R. HILL, General Manager/Secretary, DENNIS P. CAFFERTY, Assistant General Manager/District Engineer, NEELY SHAHBAKHTI, Finance Manager/Controller, JUDY CIMORELL, Human Resources Manager, GILBERT J. GRANITO, General Counsel, BOB ADAMS, HIGHMARK Representative, KATHRYN FRESHLEY, Customer, and CAROL MOORE, Customer.

Oral Communication/Public Comment

There were no comments.

Items Received too Late to be Agendized

President Goldman asked if there were any items received too late to be agendized. Mr. Hill replied no.

Approval of Minutes

President Goldman asked for a Motion.

Motion: Director Adjarian made a Motion, seconded by Director Monin and unanimously carried across the Board to approve the Minutes.

Roll Call

Vice President Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Quarterly Review of the District's 401(k) Retirement Savings Plan

Mr. Adams stated that in the third quarter of this year we went over the \$20 million mark in the 4 portfolios combined. He further stated that performance continues to be good.

Mr. Adams stated that all 4 portfolios beat the secondary benchmark. He further stated that on the equity side the only tactical allocation that was a negative year to date was Value vs. Growth.

Mr. Adams stated that U.S. stocks and International stocks are doing well. He further stated that in the next report High Yields will be reviewed.

Mr. Adams stated that a couple of the Mutual Funds have not done too well lately, but they are still strong funds. He further stated that Fidelity Small Cap Funds are not performing well recently, but at this point we are still holding this Fund.

Mr. Adams stated that none of the Funds in the portfolios are on the Watch List. He further stated that Foreign Equity Funds the 3 year numbers are not too good.

Director Monin stated that HighMark prepared a good report, and management fees/expense ratios are coming down a bit with some at 3-4 basis points, which puts pressure on pro-active Index Funds. He further stated that when it comes to the Fixed Income Funds, when the fee is high the net is not good.

Director Monin asked if we could lower our expense ratio. Mr. Adams replied that they do review the expense ratios and lower fees for some of the Funds.

At approximately 7:14 o'clock a.m. Mr. Adams left the meeting.

FINANCE/INSURANCE COMMITTEE

At approximately 7:14 o'clock a.m. Director Monin called the Finance/Insurance Committee meeting to order.

Financial Action Items

Resolution No. 17-11-1 Establishing Date, Time, and Place of Regular Meetings and Committee Meetings of the Board of Directors for the Calendar Year 2018

Mr. Hill stated that the most significant is that staff is proposing going back to a Tuesday and Thursday meeting schedule in 2018. He further stated that there is typically conflict in November and December due to the holidays.

President Goldman asked that the November meetings be on Monday and Tuesday the week of Thanksgiving. The Recording Secretary will make the change.

President Goldman asked for a Motion.

Motion: Director Adjarian made a Motion, seconded by Director Monin and unanimously carried across the Board to approve Resolution No. 17-11-1 as corrected to reflect the November Board meetings being held on Monday and Tuesday the week of Thanksgiving, and establishing Date, Time, and Place of Regular Meetings and Committee Meetings of the Board of Directors for the Calendar Year 2018.

Roll Call:

Vice President Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Resolution No. 17-11-2 Modifying Appointment of ETWD Standing Committee Members for the Calendar Year 2018

President Goldman stated that he made some adjustments to the Standing Committee Meetings, which are highlighted in red.

President Goldman asked for a Motion.

Motion: Director Adjarian made a Motion, seconded by Director Monin and unanimously carried across the Board to approve Resolution No. 17-11-2 which modifies the appointment of Directors to the various Organizations and Standing Committees of the Board for the calendar year 2018.

Roll Call:

Vice President Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Financial Package – Authorization to Approve Bills for Consideration dated November 27, 2017 and Receive and File Financial Statements as of October 31, 2017

Ms. Shahbakhti stated that there is nothing out of ordinary in this month's Financial report.

Ms. Shahbakhti stated that on page 4, Summary of Investments shows the types of investments for the month of October.

Ms. Shahbakhti stated that on page 5, Reserve Analysis, we are exceeding the Reserve requirement. She further stated that on page 8, 401(k) Plan is doing well.

Ms. Shahbakhti stated that on page 10, Income Statement is doing good.

Director Monin asked for a Motion.

Motion: Director Adjarian made a Motion, seconded by Director Monin and unanimously carried across the Board, to 1) approve, ratify and confirm payment of those bills as set forth in the schedule of Bills for Consideration dated November 27, 2017, and 2) receive and file the Financial Statements for the period ending October 31, 2017 and place on the Engineering and Finance/Insurance Committees approval list for the November 28, 2017 special meeting of the Board of Directors.

Roll Call:

Vice President Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Financial Information Items

Tiered Water Usage and Revenue Tracking

Ms. Shahbakhti stated that the District is over 90% efficient.

Comments Regarding Non-Agenda FIC Items

Director Monin stated that he would like to hear about the outcome of the Boy Scout Tour at the Plant. He further stated that he is not aware of security at the District office, and would like to hear more about this. Director Monin stated that he would like more information from the head mechanic on procedures and what his job involves.

Close Finance and Insurance Committee Meeting

At approximately 7:37 o'clock a.m. the Finance meeting was closed.

Engineering Committee

At approximately 7:37 o'clock a.m. President Goldman called the Engineering Committee meeting to order.

Engineering Action Items

Recycled Water Phase II SRF Loan Term Options

Mr. Cafferty stated that the typical funding agreement with the State for the SRF Loan is a 20-year loan, but staff is reviewing options. He further stated that when the District entered into the LRP Agreement with MET for the Phase II RWEP, the decision was made to select the LRP option that pays up to \$475/af for a period of 15 years.

Mr. Cafferty stated that the objectives of staff's analysis is to maximize the amount of LRP Revenue, minimize the short term draw on Restricted Reserves, minimize the loan interest cost and maximize the long term generation of restricted reserves for the Phase II project which will serve to offset the Phase I restricted reserve requirement.

Mr. Cafferty stated that staff reviewed different loan terms, total costs, revenues, and the LRP to identify the most financially advantageous SRF Loan Term.

Mr. Cafferty presented SRF Loan Term Options for the Phase II project.

Vice President Kahn asked if we are using Restricted Reserves to pay the debt service, will this affect the funding for Phase III. Mr. Cafferty replied that projections for Restricted reserves are \$600,000 to \$700,000/year, and what is needed for this project is only \$37,000/year.

Mr. Cafferty stated that an amendment to the loan agreement will need to be done. He further stated that the loan amount will be adjusted when the staff submits the actual bid amounts to the State.

President Goldman stated that he would like to see an analysis of the combined Phase I and Phase II Projects.

Mr. Cafferty stated that staff is recommending that the Board authorize the General Manager to request the State Water Resources Control Board of Financial Assistance set the SRF term at 11 years, and authorize the General Manager to execute an amendment to the SRF Funding Agreement that will define the loan term and projected loan amount based on current costs.

President Goldman asked for a Motion.

Motion: Director Adjarian made a Motion, seconded by Director Monin, and unanimously carried across the Board to authorize the General Manager to request the State Water Resources Control Board of Financial Assistance set the SRF term at 11 years, and authorize the General Manager to execute an amendment to the SRF Funding Agreement that will define the loan term and projected loan amount based on current costs.

Roll Call:

Director Adjarian	aye
Director Monin	aye
President Goldman	aye
Vice President Kahn	aye

Phase II Recycled Water Distribution System Expansion Project Change Order Policy

Mr. Cafferty stated that a project of this magnitude has the potential to generate periodic construction change orders in amounts exceeding the General Manager's \$50,000 authority, and in order to avoid costly delays, staff is requesting that the Board authorize the General Manager to approve change orders up to \$100,000 for the duration of this project.

Director Monin asked how often change orders occur. Mr. Cafferty replied that the potential exists for change orders, and this is a precaution to be in a position to allow the General Manager to approve any change orders in order to not delay the project.

President Goldman asked for a Motion.

Motion: Director Adjarian made a Motion, seconded by Vice President Kahn, and unanimously carried across the Board to approve the Phase II Recycled Water Distribution System Expansion Project Change Order Policy, and authorize the General Manager to approve Change Orders up to \$100,000 for the duration of the Phase II RWEF project.

Roll Call:

Director Adjarian	aye
Director Monin	aye
President Goldman	aye
Vice President Kahn	aye

At approximately 8:30 o'clock a.m. Director Adjarian left the meeting.

Engineering General Information Items

El Toro Water District Capital Project Status Report

Phase II RWEF

Mr. Cafferty stated that both projects have been awarded, and pipeline construction in the West Side System begins next week.

Phase III RWEPP

Mr. Cafferty stated that staff is working on a project summary to evaluate and compare the costs and benefits of options, which staff will review with the Board on a future date.

2nd Street Pump Station Demolition Project

Mr. Cafferty stated that the work will be scheduled following the de-energization of the electrical supply to the pump station building.

Potential Energy Savings Project

Mr. Cafferty stated that staff has been communicating with two different firms that are proposing projects involving energy savings. He further stated that one proposal would install a battery system at the Water Recycling Plant that would allow the purchase of cheaper power overnight, storing it, and using the power during the day during the more expensive peak hours.

Mr. Cafferty stated that the firm proposing this project would install, own and operate the facilities and then share in the energy savings. Mr. Cafferty further stated that the proposed project could save the District between \$20,000 - \$30,000 a year, and at the end of 10 years we could purchase the system. Mr. Cafferty noted that this approach avoids any risk for the District and requires no up front capital investment.

Mr. Cafferty stated that an alternative approach is another company proposing a mix of solar, batteries, and changing lights to more efficiency. He further stated that this project would require the District invest as much as \$4 million. Mr. Cafferty noted that

the proposed project theoretically generates substantial savings, but is dependent on an assumed annual SCE rate increase of approximately 5%/year.

Mr. Cafferty stated that staff will need to evaluate the future potential value of solar projects as current solar energy generation has shifted the SCE generation deficit to late afternoon when solar generation declines.

Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Comments Regarding Non-Agenda Engineering Committee Items

There were no comments.

Close Engineering Committee Meeting

At approximately 8:45 o'clock a.m. the Engineering meeting was closed.

Attorney Report

Mr. Granito reported that there is no need for a Closed Session at today's meeting.

Adjournment

There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Monin made a Motion, seconded by Vice President Kahn and unanimously carried that today's meeting be adjourned at 8:45 o'clock a.m. to Monday, December 18, 2017 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Roll Call:

President Goldman	aye
Vice President Kahn	aye
Director Monin	aye
Director Adjarian	aye

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

M. SCOTT GOLDMAN, President
of the El Toro Water District and the
Board of Directors thereof

ROBERT R. HILL, Secretary
of the El Toro Water District and the
Board of Directors thereof

CAPITAL PROJECT / EQUIPMENT STATUS REPORT

December, 2017

I Oso Lift Station Improvement Project

Design is in progress. Staff provided comments on the 30% design submittal to Tetra Tech. The 60% design should be complete in December. The final design is expected to be complete in February.

II Phase II Recycled Water Distribution System Expansion Project

Construction

- **West Side System**

Pipeline construction is underway.

- **East Side System**

T.E. Roberts has mobilized and has begun the potholing phase of the project.

The following project information items are attached:

- **Cost Tracking & Estimate**
- **Construction Summary**
- **Change Order Log**

III Phase III Recycled Water Distribution System Expansion Project

Staff is working on a high level project summary that will evaluate and compare the costs and benefits of various recycled water project options. Staff is preparing to make a report to the Board, at a conceptual level, in the near future regarding potential future recycled water projects.

IV 2nd Street Pump Station Demolition Project

The de-energization of the electrical supply to the pump station building is complete. The contractor, S.S. Mechanical, is preparing a schedule for the demolition project. S.S. Mechanical estimates the project will take two weeks to complete following commencement of demolition activities.

V South Orange County Supply and System Reliability Projects

A. Baker Water Treatment Product Water Conveyance Options

Moulton Niguel Water District is evaluating a potential new turnout on the South County Pipeline that would include a turnout connection dedicated to the ETWD Baker supply. MNWD has verbally indicated they are prepared to continue the temporary conveyance of water through the Los Alisos interconnection until such time that the permanent conveyance facilities are complete.

B. Poseidon HB Ocean Desalination Project

OCWD continues to work on preparation of CEQA (EIR) documentation for the project. The process is going slowly. The EIR will consider the impacts of injecting all of the water into the basin. That option would require over 30 new injection wells for which it has been difficult to find appropriate site locations. They are also studying how to construct a new six-mile pipeline to convey water to SOC as they suspect that Met will not allow them to use EOC Feeder No. 2 to convey the product water. This pipeline option will be incorporated into the EIR. The pipeline would be designed to convey 10 mgd (base loaded) to MNWD (4mgd), SMWD (5 mgd) and ETWD (1mgd).

At a hearing held on October 19 the State Lands Commission approved the Poseidon project as long as Poseidon agrees to a eliminate or reduce carbon emissisons. Poseidon will pursue renewal of their NPDES discharge permit with the Santa Ana Regional Water Quality Control Board in early 2018. It is anticipated that Poseidon will then seek project approval from the Coastal Commission sometime next summer.

The Project moving forward is contingent upon:

- Poseidon securing the Coastal Commission Permit
- Poseidon renewing their Regional Water Quality Control Board Permit
- MWDOC securing a Met LRP (\$475/acre foot over a 15-year period)
- If molecules were to be delivered to South County obtaining Met approval to introduce product water into East Orange County Feeder No. 2

Met approval of the LRP is subject to Poseidon receiving all applicable regulatory and environmental permits.

OCWD and Poseidon have agreed on a non-binding term sheet which will be the basis for negotiating a Water Purchase Agreement.

Agreed upon rate between Poseidon and OCWD Met rate plus an escalating surcharge over a 50-year period:

- **20% first 10 years**
- **15% second 10 years**
- **10% third ten years**
- **5% fourth ten years**
- **0% for the last ten years**

There is also a “reopener” to renegotiate based upon actual expenses at 15 years which, is tied to the proposed 15 year Met LRP.

OCWD takes delivery at the plant property line and is responsible for design, financing, construction and operation of the delivery system.

**PHASE II RECYCLED WATER
DISTRIBUTION SYSTEM EXPANSION PROJECT
TOTAL PROJECT COST ESTIMATE**

	Estimate	To Date
Construction		
West Side System		
E.J. Meyer Construciton Contract	\$3,708,888	
Allowance for Utility Conflicts (Contingency)	\$150,000	
Contingency	\$175,000	
Total	\$4,033,888	\$223,573
East Side System		
T.E. Roberts Construction Contract	\$1,337,411	
Allowance for Utility Conflicts (Contingency)	\$75,000	
Contingency	\$65,000	
Total	\$1,477,411	
Total Construction		
Engineers Estimate	\$5,046,299	
Allowance for Utility Conflicts (Contingency)	\$225,000	
Contingency	\$240,000	
Total Construction	\$5,511,299	\$223,573
Engineering Design		
Engineering Design (Tetra Tech)	\$241,000	
Retrofit Site Plans	\$66,500	
Easement Exhibits (Tetra Tech)	\$32,500	
Subtotal Design	\$340,000	\$292,556
Planning		
CEQA (Dudek)	\$67,805	\$67,805
Construction Support		
CEQA Construction Support	\$15,000	
Engineering Construction Support - Tetra Tech	\$145,000	
Construction Management & Inspection - MWH	\$435,991	\$44,647
Construction Management & Inspection - Geotech	\$85,995	
Labor Compliance Consultant - GSLC	\$42,840	
Miscellaneous Construction Support	\$75,000	\$4,851
Subtotal Construction Support	\$799,826	\$49,499
Administration		
Legal	\$50,000	
SRF Loan Application (HDR)	\$13,536	\$13,536
Grant Funding Research	\$9,701	\$9,701
Public Relations / Project Outreach	\$75,000	\$781
Miscellaneous	\$75,000	
Easements Compensation	\$34,600	
Title Insurance	\$16,500	\$16,500
Subtotal Administration	\$274,337	\$40,518
On Site Conversions/Retrofits Construction	\$700,000	\$0
Total Project	\$7,693,267	\$673,950

**PHASE II RECYCLED WATER
DISTRIBUTION SYSTEM EXPANSION PROJECT**

CONSTRUCTION SUMMARY

**EAST SIDE SYSTEM
PIPELINE INSTALLATION PROGRESS**

DIAMETER	CONTRACT (LF)	FINAL	COMPLETION PERCENTAGE
6"	3,671		0%
4"	4,002		0%
TOTAL	7,673	0	0%

Construction Completion

Progress Billings		0%
Allowance Utilization	\$0	0%
Change Orders	\$0.00	0.0%

**WEST SIDE SYSTEM
PIPELINE INSTALLATION PROGRESS**

DIAMETER	CONTRACT (LF)	INSTALLED (LF)	COMPLETION PERCENTAGE
10"	1,349		0%
6"	949		0%
4"	18,343	1,290	7%
TOTAL	20,641	1,290	6%

Construction Completion

Progress Billings (August)	\$266,880	7%
Allowance Utilization	\$25,624.57	17%
Change Orders	\$6,817.99	0.2%

**TOTAL DISTRIBUTION SYSTEM
PIPELINE INSTALLATION PROGRESS**

DIAMETER	CONTRACT (LF)	FINAL	COMPLETION PERCENTAGE
10"	1,349	0	0%
6"	4,620	0	0%
4"	22,345	1,290	6%
TOTAL	28,314	1,290	5%

Construction Completion

Progress Billings	\$266,880	5%
Allowance Utilization	\$25,624.57	11%
Change Orders	\$6,817.99	0.1%

**PHASE II RECYCLED WATER
DISTRIBUTION SYSTEM EXPANSION PROJECT
CONSTRUCTION CHANGE ORDER SUMMARY**

PROJECT	ORIGINAL CONTRACT VALUE	TOTAL CHANGE ORDERS	CHANGE ORDER PERCENTAGE
EAST SIDE SYSTEM PROJECT	1,337,411	0	0.0%
WEST SIDE SYSTEM PROJECT	3,858,888	6,818	0.2%
TOTAL	5,196,299	6,818	0.1%

West Side System

Change Order No. 1

\$6,817.99

Additional pipeline cost due to Hurricane Harvey related supply issues.

**F.Y. 2017/18 CAPITAL REPLACEMENT AND REFURBISHMENT PROGRAM BUDGET ITEMS > \$50,000
BOARD APPROVAL SCHEDULE**

Project Description		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Budget Estimate	Board Approved Cost
<i>2017/18 Capital Projects</i>															
1	Recycled Water Phase II	B	A	C	A	C	C	C	C	C	C	C	C	\$10,000,000	\$4,439,879
2	Replace R-6 Sodium Hypochlorite Tanks	E	E	E			B	A	C	C	C			\$210,000	
3	Oso Lift Station Improvement Project	E	E	E	E	E	E	E	B	A	C	C	C	\$1,000,000	
4	AMR / AMI Implementation						RFP	RFP						\$200,000	
5	Master Plan Update						RFP	RFP	A	E	E	E		\$350,000	
6	A/C Pavement Repair and Maintenance at Los Alisos Facility						E	E	B	A	C	C		\$100,000	
<i>2017/18 Capital Equipment</i>															
1	Also Creek Lift Station Spare Grinder			Quote is <\$50K. Will be Purchased Under GM Authority									\$52,500	\$0	
2	Northline Lift Station Spare Grinder			A										\$84,000	\$82,946
3	WRP Tractor										A			\$200,000	
4	Vehicle Replacement									A		R		\$100,000	
5	250KW Portable Emergency Generator		A											\$210,000	\$141,826
6	Backhoe						B	A		R				\$168,000	
Total														\$12,674,500	\$4,664,651

E = Engineering/Study

C = Construction

O = Order

N = Negotiate

R = Receive

P = Permit

CQ = CEQA

CO = Carry Over

RFP = Request for Proposal

B = Bid

A = Approve by Board

ET = Evaluate

M = Monitoring

BP = Board Presentation

Revised 12/15/17



El Toro Water District

Comprehensive Annual Financial Report

For the Years Ended June 30, 2017 and 2016



EL TORO WATER DISTRICT – A District of Distinction
24251 Los Alisos Blvd., Lake Forest. CA 92630 – 949-837-0660 / www.etwd.com

**El Toro Water District
Comprehensive Annual Financial Report
For the Years Ended June 30, 2017 and 2016**

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INTRODUCTORY SECTION

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El Toro Water District

"A District of Distinction"

Serving the Public, Respecting the Environment

November 30, 2017

Board of Directors
El Toro Water District

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the El Toro Water District (District) for the fiscal years ended June 30, 2017 and 2016, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

District Structure and Leadership

El Toro Water District was formed in 1960 and serves nearly 50,000 people in southern Orange County and is a fully integrated water, sewer and recycled water retail operation. The District is governed by a Board of Directors consisting of five board members. The directors are elected by registered voters within the District boundaries. The Board of Directors establish policy and make decisions based on the District's mission, goals, and operations. The Board's policies are administered and implemented by the General Manager, who is appointed by the Board. Public elections are held every two years and Directors serve four year terms. Terms are staggered to ensure continuity.

The Board takes its responsibilities as sound fiscal stewards seriously. Every quarter the District has an Agreed-Upon Procedures (AUP) performed by the District auditors to focus in detail on an aspect of internal controls. Each AUP focuses on different internal control risk areas. Additionally, the District prepares a full cost of service analysis each year to determine the fairness and adequacy of its rates for the next fiscal year.

The District is also very proud to be awarded the District of Distinction Award by the Special District Leadership Foundation, a testament to the responsible leadership that has been a long-standing tradition at the District.

Economic Condition and Outlook

The District offices are located in Orange County, which has the healthiest economic growth in the region.

California's water supply continues to be a concern. This concern has increased interest in conservation and in irrigation methods and systems. The District is a leader in the area of water conservation and will continue to make strides in this area.

Board of Directors

M. Scott Goldman
William H. Kahn
Jose F. Vergara
Frederick J. Adjarian
Mark L. Monin

General Manager

Robert R. Hill

Major initiatives

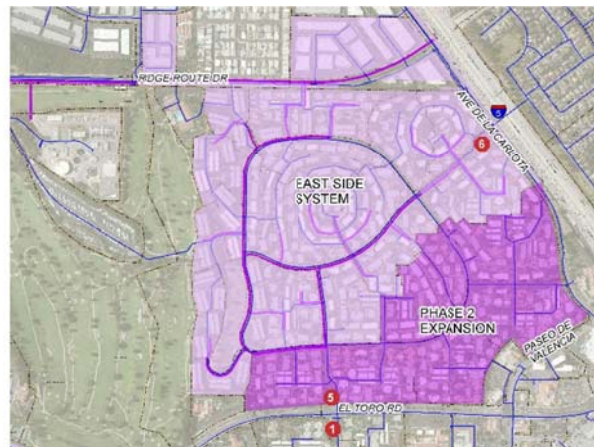
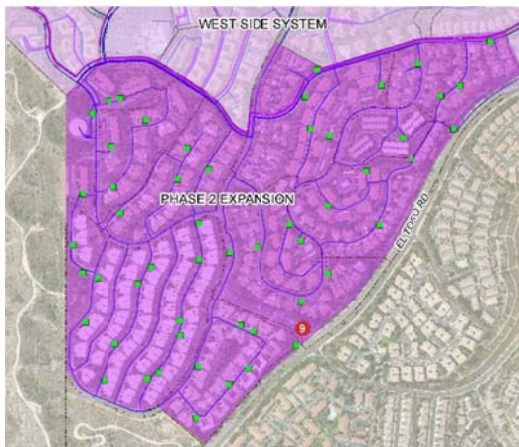
The mission of the El Toro Water District is to “provide its customers safe, adequate and reliable supply of water and wastewater service in an environmentally and economically responsible way.”

We have successfully maintained the faith of that mission for over 50 years. As we move forward, strategic planning for the next forty years to ensure operational success and customer satisfaction includes:

- Continued collaboration with our wholesale water supplier and regional partners to cost effectively and reliably develop a diverse portfolio of high quality water resources
- Expansion of local recycled water deliveries for beneficial reuse
- Proactive participation in local and regional water conservation programs to advance efficient and responsible use of existing and new water resources
- On-going infrastructure assessment, restoration and replacement with prudent financial planning that supports the District’s overall goals and actions.

Some major capital improvement projects include:

The Phase II Recycled Water Distribution System Expansion Project (Project), budgeted at \$8 million, which will add approximately 28,500 feet of new recycled water pipelines and appurtenances to the existing recycled water system. The Project will add 65 dedicated recycled water irrigation meters to the recycled water system. The project is currently under construction and is anticipated to be complete by mid-2018.



The Oso Sewer Lift Station Improvement Project, budgeted at \$ 1.5 million, expects to be complete in mid-2018. This project will replace the aging sewer lift station and increase the reliability and efficiency of sewer pumping facilities.



Internal Control Structure

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

Budgetary Control

The District's Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects.

The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors annually adopts an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund (LAIF), California Asset Management Program (CAMP), U.S. treasury obligations, government sponsored entities securities, and institutional savings and checking accounts.

Water Rates and District Revenues

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge.

Audit and Financial Reporting

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of The Pun Group has conducted the audit of the District's financial statements. Their unqualified Independent Auditor's Report appears in the Financial Section.

Awards and Acknowledgements

For the year ended June 30, 2016, the District received for the 1st year the Government Finance Officers Association of the United States and Canada's (GFOA) *Certificate of Achievement for Excellence in Financial Reporting*. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the El Toro Water District's fiscal policies.

Respectfully submitted,

Robert Hill
General Manager

Neely Shahbakti
Finance Manager/Controller



DISTRICT OFFICIALS

Board of Directors

M. Scott Goldman, President

William H. Kahn, Vice President

Mark Monin, Treasurer

Jose Vergara, Director

Frederick Adjarian, Director

District Management

Robert R. Hill, General Manager

Dennis P. Cafferty, Assistant General Manager/District Engineer

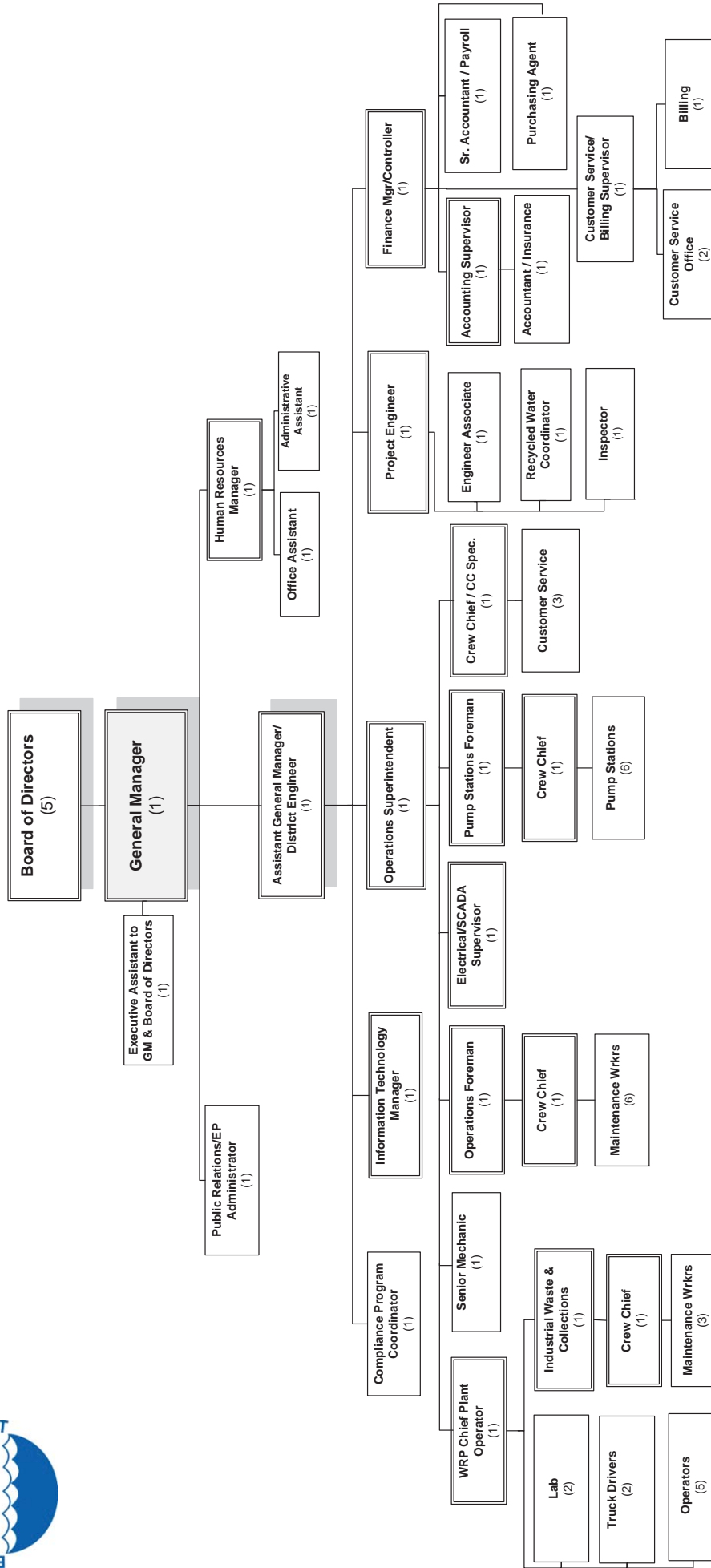
Neely Shahbakhti, Finance Manager/Controller

Judy Cimorell, Human Resource Manager

Michael Miazga, Information Technology Manager



EL TORO WATER DISTRICT ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**El Toro Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the El Toro Water District
Lake Forest, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the El Toro Water District (District), which comprise of the balance sheets as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, cash flows, for the years then ended and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2017 and 2016, and the respective changes in financial position, and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

To the Board of Directors
of the El Toro Water District
Lake Forest, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 19 and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory and the statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, 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.

Santa Ana, California
November 30, 2017



**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***

Independent Auditors' Report

To the Board of Directors
of the El Toro Water District
Lake Forest, 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 balance sheet as of June 30, 2017, and the related statements of revenues, expenses and change in net position, cash flows, for the years then ended and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 El Toro Water District
Lake Forest, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Santa Ana, California
November 30, 2017

El Toro Water District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2017 and 2016

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the El Toro Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2017, the District's net position decreased 0.83% or \$577,427 to \$68,957,021 as a result of operations.
- In 2016, the District's net position increased 0.08% or \$57,702 to \$69,534,448 as a result of operations.
- In 2017, the District's operating revenues increased 6.73%, or \$1,516,093, primarily due to a \$565,736 increase in water consumption sales and a \$988,657 increase in sewer services.
- In 2016, the District's operating revenues decreased 2.62%, or (\$607,419), primarily due to the net amount of a (\$1,929,259) decrease in water consumption sales, \$197,703 increase in water service charges and a \$1,045,916 increase in sewer services.
- In 2017, the District's operating expenses increased 2.94%, or \$606,408, primarily due to an increase in transmission and distribution of \$648,253.
- In 2016, the District's operating expenses decreased 4.74%, or (\$1,026,153), primarily due to a decrease in source of supply of (\$1,215,484).

Required Financial Statements

This annual report consists of a series of financial statements. The Balance Sheets, Statements of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Balance Sheets include all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a 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 revenue and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. The statements measure the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. The statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and 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.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheets and the Statements of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. One can think of the District's net position – the difference between assets and liabilities – as one way 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, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Balance Sheets

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>June 30, 2015</u>	<u>Change</u>
Assets:					
Current assets	\$ 19,553,765	\$ 18,675,907	\$ 877,858	\$ 23,562,063	\$ (4,886,156)
Restricted assets	1,626,039	2,180,429	(554,390)	2,285,068	(104,639)
Capital assets, net	94,743,188	95,034,195	(291,007)	90,300,408	4,733,787
Total assets	<u>\$ 115,922,992</u>	<u>\$ 115,890,531</u>	<u>\$ 32,461</u>	<u>\$ 116,147,539</u>	<u>\$ (257,008)</u>
Liabilities:					
Current liabilities	\$ 4,558,062	\$ 4,046,868	\$ 511,194	\$ 5,049,552	\$ (1,002,684)
Noncurrent liabilities	42,407,909	42,309,215	98,694	41,621,241	687,974
Total liabilities	<u>46,965,971</u>	<u>46,356,083</u>	<u>609,888</u>	<u>46,670,793</u>	<u>(314,710)</u>
Net position:					
Net investment in capital assets	57,194,565	57,306,311	(111,746)	52,204,625	5,101,686
Restricted	1,626,039	2,180,429	(554,390)	2,285,068	(104,639)
Unrestricted	10,136,417	10,047,708	88,709	14,987,053	(4,939,345)
Total net position	<u>68,957,021</u>	<u>69,534,448</u>	<u>(577,427)</u>	<u>69,476,746</u>	<u>57,702</u>
Total liabilities and net position	<u>\$ 115,922,992</u>	<u>\$ 115,890,531</u>	<u>\$ 32,461</u>	<u>\$ 116,147,539</u>	<u>\$ (257,008)</u>

In 2017, total assets increased by \$32,461 as well as total liabilities plus net position increased by \$32,461.

In 2016, the decrease in current assets of \$4.8 million is directly related to the \$4.7 million increase capital assets as the District continues to utilize its cash reserves to construct its capital projects.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$68,957,021 and \$69,534,448 as of June 30, 2017 and 2016, respectively.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

By far the largest portion of the District's net position (83% as of June 30, 2017 and 82% as of June 30, 2016) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2017 and 2016, the District showed a balance in its restricted net position of \$1,626,039 and \$2,180,429, respectively, which is restricted for capital projects.

At the end of fiscal years 2017 and 2016, the District showed a positive balance in its unrestricted net position of \$10,136,417 and \$10,047,708, respectively, which may be utilized in future years.

Statements of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>June 30, 2015</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 24,032,874	\$ 22,516,781	\$ 1,516,093	\$ 23,124,200	\$ (607,419)
Non-operating revenues	1,298,287	1,352,114	(53,827)	1,357,378	(5,264)
Total revenues	<u>25,331,161</u>	<u>23,868,895</u>	<u>1,462,266</u>	<u>24,481,578</u>	<u>(612,683)</u>
Expenses:					
Operating expenses	21,218,983	20,612,575	606,408	21,638,728	(1,026,153)
Depreciation	4,068,743	3,378,409	690,334	2,831,181	547,228
Non-operating expenses	706,683	397,680	309,003	132,375	265,305
Total expenses	<u>25,994,409</u>	<u>24,388,664</u>	<u>1,605,745</u>	<u>24,602,284</u>	<u>(213,620)</u>
Capital contributions	<u>85,821</u>	<u>577,471</u>	<u>(491,650)</u>	<u>-</u>	<u>577,471</u>
Change in net position	<u>(577,427)</u>	<u>57,702</u>	<u>(635,129)</u>	<u>(120,706)</u>	<u>178,408</u>
Net position:					
Beginning of year	<u>69,534,448</u>	<u>69,476,746</u>	<u>57,702</u>	<u>69,597,452</u>	<u>(120,706)</u>
End of year	<u>\$ 68,957,021</u>	<u>\$ 69,534,448</u>	<u>\$ (577,427)</u>	<u>\$ 69,476,746</u>	<u>\$ 57,702</u>

The statements of revenues, expenses and changes of net position reflect how the District's net position changed during the fiscal year. In the case of the District, the District's change in net position decreased by \$577,427 and increased by \$57,702, respectively, for the fiscal years ended June 30, 2017 and 2016.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Total Revenues

Operating revenues:	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>June 30, 2015</u>	<u>Change</u>
Water consumption sales	\$ 8,635,462	\$ 8,069,726	\$ 565,736	\$ 9,998,985	\$ (1,929,259)
Water service charges	4,177,505	4,381,402	(203,897)	4,183,699	197,703
Sewer service charges	10,759,981	9,771,324	988,657	8,725,408	1,045,916
Standby charges	1,525	3,292	(1,767)	4,818	(1,526)
Reimbursements from others	331,179	233,000	98,179	116,957	116,043
Other charges for services	127,222	58,037	69,185	94,333	(36,296)
Total operating revenues	<u>24,032,874</u>	<u>22,516,781</u>	<u>1,516,093</u>	<u>23,124,200</u>	<u>(607,419)</u>
Non-operating revenues:					
Property taxes	888,973	843,301	45,672	815,554	27,747
Rental revenue	181,491	172,665	8,826	246,196	(73,531)
Investment earnings	75,113	147,447	(72,334)	76,804	70,643
Other non-operating revenue	152,710	188,701	(35,991)	218,824	(30,123)
Total non-operating revenues	<u>1,298,287</u>	<u>1,352,114</u>	<u>(53,827)</u>	<u>1,357,378</u>	<u>(5,264)</u>
Total revenue	<u>\$ 25,331,161</u>	<u>\$ 23,868,895</u>	<u>\$ 1,462,266</u>	<u>\$ 24,481,578</u>	<u>\$ (612,683)</u>

In 2017, the District's operating revenues increased 6.73%, or \$1,516,093, primarily due to a \$565,736 increase in water consumption sales and a \$988,657 increase in sewer services.

In 2016, the District's operating revenues decreased 2.62%, or (\$607,419), primarily due to the net amount of a (\$1,929,259) decrease in water consumption sales, \$197,703 increase in water service charges and a \$1,045,916 increase in sewer services.

Total Expenses

Operating expenses:	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>June 30, 2015</u>	<u>Change</u>
Source of supply	\$ 7,435,534	\$ 7,555,626	\$ (120,092)	\$ 8,771,110	\$ (1,215,484)
Pumping	1,460,096	1,466,757	(6,661)	1,295,650	171,107
Water treatment	3,380,526	3,243,194	137,332	3,126,545	116,649
Transmission and distribution	5,037,124	4,388,871	648,253	4,673,922	(285,051)
Customer service	694,479	592,405	102,074	516,361	76,044
General and administrative	3,211,224	3,365,722	(154,498)	3,255,140	110,582
Total operating expenses	<u>21,218,983</u>	<u>20,612,575</u>	<u>606,408</u>	<u>21,638,728</u>	<u>(1,026,153)</u>
Depreciation	4,068,743	3,378,409	690,334	2,831,181	547,228
Non-operating expenses:					
Interest expense	706,683	397,680	309,003	132,375	265,305
Total non-operating expenses	<u>706,683</u>	<u>397,680</u>	<u>309,003</u>	<u>132,375</u>	<u>265,305</u>
Total expenses	<u>\$ 25,994,409</u>	<u>\$ 24,388,664</u>	<u>\$ 1,605,745</u>	<u>\$ 24,602,284</u>	<u>\$ (213,620)</u>

In 2017, the District's operating expenses increased 2.94%, or \$606,408, primarily due to an increase in transmission and distribution of \$648,253.

In 2016, the District's operating expenses decreased 4.74%, or (\$1,026,153), primarily due to a decrease in source of supply of (\$1,215,484).

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Capital Asset Administration

Capital asset balances were as follows:

<u>Description</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Non-depreciable assets	\$ 9,293,359	\$ 23,330,431	\$ 50,198,865
Depreciable assets	152,232,271	134,567,813	99,587,183
Accumulated depreciation	<u>(66,782,442)</u>	<u>(62,864,049)</u>	<u>(59,485,640)</u>
Total capital assets, net	<u>\$ 94,743,188</u>	<u>\$ 95,034,195</u>	<u>\$ 90,300,408</u>

At the end of fiscal years 2017, 2016 and 2015, the District's investment in capital assets amounted to \$94,743,188, \$95,034,195 and \$90,300,408 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process, etc. (See Note 3 for further information)

Debt Administration

Long-term debt balances were as follows:

<u>Description</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Loans payable	<u>\$ 37,548,623</u>	<u>\$ 37,727,884</u>	<u>\$ 38,095,783</u>
Total long-term debt	<u>\$ 37,548,623</u>	<u>\$ 37,727,884</u>	<u>\$ 38,095,783</u>

See Note 5 for further information on the long-term debt administration.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the Authority's current financial position, net position, or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact El Toro Water District at 24251 Los Alisos Boulevard, Lake Forest, California.

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BASIC FINANCIAL STATEMENTS

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El Toro Water District
Balance Sheets
June 30, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 6,758,714	\$ 5,932,447
Investments (Note 2)	8,993,296	8,971,968
Accrued interest receivable	55,662	41,176
Accounts receivable – water sales and sewer services	2,925,659	2,851,591
Accounts receivable – grants	46,980	47,470
Accounts receivable – other	2,710	4,841
Property taxes receivable	9,409	6,703
Materials and supplies inventory	562,450	642,701
Prepaid items	198,885	177,010
Total current assets	<u>19,553,765</u>	<u>18,675,907</u>
Non-current assets:		
Restricted – cash and cash equivalents (Note 2)	1,626,039	2,180,429
Capital assets – not being depreciated (Note 3)	9,293,359	23,330,431
Capital assets, net – being depreciated (Note 3)	85,449,829	71,703,764
Total non-current assets	<u>96,369,227</u>	<u>97,214,624</u>
Total assets	<u>\$ 115,922,992</u>	<u>\$ 115,890,531</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,871,227	\$ 1,858,661
Accrued salaries and related payables	246,194	199,108
Customer deposits and unearned revenue	53,210	35,575
Accrued interest payable	310,511	300,229
Long-term liabilities – due within one year:		
Compensated absences (Note 4)	331,102	314,907
Loans payable (Note 5)	1,745,818	1,338,388
Total current liabilities	<u>4,558,062</u>	<u>4,046,868</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 4)	993,304	944,719
Net other post-employment benefits obligation (Note 7)	5,611,800	4,975,000
Loans payable (Note 5)	35,802,805	36,389,496
Total non-current liabilities	<u>42,407,909</u>	<u>42,309,215</u>
Total liabilities	<u>46,965,971</u>	<u>46,356,083</u>
Net position:		
Net investment in capital assets (Note 8)	57,194,565	57,306,311
Restricted – capital projects	23,081	577,471
Restricted – debt service	1,602,958	1,602,958
Unrestricted	10,136,417	10,047,708
Total net position	<u>68,957,021</u>	<u>69,534,448</u>
Total liabilities and net position	<u>\$ 115,922,992</u>	<u>\$ 115,890,531</u>

El Toro Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ending June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Water consumption sales	\$ 8,635,462	\$ 8,069,726
Water service charges	4,177,505	4,381,402
Sewer service charges	10,759,981	9,771,324
Standby charges	1,525	3,292
Reimbursements from others	331,179	233,000
Other charges for services	127,222	58,037
Total operating revenues	<u>24,032,874</u>	<u>22,516,781</u>
Operating expenses:		
Source of supply	7,435,534	7,555,626
Pumping	1,460,096	1,466,757
Treatment	3,380,526	3,243,194
Transmission and distribution	5,037,124	4,388,871
Customer service	694,479	592,405
General and administrative	3,211,224	3,365,722
Total operating expenses	<u>21,218,983</u>	<u>20,612,575</u>
Operating income before depreciation	2,813,891	1,904,206
Depreciation expense	<u>(4,068,743)</u>	<u>(3,378,409)</u>
Operating (loss)	<u>(1,254,852)</u>	<u>(1,474,203)</u>
Non-operating revenues(expenses):		
Property taxes	888,973	843,301
Rental revenue	181,491	172,665
Investment earnings	75,113	147,447
Interest expense	(706,683)	(397,680)
Other non-operating revenue	152,710	188,701
Total non-operating revenues, net	<u>591,604</u>	<u>954,434</u>
Net (loss) before capital contributions	(663,248)	(519,769)
Capital contributions:		
Capital facility fees	62,740	559,311
Capital grants	23,081	18,160
Total capital contributions	<u>85,821</u>	<u>577,471</u>
Change in net position	(577,427)	57,702
Net position:		
Beginning of year	69,534,448	69,476,746
End of year	<u>\$ 68,957,021</u>	<u>\$ 69,534,448</u>

El Toro Water District
Statements of Cash Flows
For the Years Ending June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 24,312,773	\$ 22,366,108
Cash paid to employees for salaries and wages	(6,338,651)	(6,338,651)
Cash paid to vendors and suppliers for materials and services	(14,060,724)	(13,982,871)
Net cash provided by operating activities	3,913,398	2,044,586
Cash flows from non-capital financing activities:		
Proceeds from property taxes	886,267	844,395
Net cash provided by non-capital financing activities	886,267	844,395
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,777,736)	(8,112,196)
Capital contributions	86,311	2,268,490
Proceeds received from debt issuance	9,715,035	2,611,026
Debt principal refinanced	(8,562,088)	-
Principal paid	(1,332,208)	(2,978,925)
Interest paid	(696,401)	(641,859)
Net cash (used in) capital and related financing activities	(4,567,087)	(6,853,464)
Cash flows from investing activities:		
Sale of investments	9,172,195	2,980,744
Purchase of investments	(9,243,492)	(3,071,524)
Proceeds from investment earnings	110,596	133,515
Net cash provided by investing activities	39,299	42,735
Net increase (decrease) in cash and cash equivalents	271,877	(3,921,748)
Cash and investments:		
Beginning of year	8,112,876	12,034,624
End of year	\$ 8,384,753	\$ 8,112,876
Reconciliation of cash and investments:		
Cash and investments	\$ 6,758,714	\$ 5,932,447
Restricted – cash and investments	1,626,039	2,180,429
Total cash and investments	\$ 8,384,753	\$ 8,112,876

El Toro Water District
Statements of Cash Flows (Continued)
For the Years Ending June 30, 2017 and 2016

	2017	2016
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (1,254,852)	\$ (1,474,203)
Adjustments to reconcile operating (loss) to net cash provided by operating		
Depreciation expense	4,068,743	3,378,409
Rental revenue	181,491	172,665
Other non-operating revenue	152,710	188,701
Changes in assets – (increase)decrease:		
Accounts receivable – water sales and sewer services	(74,068)	(546,120)
Accounts receivable – other	2,131	51,756
Materials and supplies inventory	80,251	26,297
Prepaid items	(21,875)	(50,287)
Changes in liabilities – increase(decrease):		
Accounts payable and accrued expenses	12,566	(397,774)
Accrued salaries and related payables	47,086	55,539
Customer deposits and unearned revenue	17,635	(17,675)
Compensated absences	64,780	(131,572)
Net other post-employment benefits obligation	636,800	788,850
Total adjustments	5,168,250	3,518,789
Net cash provided by operating activities	\$ 3,913,398	\$ 2,044,586
Non-cash investing, capital and financing transactions:		
Change in fair-value of investments	\$ (49,969)	\$ 14,541

El Toro Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

El Toro Water District (District) was organized in September 1960, under provisions of the County Water District Act (Sections 34000 et. seq. of the Water Code of the State of California). The District is governed by a Board of Directors made up of five members elected by the qualified voters in the District. The purpose of the District is to finance, construct, operate and maintain a water and wastewater system to serve properties within the District's boundaries.

The El Toro Water District Public Facilities Corporation (Corporation) was organized on May 21, 1993 pursuant to the Non-Profit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporation Code), solely for the purpose of providing financial assistance to the District. The Corporation, an entity legally separate from the District, is governed by substantially all the board members of the District. The Corporation is inactive at this time.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), sewer service fees, capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses, not included in the above categories, are reported as non-operating revenues and expenses.

Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's enterprise fund.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities they also include disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investments

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

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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.

Restricted Assets

Amounts shown as restricted assets have been restricted by either debt indenture, by law, or contractual obligations to be used for specified purposes, such as servicing debt and/or construction of capital assets.

Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been provided in the accompanying basic financial statements.

Prepaid Items

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

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Materials and Supplies Inventory

Materials and supplies inventory consist of expendable supplies and are valued at the lower of cost or market using first-in first-out basis.

Property Taxes

The Orange County Assessor’s Office assesses all real and personal property within the County each year. The Orange County Tax Collector’s Offices bills and collects the District’s share of property taxes. The Orange County Auditor-Controller’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the Orange County which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	January 1
Levy date	July 1
Due dates	November 10 and February 10
Collection dates	December 11 and April 11

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition cost at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Life</u>
Building	25 to 40 years
Vehicles	5 to 25 years
Office furniture and equipment	5 to 10 years
Computer software	5 to 10 years
Land improvements	20 to 50 years
Water Facilities:	
Reservoir	100 years
Transmission and distribution	20 to 60 years
Filtration plant	30 to 40 years
Other plant and equipment	5 to 15 years
Sanitation Facilities:	
Collection and transmission	15 to 50 years
Treatment and disposal plant	15 to 30 years
Other plant and equipment	5 to 15 years

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Construction-in-Process

The cost of acquisition and construction of major plant and equipment is recorded as construction in process (CIP). As facilities are constructed by the District and become operative, they are transferred from CIP to the plant and equipment accounts, or are expensed if determined that the cost does not meet the requirements of the capitalization policy.

Compensated Absences

The District's policy is to permit employees hired prior to July 1, 1997 to accumulate earned vacation up to a total of 160 hours and employees hired after July 1, 1997 to accumulate earned vacation up to a total of 240 hours, with amounts exceeding the limit being paid out as part of the employee's current regular compensation.

The District's sick leave policy is to permit employees to accumulate sick leave up to a total of 960 hours. At the end of each calendar year, any amounts exceeding the limit will be transferred to vacation time for employees hired prior to July 1, 1997 and paid out 50% to those hired after July 1, 1997 at the employee's current regular compensation rate. A factor of 5% times the number of complete years of employment will be applied to the hours accumulated over 960 hours to determine the number of hours to be transferred or paid out.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of the net amount of assets that are not included in the determination of *restricted* or *investment in capital assets, net of related debt*.

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.

Water Sales and Sewer Services

Water sales and sewer services are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Accounting Changes

During the year ended June 30, 2017, the District implemented the following new GASB pronouncements of which none had a material impact on the basic financial statements:

Statement No. 73, ***Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***. This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 74, ***Financial Reporting for Postemployment Benefit Plans Other than Pension Plans***. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 77, ***Tax Abatement Disclosures***. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. Governments should organize those disclosures by major tax abatement programs and may disclose information for individual tax abatement agreements within those programs. This Statement is effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 78, ***Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans***. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, ***Accounting and Financial Reporting for Pensions***. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 79, ***Certain External Investment Pools and Pool Participants***. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The specific requirements of this Statement that are effective for certain provisions on portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, ***Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14***. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, ***The Financial Reporting Entity, as amended***. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 82, ***Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73***. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 2 – Cash and Investments

Cash and investments as of June 30 were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash and cash equivalents	\$ 6,758,714	\$ 5,932,447
Investments	8,993,296	8,971,968
Restricted – cash and cash equivalents	1,626,039	2,180,429
Total	<u>\$ 17,378,049</u>	<u>\$ 17,084,844</u>

Cash and investments as of June 30 consisted of the following:

<u>Description</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash on hand	\$ 700	\$ 700
Deposits held with financial institutions	648,227	661,220
Investments	16,729,122	16,422,924
Total	<u>\$ 17,378,049</u>	<u>\$ 17,084,844</u>

Demand Deposits

At June 30, 2017 and 2016, the carrying amount of the District’s demand deposits was \$648,227 and \$661,220, respectively, and the financial institution balance was \$727,374 and \$754,765, respectively. The \$79,147 and \$93,545 respective net difference as of June 30, 2017 and 2016 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. 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).

As of June 30, 2017 and 2016 none of the District's deposits and investments was exposed to disclosable custodial credit risk.

Investments

The District's investments as of June 30, 2017 were as follows:

Type of Investments	Measurement Input	Credit Rating Moody's	June 30, 2017 Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. treasury obligations	Level 2	Aaa	\$ 480,947	\$ -	\$ 330,683	\$ 150,264
Government sponsored entities securities	Level 2	Aaa	4,185,264	-	2,254,603	1,930,661
Corporate medium-term notes	Level 2	Aaa-A3	2,236,664	255,617	579,881	1,401,166
Commercial paper	Level 2	P-1	148,751	148,751	-	-
Negotiable certificates of deposit	Level 2	Aa2-A1	991,718	-	991,718	-
Mortgage pass-through securities	Level 2	Aaa	943,739	-	-	943,739
Local Agency Investment Fund (LAIF)	Level 2	N/A	7,735,826	7,735,826	-	-
California Asset Management Program (CAMP) Pool	Level 2	N/A	6,213	6,213	-	-
Total investments			\$ 16,729,122	\$ 8,146,407	\$ 4,156,885	\$ 4,425,830

The District's investments as of June 30, 2016 were as follows:

Type of Investments	Measurement Input	Credit Rating Moody's	June 30, 2016 Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. treasury obligations	Level 2	Aaa	\$ 2,786,514	\$ 1,003,712	\$ 761,396	\$ 1,021,406
Government sponsored entities securities	Level 2	Aaa	5,820,027	4,815,107	-	1,004,920
Corporate medium-term notes	Level 2	Aaa-A3	267,368	-	267,368	-
Local Agency Investment Fund (LAIF)	Level 2	N/A	7,450,956	7,450,956	-	-
California Asset Management Program (CAMP) Pool	Level 2	N/A	98,059	98,059	-	-
Total investments			\$ 16,422,924	\$ 13,367,834	\$ 1,028,764	\$ 2,026,326

Authorized Deposits and Investments

The table below identifies the investment types that are authorized by the District in accordance with 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.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 2 – Cash and Investments (Continued)

Authorized Deposits and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State on local agency bonds	5-years	None	None
U.S. treasury obligations	5-years	None	None
Government sponsored agency securities	5-years	None	None
Banker's acceptances	270 days	30%	30%
Corporate medium-term notes	5-years	30%	None
Commercial paper	180 days	30%	10%
Negotiable certificates of deposit	5-years	30%	None
Mortgage pass-through securities	5-years	20%	None
Money market mutual funds	5-years	20%	20%
Collateralized bank deposits	None	None	None
California Local Agency Investment Fund (LAIF)	None	\$50 million	None
California Asset Management Program (CAMP)	None	50%	None

Investment in California – Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF 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 recorded on an amortized cost basis. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/

The District's investments with LAIF at June 30, 2017 and 2016 included a portion of the pool funds invested in structured notes and asset-backed securities:

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: generally mortgage-backed securities that 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 (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had \$7,735,826 and \$7,450,956 invested in LAIF, which had invested 0.00% and 2.81% of the pooled investment funds as of June 30, 2017 and June 30, 2016, respectively, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 0.998940671 and 1.000621222 was used to calculate the fair value of the investments in LAIF as of June 30, 2017 and 2016, respectively.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 2 – Cash and Investments (Continued)

Investment in California Asset Management Program (CAMP)

The California Asset Management Program (CAMP) is a public joint powers authority which provides California Public Agencies with investment management services for surplus funds and comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt financings. The CAMP currently offers the Cash Reserve Portfolio, a short-term investment portfolio, as a means for Public Agencies to invest these funds. Public Agencies that invest in the Pool (Participants) purchase shares of beneficial interest. Participants may also establish individual, professionally managed investment accounts (Individual Portfolios) by separate agreement with the Investment Advisor.

The District has a separate account with the Investment Advisor to manage the District's CAMP portfolio which consists of \$8,987,083 and 8,873,909 of investments at June 30, 2017 and 2016. Also the District has invested \$6,213 and \$98,059 in the CAMP money market pool as of June 30, 2017 and 2016, respectively.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized statistical rating organization. The District has utilized Moody's for its investment credit ratings. As of June 30, 2017 and 2016, the District has presented its investment security credit rating ranges as noted in the table above.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 3 – Capital Assets

Major capital assets additions during the year include upgrades and extensions of the District’s water and wastewater pumping, water transmission and distribution systems and plant facilities in the following schedules:

Changes in capital assets for the year ended June 30, 2017 were as follows:

Description	Balance July 1, 2016	Additions	Deletions/ Transfers	Balance June 30, 2017
Non-depreciable assets:				
Land	\$ 7,451,586	\$ -	\$ -	\$ 7,451,586
Construction-in-process	15,878,845	2,017,925	(16,054,997)	1,841,773
Total non-depreciable assets	23,330,431	2,017,925	(16,054,997)	9,293,359
Depreciable assets:				
Capacity rights	342,382	-	-	342,382
Sources of supply	19,940,206	-	27,800	19,968,006
Pumping	21,622,114	10,905	-	21,633,019
Treatment	36,983,786	1,487,623	41,086	38,512,495
Transmission and collection	42,893,849	-	15,986,111	58,879,960
General plant facilities	12,785,476	261,283	(150,350)	12,896,409
Total depreciable assets	134,567,813	1,759,811	15,904,647	152,232,271
Accumulated depreciation:				
Capacity rights	(219,157)	(6,846)	-	(226,003)
Sources of supply	(10,031,944)	(374,698)	-	(10,406,642)
Pumping	(9,603,714)	(925,073)	-	(10,528,787)
Treatment	(23,252,612)	(1,289,652)	-	(24,542,264)
Transmission and collection	(9,332,893)	(1,040,504)	-	(10,373,397)
General plant facilities	(10,423,729)	(431,970)	150,350	(10,705,349)
Total accumulated depreciation	(62,864,049)	(4,068,743)	150,350	(66,782,442)
Total depreciable assets, net	71,703,764	(2,308,932)	16,054,997	85,449,829
Total capital assets, net	\$ 95,034,195	\$ (291,007)	\$ -	\$ 94,743,188

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 3 – Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2017 were as follows:

Description	Balance July 1, 2015	Additions	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable assets:				
Land	\$ 7,451,586	\$ -	\$ -	\$ 7,451,586
Construction-in-process	42,747,279	6,665,002	(33,533,436)	15,878,845
Total non-depreciable assets	50,198,865	6,665,002	(33,533,436)	23,330,431
Depreciable assets:				
Capacity rights	342,382	-	-	342,382
Sources of supply	19,916,326	14,250	9,630	19,940,206
Pumping	16,939,940	5,776	4,676,398	21,622,114
Treatment	32,289,581	1,070,670	3,623,535	36,983,786
Transmission and collection	17,652,296	17,680	25,223,873	42,893,849
General plant facilities	12,446,658	338,818	-	12,785,476
Total depreciable assets	99,587,183	1,447,194	33,533,436	134,567,813
Accumulated depreciation:				
Capacity rights	(212,312)	(6,845)	-	(219,157)
Sources of supply	(9,657,053)	(374,891)	-	(10,031,944)
Pumping	(8,817,937)	(785,777)	-	(9,603,714)
Treatment	(22,145,894)	(1,106,718)	-	(23,252,612)
Transmission and collection	(8,723,980)	(608,913)	-	(9,332,893)
General plant facilities	(9,928,464)	(495,265)	-	(10,423,729)
Total accumulated depreciation	(59,485,640)	(3,378,409)	-	(62,864,049)
Total depreciable assets, net	40,101,543	(1,931,215)	33,533,436	71,703,764
Total capital assets, net	\$ 90,300,408	\$ 4,733,787	\$ -	\$ 95,034,195

Construction-In-Process

The District is involved in various construction projects throughout the year. Once completed, those projects are capitalized and depreciated over the life of the asset. The balance of construction-in-process was \$1,841,773, \$15,878,845 and \$42,747,279 as of June 30, 2017, 2016 and 2015, respectively.

Construction-in-process consisted of the following projects as of June 30:

Project Description	June 30, 2017	June 30, 2016	June 30, 2015
GIS/CMMS mater plan	\$ 465,333	\$ 463,851	\$ 408,164
Recycled water distribution system expansion	396,619	1,648,105	23,546,952
Baker pump station	352,270	239,105	-
Demonstration garden	293,918	-	-
Recycled water tertiary treatment plant	-	-	9,783,247
Baker water treatment plant	-	13,376,532	8,642,296
Various other minor projects <\$100,000	333,633	151,252	366,620
Total construction-in-progress	\$ 1,841,773	\$ 15,878,845	\$ 42,747,279

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 4 – Compensated Absences

Changes to compensated absences for the year ended June 30, 2017 was as follows:

<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion</u>	<u>Non-current</u> <u>Portion</u>
\$ 1,259,626	\$ 501,233	\$ (436,453)	\$ 1,324,406	\$ 331,102	\$ 993,304

Changes to compensated absences for the year ended June 30, 2016 was as follows:

<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>	<u>Non-current</u> <u>Portion</u>
\$ 1,391,198	\$ 454,788	\$ (586,360)	\$ 1,259,626	\$ 314,907	\$ 944,719

Note 5 – Long-Term Debt

Changes to long-term debt for the year ended June 30, 2017 was as follows:

<u>Description</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>	<u>Amount</u> <u>Due In More Than</u> <u>One Year</u>
Loans payable:						
Main extension contract	\$ 6,180	\$ -	\$ -	\$ 6,180	\$ 6,180	\$ -
SRF Loan – 2010	3,318,231	-	(168,554)	3,149,677	173,105	2,976,572
SRF Loan – 2013	25,841,385	-	(1,163,654)	24,677,731	1,183,437	23,494,294
Baker water treatment plant agreement	8,562,088	-	(8,562,088)	-	-	-
Baker water treatment plant – refinance loan	-	9,715,035	-	9,715,035	383,096	9,331,939
Total loans payable	<u>\$ 37,727,884</u>	<u>\$ 9,715,035</u>	<u>\$ (9,894,296)</u>	<u>\$ 37,548,623</u>	<u>\$ 1,745,818</u>	<u>\$ 35,802,805</u>

Changes to long-term debt for the year ended June 30, 2016 was as follows:

<u>Description</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>	<u>Amount</u> <u>Due In More Than</u> <u>One Year</u>
Loans payable:						
Main extension contract	\$ 6,180	\$ -	\$ -	\$ 6,180	\$ 6,180	\$ -
SRF Loan – 1995	1,653,809	-	(1,653,809)	-	-	-
SRF Loan – 2010	3,482,354	-	(164,123)	3,318,231	168,554	3,149,677
SRF Loan – 2013	26,737,577	264,801	(1,160,993)	25,841,385	1,163,654	24,677,731
Baker water treatment plant agreement	6,215,863	2,346,225	-	8,562,088	-	8,562,088
Total loans payable	<u>\$ 38,095,783</u>	<u>\$ 2,611,026</u>	<u>\$ (2,978,925)</u>	<u>\$ 37,727,884</u>	<u>\$ 1,338,388</u>	<u>\$ 36,389,496</u>

Main Extension Contracts

The Main Extension Contracts are payable to the developers without interest. The payments are based on a percentage of revenue received from units served by the water main. The contracts must be repaid in not more than 25 years, but may be paid off in advance at the option of the District. The outstanding balance at June 30, 2017 and 2016 was \$6,180.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 5 – Long-Term Debt (Continued)

State Revolving Fund Loan 1995 – Wastewater Treatment Plant Upgrade

In December 1995, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a State Revolving Fund Loan (SRF Loan) in an amount of \$9,570,000 with an imputed interest rate of less than 1.50% per annum for the Wastewater Treatment Plant upgrade project. The loan was scheduled to mature in 2018. Principal and interest were payable annually on May 1st at an imputed interest rate of less than 1.5%. In 2016, the District paid-off the balance of this loan of \$1,653,809.

State Revolving Fund Loan 2010 – Northline Lift Station Improvement Project

In October 2010, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a State Revolving Fund Loan (SRF Loan) in an amount of \$3,918,590 for the Northline Lift Station Improvement project. The loan carries an interest rate of 2.70% per annum. The loan is scheduled to mature in 2032. Principal and interest are payable annually at the interest rate of 2.70%.

Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 173,105	\$ 85,041	\$ 258,146
2019	177,778	80,368	258,146
2020	182,578	75,568	258,146
2021	187,508	70,638	258,146
2022	192,571	65,575	258,146
2023-2027	1,043,710	247,020	1,290,730
2028-2032	1,192,427	98,303	1,290,730
Total	<u>\$ 3,149,677</u>	<u>\$ 722,513</u>	<u>\$ 3,872,190</u>

State Revolving Fund Loan 2013 – Recycled Water Treatment Plan Project

In February 2013, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a State Revolving Fund Loan (SRF Loan) in an amount of \$28,002,378 with an interest rate of 1.70% per annum for the Recycled Water Treatment Plan project. The loan is scheduled to mature in 2035. Principal and interest are payable annually at the interest rate of 1.70%.

Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,183,437	\$ 419,521	\$ 1,602,958
2019	1,203,555	399,403	1,602,958
2020	1,224,015	378,943	1,602,958
2021	1,244,824	358,134	1,602,958
2022	1,265,986	336,972	1,602,958
2023-2027	6,660,166	1,354,624	8,014,790
2028-2032	7,245,859	768,931	8,014,790
2033-2035	4,649,889	160,595	4,810,484
Total	<u>\$ 24,677,731</u>	<u>\$ 4,177,123</u>	<u>\$ 28,854,854</u>

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 5 – Long-Term Debt (Continued)

Baker Water Treatment Plant Agreement and Refinance Loan

In December 2013, the District entered into the Baker Water Treatment Plant Agreement, along with five other public entities relating to the Baker treatment plant. In January 2014, the District entered into an installment sale agreement with the Irvine Ranch Water District (IRWD) for the purchase of the District’s portion of rights, title and interest to the capacity, not-to-exceed the amount of \$12,500,000. As of June 30, 2017, construction costs used for the project were \$8,562,088 and also accrued as a long-term debt liability on the financial statements.

In 2017, the District refinanced IRWD’s installment sale agreement with a loan from Texas Capital Bank for \$9,715,035 with an interest rate of 3.10%. The loan is scheduled to mature in 2036. Principal and interest are payable annually at the interest rate of 3.10%.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 383,096	\$ 301,166	\$ 684,262
2019	394,972	289,290	684,262
2020	407,217	277,046	684,263
2021	419,840	264,422	684,262
2022	432,855	251,407	684,262
2023-2027	2,374,070	1,047,243	3,421,313
2028-2032	2,765,584	655,730	3,421,314
2033-2036	2,537,401	199,649	2,737,050
Total	<u>\$ 9,715,035</u>	<u>\$ 3,285,953</u>	<u>\$ 13,000,988</u>

Note 6 – Defined Contribution and Deferred Compensation Plans

The District contributes to the El Toro Water District Retirement Savings Plan and Trust (the Plan), which is qualified defined contribution pension plan under Section 401(a) and 401(k) of the Internal Revenue Code. The Plan is administered by the District. The District’s Board of Directors has approved the funding of this benefit and may change the percentage as deemed necessary.

As of February 1, 2016, the District executed an amendment to the Plan authorizing the District (as Employer) to match an amount equal to 75% of each participant’s contributions to either 401(k) or 457 Plans, but no more than 10% of their annual compensation. The District’s contributions are limited to deposits toward the 401(k) plan only.

In addition, the District contributes an amount equal to 9% of compensation for a plan year, for all qualified participants regardless of whether they are employee on the last day of the plan year, and regardless of whether they made any salary deferrals to the plan. Employees are immediately vested in the employer contributions. District contributions were \$865,926 and \$787,740 as of June 30, 2017 and 2016, respectively.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors. Market value of the plan assets held in trust at June 30, 2017 and 2016 were \$19,264,145 and \$18,052,140, respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not presented in the accompanying financial statements.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 7 – Other Post-Employment Benefits Payable

Plan Description – Eligibility

The District pays all or a portion of the cost of health insurance for retirees (including prescription drug benefits) under any group plan offered by the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) Health Program, subject to certain restrictions as determined by the District.

Plan Description – Benefits

The District offers post employment medical benefits to retired employees who satisfy the eligibility rules. Certain spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District’s Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) Health Program, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

Funding Policy

The District accrues the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District accrues a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and maintains an OPEB obligation liability for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual OPEB Cost and Net OPEB Obligation

For the years ended June 30, 2017 and 2016, the District’s OPEB cost was \$811,963 and \$923,944, respectively. The District’s net OPEB payable obligation amounted to \$5,611,800 and \$4,975,000 for the years ended June 30, 2017 and 2016. The District made contributions of \$175,163 and \$135,094 for the years ended June 30, 2017 and 2016, respectively. The balance in the OPEB payable consists of the following:

<u>Description</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Annual OPEB cost:		
Annual required contribution (ARC)	\$ 810,674	\$ 963,954
Interest on net OPEB obligation	199,000	167,446
Adjustment to annual required contribution	<u>(197,711)</u>	<u>(207,456)</u>
Total annual OPEB cost	<u>811,963</u>	<u>923,944</u>
Contributions made:		
Contributions made	<u>(175,163)</u>	<u>(135,094)</u>
Total contributions made	<u>(175,163)</u>	<u>(135,094)</u>
Total change in net OPEB obligation	636,800	788,850
Net OPEB obligation:		
Beginning of year	<u>4,975,000</u>	<u>4,186,150</u>
End of year	<u>\$ 5,611,800</u>	<u>\$ 4,975,000</u>

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 7 – Other Post-Employment Benefits Payable (Continued)

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

Three-Year History of Net OPEB Obligation

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Contributions Made</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable(Asset)</u>
June 30, 2017	\$ 811,963	\$ 175,163	21.57%	\$ 5,611,800
June 30, 2016	923,944	135,094	14.62%	4,975,000
June 30, 2015	930,004	138,490	14.89%	4,186,150

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2016
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of increasing payroll
Remaining amortization period	20 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increase	3.00%
Inflation - discount rate	4.00%
Health care trend rate	6.00%

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 8 – Net Position

Net investment in capital assets consisted of the following:

<u>Description</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Net investment in capital assets:		
Capital assets – not being depreciated	\$ 9,293,359	\$ 23,330,431
Capital assets, net – being depreciated	85,449,829	71,703,764
Loans payable – current	(1,745,818)	(1,338,388)
Loans payable – non-current	(35,802,805)	(36,389,496)
Total net investment in capital assets	<u>\$ 57,194,565</u>	<u>\$ 57,306,311</u>

Note 9 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2017 and 2016, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees’ errors and omissions: Total risk financing self-insurance limits of \$2,000,000, combined single limit at \$2,000,000 per occurrence. The JPIA purchases additional excess coverage layers: \$60 million per occurrence for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,500,000 with a \$5,000 deductible per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss coverage is up to \$100,000,000 with a \$1,000 deductible; the ACWA/JPIA is self-insured up to \$50,000 and excess insurance has been purchased.
- Underground Storage Tank Pollution Liability, the District is insured up to \$1,000,000 with a \$10,000 deductible; the Authority is self-insured up to \$500,000 and excess insurance coverage has been purchased to cover losses ranging from \$500,000 to \$1,000,000.
- Dam failure liability coverage up to \$20.0 million per occurrence; the ACWA/JPIA is self-insured up to \$50,000 and excess insurance coverage has been purchased.
- Workers’ compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to \$2.0 million and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts and there were no reductions in the District’s insurance coverage during the year ending June 30, 2017, 2016 and 2015. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2017, 2016 and 2015.

El Toro Water District
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2017 and 2016

Note 10 – Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

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El Toro Water District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefits Plan
For the Years Ended June 30, 2017 and 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2016	\$ -	\$ 11,262,329	\$ 11,262,329	0.00%	\$ 4,058,095	277.53%
July 1, 2013	\$ -	\$ 9,358,165	\$ 9,358,165	0.00%	\$ 4,058,095	230.60%
July 1, 2010	\$ -	\$ 6,244,208	\$ 6,244,208	0.00%	\$ 5,366,236	116.36%
July 1, 2007	\$ -	\$ 4,398,864	\$ 4,398,864	0.00%	\$ 4,200,911	104.71%

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2020, based on the year ending June 30, 2019.

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STATISTICAL SECTION

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**El Toro Water District
Index to the Statistical Section
For the Fiscal Years Ended June 30, 2017 and 2016**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Table of Contents

	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	52
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	56
Debt Capacity These schedules 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.	61
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	63
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	66

El Toro Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

	Fiscal Year				
	2008	2009	2010	2011	2012
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 17,480,073	\$ 17,899,450	\$ 18,619,690	\$ 19,483,679	\$ 21,323,356
Operating expenses ^(see Schedule 3)	<u>(18,324,866)</u>	<u>(19,193,622)</u>	<u>(20,476,460)</u>	<u>(21,120,634)</u>	<u>(22,010,956)</u>
Operating income (loss)	<u>(844,793)</u>	<u>(1,294,172)</u>	<u>(1,856,770)</u>	<u>(1,636,955)</u>	<u>(687,600)</u>
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	739,683	735,906	715,968	690,711	691,377
Rental revenue	-	-	-	-	-
Investment earnings	1,113,066	669,632	335,679	268,749	208,446
Interest expense	(846,994)	(748,153)	(647,011)	(521,469)	(487,724)
Other non-operating revenues	399,235	418,911	374,266	347,260	527,254
Other non-operating expenses	-	-	-	-	-
Total non-operating revenues(expenses), net	<u>1,404,990</u>	<u>1,076,296</u>	<u>778,902</u>	<u>785,251</u>	<u>939,353</u>
Net income before capital contributions	560,197	(217,876)	(1,077,868)	(851,704)	251,753
Capital contributions	<u>69,855</u>	<u>368,603</u>	<u>76,396</u>	<u>105,199</u>	<u>124,071</u>
Changes in net position	<u>\$ 630,052</u>	<u>\$ 150,727</u>	<u>\$ (1,001,472)</u>	<u>\$ (746,505)</u>	<u>\$ 375,824</u>
Net position by component:					
Net investment in capital assets	\$ 41,818,156	\$ 42,688,205	\$ 43,164,937	\$ 44,623,580	\$ 45,207,184
Restricted:					
Debt Service	2,794,443	3,113,524	3,438,994	3,646,427	3,888,332
Capital Projects	<u>1,019,716</u>	<u>1,067,938</u>	<u>960,095</u>	<u>1,010,945</u>	<u>1,221,358</u>
Total restricted	3,814,159	4,181,462	4,399,089	4,657,372	5,109,690
Unrestricted	<u>21,629,758</u>	<u>20,543,133</u>	<u>18,847,302</u>	<u>16,383,871</u>	<u>15,723,773</u>
Total net position	<u>\$ 67,262,073</u>	<u>\$ 67,412,800</u>	<u>\$ 66,411,328</u>	<u>\$ 65,664,823</u>	<u>\$ 66,040,647</u>

El Toro Water District
Changes in Net Position and Net Position by Component (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2013	2014	2015	2016	2017
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 22,592,576	\$ 23,188,691	\$ 23,124,200	\$ 22,516,781	\$ 24,032,874
Operating expenses ^(see Schedule 3)	<u>(22,785,966)</u>	<u>(24,484,521)</u>	<u>(24,469,909)</u>	<u>(23,990,984)</u>	<u>(25,287,726)</u>
Operating income (loss)	<u>(193,390)</u>	<u>(1,295,830)</u>	<u>(1,345,709)</u>	<u>(1,474,203)</u>	<u>(1,254,852)</u>
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	753,865	774,568	815,554	843,301	888,973
Rental revenue	-	165,282 ⁽²⁾	246,196	172,665	181,491
Investment earnings	124,439	51,881	76,804	147,447	75,113
Interest expense	(327,684)	(185,655)	(132,375)	(397,680)	(706,683) ⁽³⁾
Other non-operating revenues	463,981	56,564	218,824	188,701	152,710
Other non-operating expenses	(1,571,619) ⁽¹⁾	-	-	-	-
Total non-operating revenues(expenses), net	<u>(557,018)</u>	<u>862,640</u>	<u>1,225,003</u>	<u>954,434</u>	<u>591,604</u>
Net income before capital contributions	(750,408)	(433,190)	(120,706)	(519,769)	(663,248)
Capital contributions	<u>3,092,146</u>	<u>1,648,257</u>	<u>-</u>	<u>577,471</u>	<u>85,821</u>
Changes in net position	<u>\$ 2,341,738</u>	<u>\$ 1,215,067</u>	<u>\$ (120,706)</u>	<u>\$ 57,702</u>	<u>\$ (577,427)</u>
Net position by component:					
Net investment in capital assets	\$ 53,386,647	\$ 57,218,606	\$ 52,204,625	\$ 57,306,311	\$ 57,194,565
Restricted:					
Debt Service	3,326,941	2,772,564	2,285,068	1,602,958	1,602,958
Capital Projects	<u>29,640</u>	<u>83,771</u>	<u>571,268</u>	<u>577,471</u>	<u>23,081</u>
Total restricted	3,356,581	2,856,335	2,856,336	2,180,429	1,626,039
Unrestricted	<u>11,639,157</u>	<u>9,522,511</u>	<u>14,415,785</u>	<u>10,047,708</u>	<u>10,136,417</u>
Total net position	<u>\$ 68,382,385</u>	<u>\$ 69,597,452</u>	<u>\$ 69,476,746</u>	<u>\$ 69,534,448</u>	<u>\$ 68,957,021</u>

(1) Refund to Golden Rain Foundation the Sinking fund balance in connection with the agreement that ETWD to provide Disinfected Tertiary Recycled Water for irrigation within the Laguna Woods Village Golf Course.

(2) In FY 13/14 the District created a separate line item for cell tower rental income. In the prior years this revenue was included with other non-operating revenues.

(3) In FY 16/17 expenses included the Baker Water Treatment Plant loan interests with Texas Capital.

**El Toro Water District
Operating Revenues by Source
Last Ten Fiscal Years**

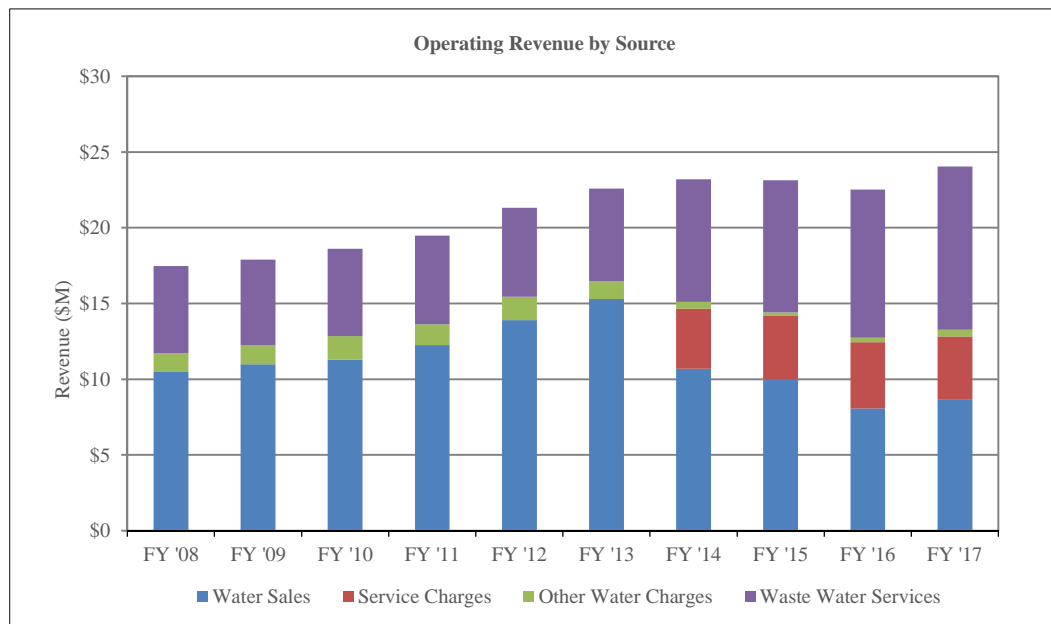
Fiscal Year	Water Sales	Service Charges	Other Water Charges	Waste Water Services	Total Operating Revenue
2008	10,485,270	-	1,239,296	5,755,507	17,480,073
2009	10,979,651	-	1,249,794	5,670,005	17,899,450
2010	11,279,626	-	1,559,956	5,780,108	18,619,690
2011	12,247,255	-	1,387,466	5,848,958	19,483,679
2012	13,902,298	-	1,538,758	5,882,300	21,323,356
2013	15,293,372	-	1,169,883	6,129,321	22,592,576
2014	10,687,396	3,979,752 ⁽¹⁾	443,673 ⁽²⁾	8,077,870	23,188,691
2015	9,998,985	4,183,699	216,108	8,725,408	23,124,200
2016	8,069,726	4,381,402	294,329	9,771,324	22,516,781
2017	8,635,462	4,177,505	459,926	10,759,981	24,032,874

Other Water Charges - by Category

Fiscal Year	Standby Charge	Reimbursement	Other	Total Other Water Charges
2008	974,868	123,608	140,820	1,239,296
2009	982,468	206,912	60,414	1,249,794
2010	993,161	102,061	464,734	1,559,956
2011	983,895	125,860	277,711	1,387,466
2012	970,517	171,014	397,227	1,538,758
2013	984,847	117,364	67,672	1,169,883
2014	10,623 ⁽²⁾	124,353	308,697	443,673
2015	4,818	116,957	94,333	216,108
2016	3,292	233,000	58,037	294,329
2017	1,525	331,179	127,222	459,926

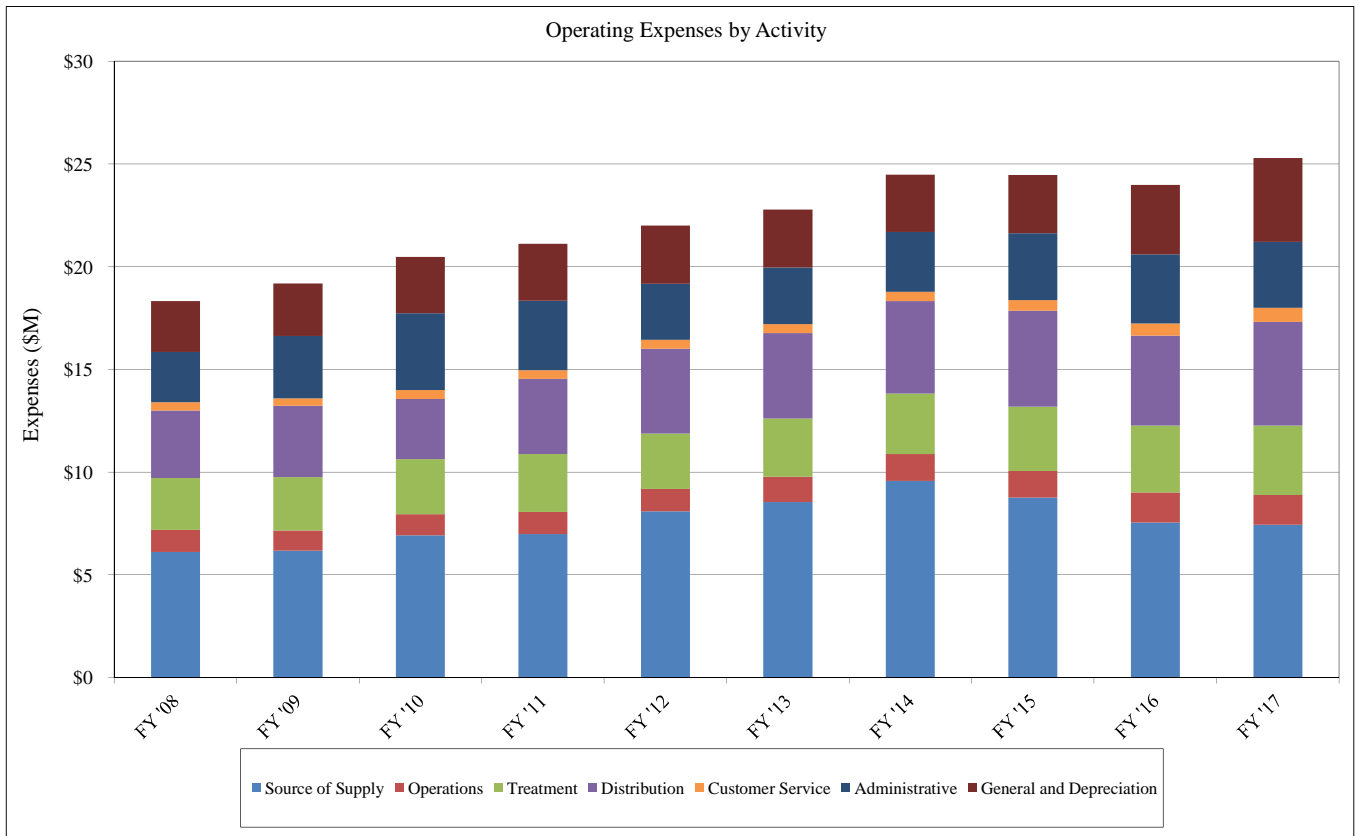
(1) Starting in 2014, Service Charge Revenues was separated from Water Sales Revenues.

(2) The Standby Charge was for the Water Recycling Project, and collections of this fee were not needed after FY 12/13.



**El Toro Water District
Operating Revenues by Source
Last Ten Fiscal Years**

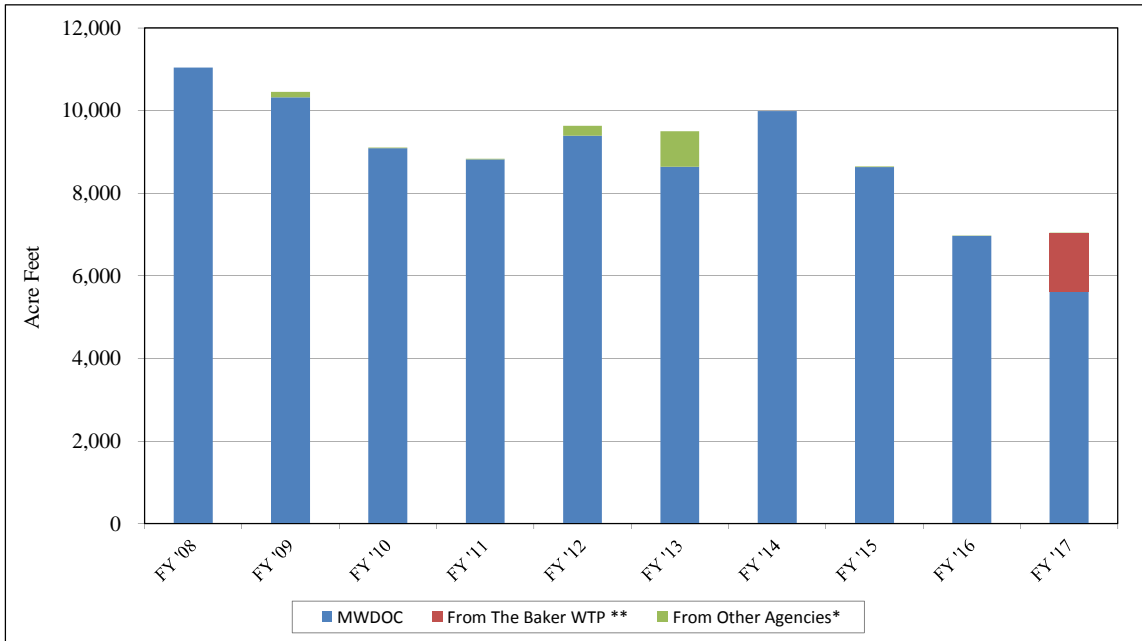
<u>Fiscal Year</u>	<u>Source of Supply</u>	<u>Pumping Operations</u>	<u>Water Treatment</u>	<u>Water Distribution</u>	<u>Customer Service</u>	<u>General and Administrative</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
2008	6,114,603	1,079,452	2,522,488	3,289,093	405,656	2,450,088	2,463,486	18,324,866
2009	6,186,436	980,644	2,599,942	3,464,569	362,977	3,031,571	2,567,483	19,193,622
2010	6,924,687	1,038,275	2,673,452	2,922,913	442,574	3,733,666	2,740,893	20,476,460
2011	6,993,701	1,076,206	2,813,771	3,658,325	423,521	3,381,145	2,773,965	21,120,634
2012	8,096,104	1,096,347	2,688,844	4,124,778	440,218	2,732,748	2,831,917	22,010,956
2013	8,554,214	1,232,213	2,831,190	4,160,251	438,053	2,753,292	2,816,753	22,785,966
2014	9,584,718	1,293,752	2,953,328	4,492,432	465,163	2,913,731	2,781,397	24,484,521
2015	8,771,110	1,295,650	3,126,545	4,673,922	516,361	3,255,140	2,831,181	24,469,909
2016	7,555,626	1,466,757	3,243,194	4,388,871	592,405	3,365,722	3,378,409	23,990,984
2017	7,435,534	1,460,096	3,380,526	5,037,124	694,479	3,211,224	4,068,743	25,287,726



**El Toro Water District
Source of Water for Sales
Last Ten Fiscal Years**

Source of Water for Sales (AF)

<u>Fiscal Year</u>	<u>MWDOC</u>	<u>From The Baker WTP **</u>	<u>From Other Agencies*</u>	<u>Total Production</u>
2008	11,040	-	-	11,040
2009	10,319	-	133	10,452
2010	9,088	-	17	9,105
2011	8,819	-	15	8,834
2012	9,395	-	235	9,630
2013	8,640	-	861	9,501
2014	9,986	-	-	9,986
2015	8,631	-	19	8,650
2016	6,967	-	8	6,976
2017	5,616	1,417	1	7,034



Note: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

*The District has inter-connections with Moulton Niguel Water District, Irvine Ranch Water District, and Santa Margarita Water District. Water is purchased from one of the three agencies in the case of repairs or upgrades to the District's infrastructure, which would necessitate a temporary alternate source of water.

**The Baker Water Treatment Plant (WTP) is a joint regional project by five South Orange County water districts, located in the City of Lake Forest, provides 28.1 million gallons per day (mgd) of drinking water. The District has the capacity right of 3.2 mgd.

**El Toro Water District
Water Operation Rates and Charges
Last Ten Fiscal Years**

Water Rates ⁽¹⁾					
Fiscal Year	Rate per CCF ⁽²⁾				Rate per AF
	Tier 1	Tier 2	Tier 3	Tier 4	Commercial / Industrial
2008	1.43	1.43	1.43	1.43	1.43
2009	1.57	1.57	1.57	1.57	1.57
2010	1.89	1.89	1.89	1.89	1.89
2011	1.80	2.20	4.38	5.94	2.06
2012	1.92	2.32	4.50	6.06	2.15
2013	2.07	2.47	4.79	6.35	2.30
2014	2.19	2.59	4.91	6.47	2.42
2015	2.34	2.68	5.04	7.04	2.63
2016	2.46	2.83	5.61	7.18	2.79
2017	2.46	2.83	5.61	7.18	2.79

Monthly Water Service Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter
2008	6.95	8.85	12.70	22.30	45.80
2009	6.95	8.85	12.70	22.30	45.80
2010	7.60	10.14	15.20	27.87	53.22
2011	7.60	10.14	15.20	27.87	53.22
2012	7.60	10.14	15.20	27.87	53.22
2013	8.56	11.42	17.12	31.38	59.93
2014	9.31	12.42	18.61	34.12	65.15
2015	9.98	13.31	19.95	36.56	69.81
2016	9.98	13.31	19.95	36.56	69.81
2017	10.93	14.58	21.86	40.06	76.48

Monthly Water Capital Replacement and Refurbishment (CR&R) Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter
2008	2.21	2.21	3.70	8.99	22.56
2009	2.21	2.21	3.70	8.99	22.56
2010	2.21	2.21	3.70	8.99	22.56
2011	3.31	3.31	5.54	13.46	33.70
2012	4.66	4.66	7.78	18.91	47.47
2013	4.66	4.66	7.78	18.91	47.47
2014	4.66	4.66	7.78	18.91	47.47
2015	4.66	4.66	7.78	18.91	47.47
2016	4.66	4.66	7.78	18.91	47.47
2017	4.66	4.66	7.78	18.91	47.47

Notes:

(1) The District is required to follow the rules of Proposition 218 when raising or adjusting its rates.

For more information, goto http://www.lao.ca.gov/1996/120196_prop_218/understanding_prop218_1296.html

(2) CCF = 100 Cubic Feet = 748 gallons

For more information on the District's rate structure, visit <http://etwd.com/governance/rate-structure/>

**El Toro Water District
Water Operation Rates and Charges
Last Ten Fiscal Years**

Sewer Rates by Customer Class									
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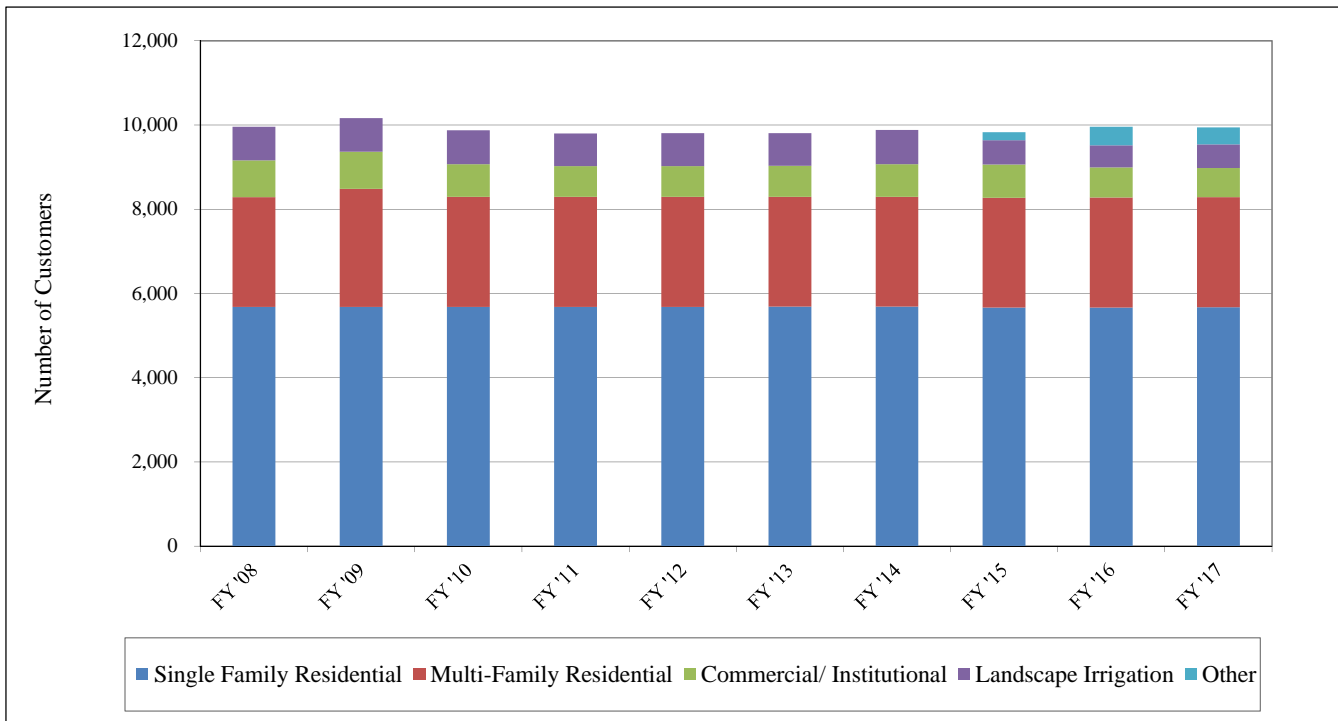
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential Rates (monthly charge per EDU)									
Residential Unrestricted	\$ 16.60	\$ 17.49	\$ 17.49	\$ 17.49	\$ 17.77	\$ 18.99	\$ 20.50	\$ 22.02	\$ 23.11
Multi-Family Restricted	13.30	13.87	13.87	13.87	14.09	15.06	16.26	17.46	18.33
Multi-Family Unrestricted	15.80	16.49	16.49	16.49	16.75	17.90	19.33	20.76	21.79
Commercial Rates (per ccf of water used)									
Animal Kennel / Hospital	\$ 2.40	\$ 2.86	\$ 2.86	\$ 2.86	\$ 2.91	\$ 3.11	\$ 3.36	\$ 3.61	\$ 3.79
Car Wash	2.39	2.84	2.84	2.84	2.89	3.09	3.34	3.59	3.77
Department / Retail Store	2.41	2.86	2.86	2.86	2.91	3.11	3.36	3.61	3.79
Dry Cleaners	2.13	2.50	2.50	2.50	2.54	2.72	2.94	3.16	3.32
Golf Course / Camp / Park	2.39	2.49	2.49	2.49	2.53	2.71	2.93	3.15	3.31
Health Spa	2.39	2.85	2.85	2.85	2.90	3.10	3.35	3.60	3.78
Hospital / Convalescent Home	2.12	2.50	2.50	2.50	2.54	2.72	2.94	3.16	3.32
Hotel	3.61	4.33	4.33	4.33	4.40	4.71	5.09	5.47	5.74
Market	4.70	5.68	5.68	5.68	5.77	6.17	6.67	7.17	7.53
Mortuary	4.68	5.66	5.66	5.66	5.75	6.15	6.64	7.14	7.50
Nursery / Greenhouse	2.44	2.54	2.54	2.54	2.58	2.76	2.98	3.20	3.36
Professional / Financial Office	2.41	2.86	2.86	2.86	2.91	3.11	3.36	3.61	3.79
Public Institution	2.35	2.80	2.80	2.80	2.85	3.05	3.30	3.55	3.73
Repair / Service Station	2.41	2.85	2.85	2.85	2.90	3.10	3.35	3.60	3.78
Restaurant	4.74	2.69	2.69	2.69	2.74	2.93	3.17	3.41	3.58
Schools	2.49	2.95	2.95	2.95	3.00	3.21	3.47	3.73	3.92
Theater	2.43	2.86	2.86	2.86	2.91	3.11	3.36	3.61	3.79
Warehouse / Storage	1.93	2.25	2.25	2.25	2.29	2.45	2.65	2.85	3.00
Basic Commercial	2.12	2.50	2.50	2.50	2.54	2.72	2.94	3.16	3.32

Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge									
---	--	--	--	--	--	--	--	--	--

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential Charge (Per EDU)										
Single Family	\$ 3.93	\$ 3.93	\$ 3.93	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
Multi-Family Restricted	3.15	3.15	3.15	3.61	3.95	3.95	3.95	3.95	3.95	3.91
Multi-Family Unrestricted	3.74	3.74	3.74	4.29	4.69	4.69	4.69	4.69	4.69	4.65
Commercial (per Meter)										
5/8" Meter	\$ 3.93	\$ 5.58	\$ 5.58	\$ 6.42	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34
3/4" Meter	5.44	5.44	5.44	7.34	7.34	7.34	7.34	7.34	7.34	7.34
1" Meter	12.65	12.65	12.65	12.38	13.55	13.55	13.55	13.55	13.55	13.55
1 1/2" Meter	26.65	26.65	26.65	25.60	24.07	24.07	24.07	24.07	24.07	24.07
2" Meter	60.78	60.78	60.78	68.77	70.96	70.96	70.96	70.96	70.96	70.96
Public Authority (per Meter)										
1" Meter	\$ 3.93	\$ 3.93	\$ 3.93	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
1 1/2" Meter	17.69	17.69	17.69	20.48	24.65	24.65	24.65	24.65	24.65	24.65
2" Meter	34.34	34.34	34.34	35.20	39.71	39.71	39.71	39.71	39.71	39.71

**El Toro Water District
Water Customers by Type*
Last Ten Fiscal Years**

As of June 30	Number of Customers by Type					Total
	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Landscape Irrigation	Other	
2008	5,676	2,609	876	798	-	9,959
2009	5,676	2,809	876	798	-	10,159
2010	5,677	2,613	775	806	-	9,871
2011	5,677	2,613	733	774	-	9,797
2012	5,677	2,613	735	777	-	9,802
2013	5,683	2,610	735	775	-	9,803
2014	5,683	2,610	774	813	-	9,880
2015	5,662	2,610	785	583	187 ⁽¹⁾	9,828
2016	5,667	2,612	709	526	439	9,953
2017	5,668	2,616	694	559	406	9,943



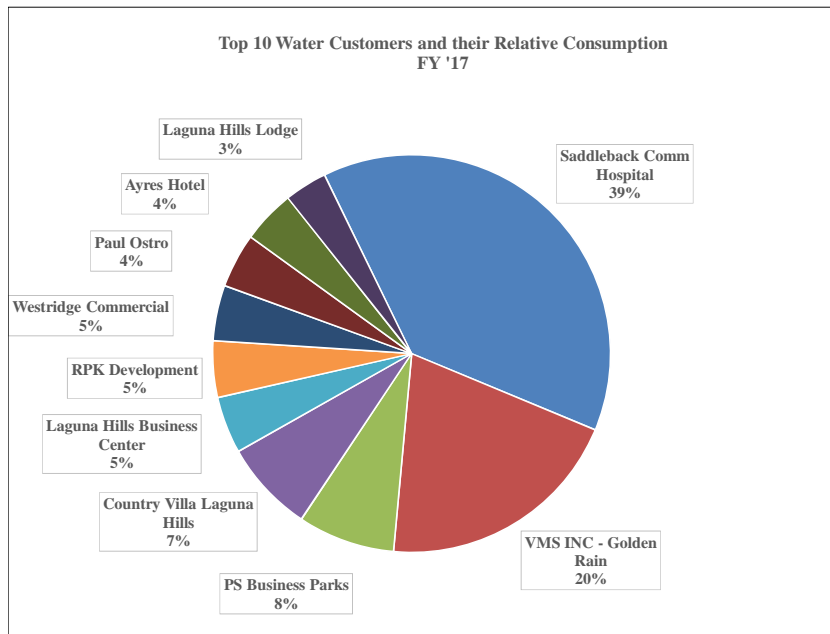
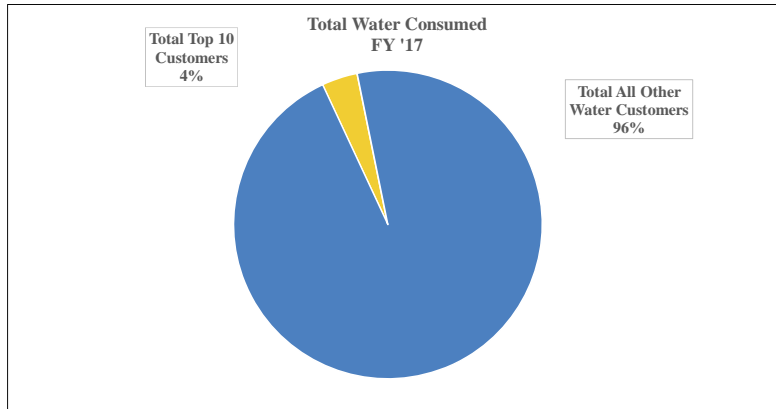
(1) The District did not track "Other" connections in total prior to FY 14/15.

*The District is completely built out and has had 8,950 sewer connections for the past 10 years.

**El Toro Water District
Top Ten Water Customers
Last Ten Fiscal Years**

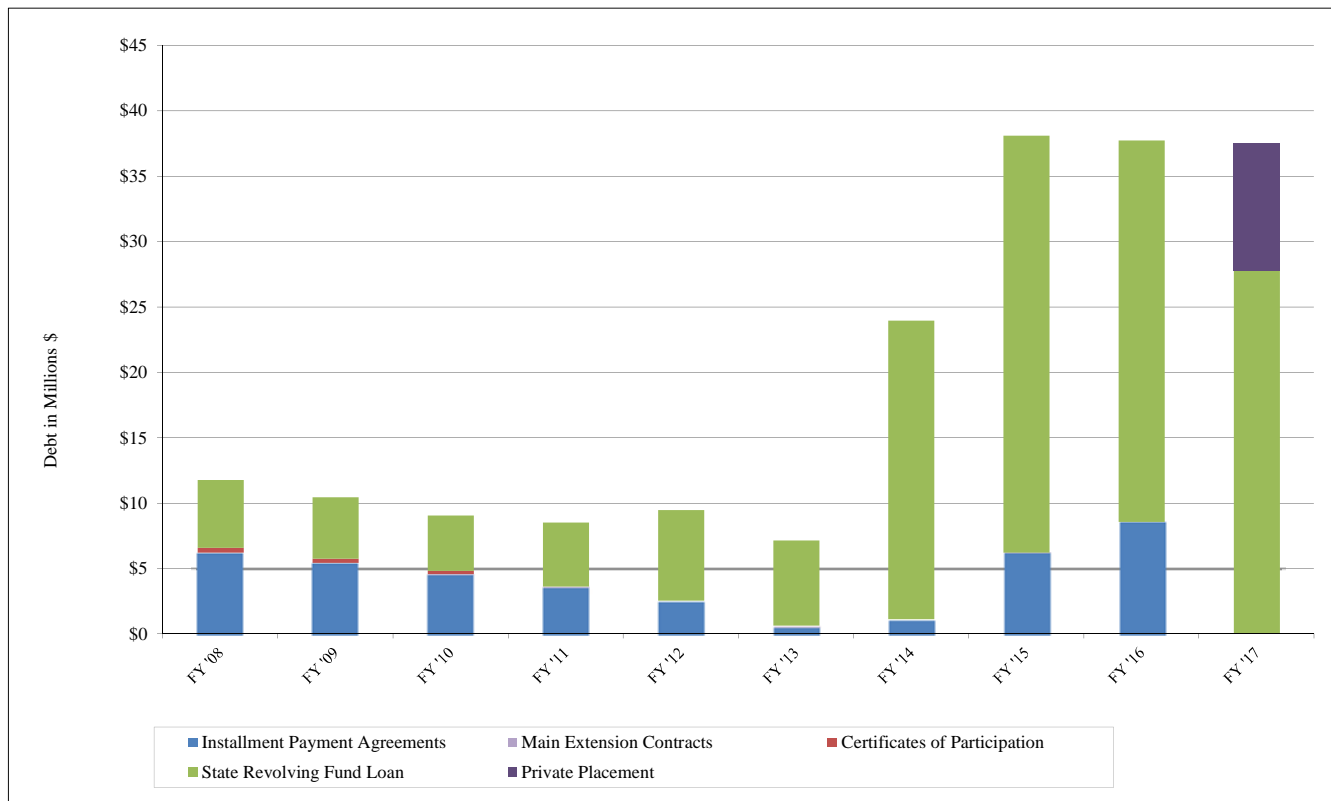
Customer	FY '08		Customer	FY '17	
	Annual Usage (HCF)	Percent of Total		Annual Usage (HCF)	Percent of Total
Saddleback Comm Hospital	49,760	1.04%	Saddleback Comm Hospital	48,586	1.44%
Simon Properties #4665	11,899	0.25%	VMS INC - Golden Rain	25,485	0.76%
Country Villa Laguna Hills	11,485	0.24%	PS Business Parks	9,964	0.30%
PS Business Parks	10,151	0.21%	Country Villa Laguna Hills	9,423	0.28%
PCM - Golden Rain	8,654	0.18%	Laguna Hills Business Center	5,831	0.17%
Reg De La Cuesta	8,107	0.17%	RPK Development	5,809	0.17%
Laguna Hills Business Center	7,202	0.15%	Westridge Commercial	5,703	0.17%
RPK Development	6,602	0.14%	Paul Ostro	5,587	0.17%
Ayres Hotel	6,042	0.13%	Ayres Hotel	5,468	0.16%
LHT Saddleback, LLC	6,041	0.13%	Laguna Hills Lodge	4,368	0.13%
Total Top 10 Customers	125,943	2.64%	Total Top 10 Customers	126,224	3.75%
Total All Other Water Customers	4,643,206	97.36%	Total All Other Water Customers	3,241,876	96.25%
Total Water Consumed	4,769,149	100.00%	Total Water Consumed	3,368,100	100.00%

HCF = 100 cubic feet



**El Toro Water District
Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Certificates of Participation	Installment Payment Agreements	State Revolving Fund Loan	Main Extension Contracts	Private Placement	Total Debt	Total Debt per Capita	Total Debt as % of Personal Income
2008	380,000	6,198,768	5,184,768	6,180	-	11,769,716	244	0.49%
2009	310,000	5,434,162	4,706,983	6,180	-	10,457,325	217	0.46%
2010	240,000	4,577,495	4,220,583	6,180	-	9,044,258	188	0.38%
2011	-	3,615,586	4,890,863	6,180	-	8,512,629	177	0.34%
2012	-	2,535,858	6,920,615	6,180	-	9,462,653	198	0.36%
2013	-	621,878	6,505,874	6,180	-	7,133,932	149	0.28%
2014	-	1,123,184 ⁽¹⁾	22,823,592 ⁽²⁾	6,180	-	23,952,956	502	0.90%
2015	-	6,215,863 ⁽¹⁾	31,873,740 ⁽²⁾	6,180	-	38,095,783	795	1.33%
2016	-	8,562,088 ⁽¹⁾	29,159,616 ⁽²⁾	6,180	-	37,727,884	779	1.25%
2017	-	-	27,827,408	6,180	9,715,035 ⁽¹⁾	37,548,623	764	N/A

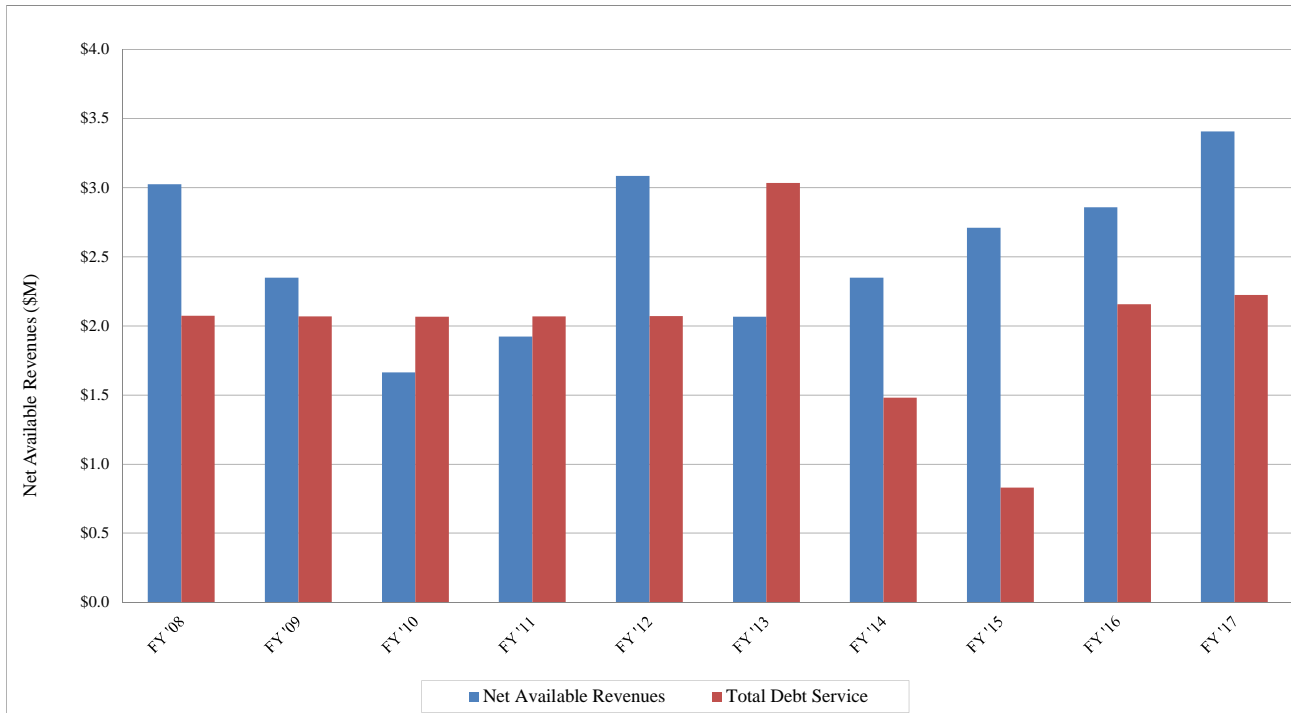


Notes:

- (1) In Dec 2013 the District entered into an agreement for the Baker Water Treatment Plant with five other entities. Additions in 2013 and 2014 were \$1,123,184 and \$5,092,679 respectively. This project was completed and refinanced in December 2016 with Texas Capital for a lower interest rate.
- (2) In 2013 the District entered into a loan agreement with the State Water Resources Control Board for the Recycled Water Treatment Plan Project. Additions in 2013 and 2014 were \$16,995,763 and \$9,741,814 respectively. Interest rate on the loan is 1.7% per annum.
- (3) Personal Income data is not available for 2017. The Bureau of Economic Analysis typically releases this information in November of the following year.

**El Toro Water District
Debt Service Coverage
Last Ten Fiscal Years**

Fiscal Year	Net Revenue			Debt Service			Coverage Ratio
	Total Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Principal	Interest	Total Debt Service	
2008	19,732,057	16,708,374	3,023,683	1,220,799	851,269	2,072,068	1.46
2009	19,723,899	17,374,292	2,349,607	1,312,391	757,000	2,069,391	1.14
2010	20,045,603	18,382,578	1,663,025	1,413,067	652,359	2,065,426	0.81
2011	20,790,399	18,868,138	1,922,261	1,532,100	536,214	2,068,314	0.93
2012	22,750,433	19,666,763	3,083,670	1,663,826	406,826	2,070,652	1.49
2013	23,934,861	21,868,516	2,066,345	2,673,722	359,134	3,032,856	0.68
2014	24,236,986	21,888,779	2,348,207	1,299,923	179,490	1,479,413	1.59
2015	24,481,578	21,771,103	2,710,475	691,667	137,746	829,413	3.27
2016	23,868,895	21,010,255	2,858,640	1,697,913	459,070	2,156,983	1.33
2017	25,331,161	21,925,666	3,405,495	1,532,173	691,970	2,224,143	1.53

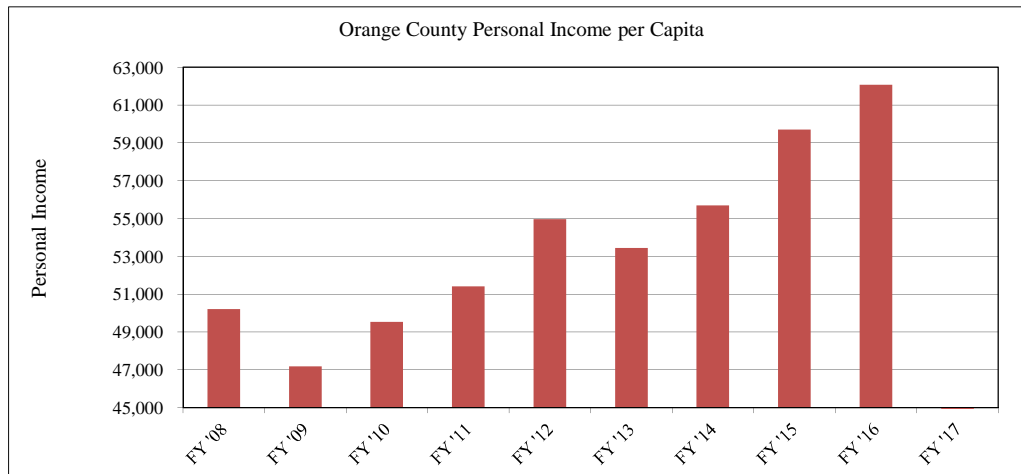
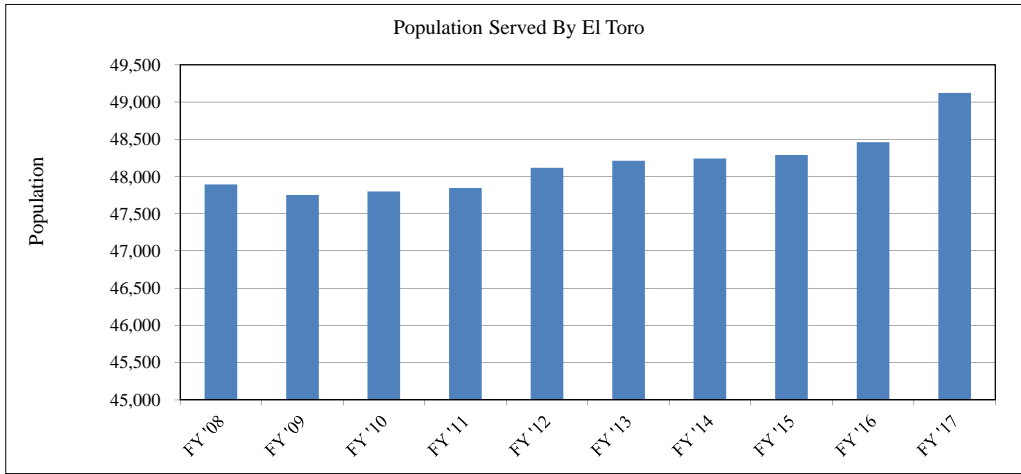


Notes:

(1) Operating expenses less depreciation and amortization.

**El Toro Water District
Demographics and Economic Statistics - County of Orange
Last Ten Fiscal Years**

Calendar Year	Population Served by El Toro	Orange County		
		Personal Income (thousands \$)	Personal Income per Capita	Unemployment Rate at 6/30
2008	47,895	148,492,015	50,207	5.3%
2009	47,752	140,937,698	47,181	9.0%
2010	47,800	149,486,476	49,537 (1)	9.8%
2011	47,847	157,031,273	51,420 (1)	9.4%
2012	48,117	169,583,534	54,972 (1)	8.3%
2013	48,214	166,369,802	53,451 (1)	6.9%
2014	48,244	174,586,467 (1)	55,699 (1)	5.5%
2015	48,289	188,471,529 (1)	59,708 (1)	4.5%
2016	48,461	196,920,661 (1)	62,071 (1)	4.3%
2017	49,124	N/A	N/A	3.8%



N/A - Data not available for time period

SOURCE: State of California, Employment Development Department, <http://www.edd.ca.gov>

SOURCE: Bureau of Economic Analysis, <http://www.bea.gov>

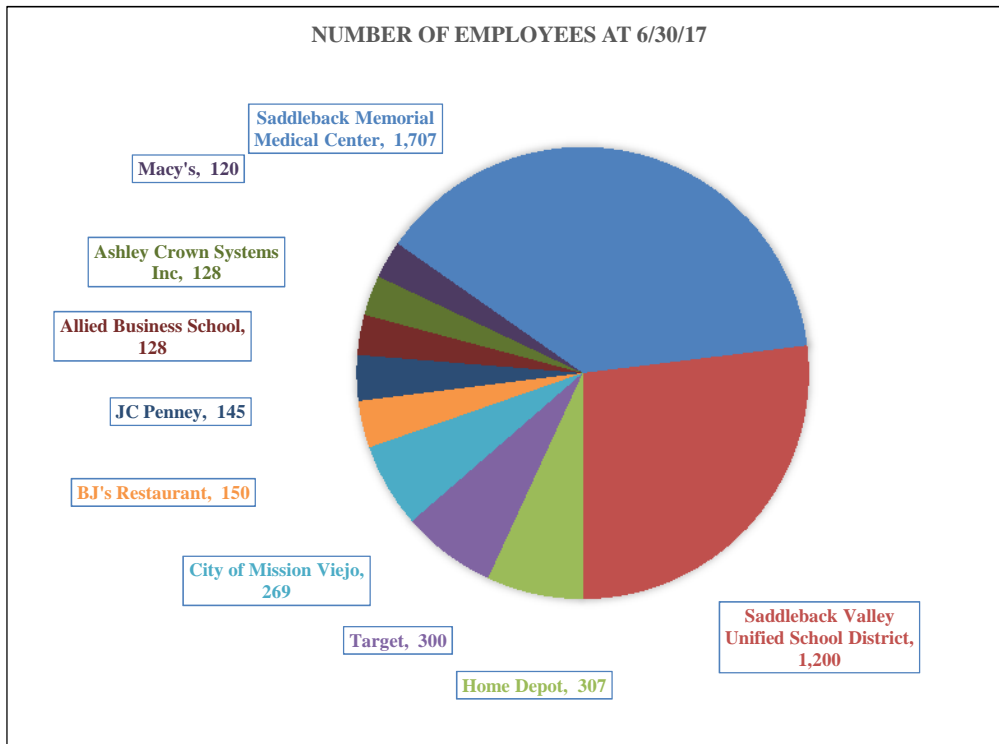
Notes:

(1) Bureau of Economic Analysis revised estimates for 2010-2016, reflect county population estimates available as of March 2017.

El Toro Water District Principal Employers Last Ten Fiscal Years

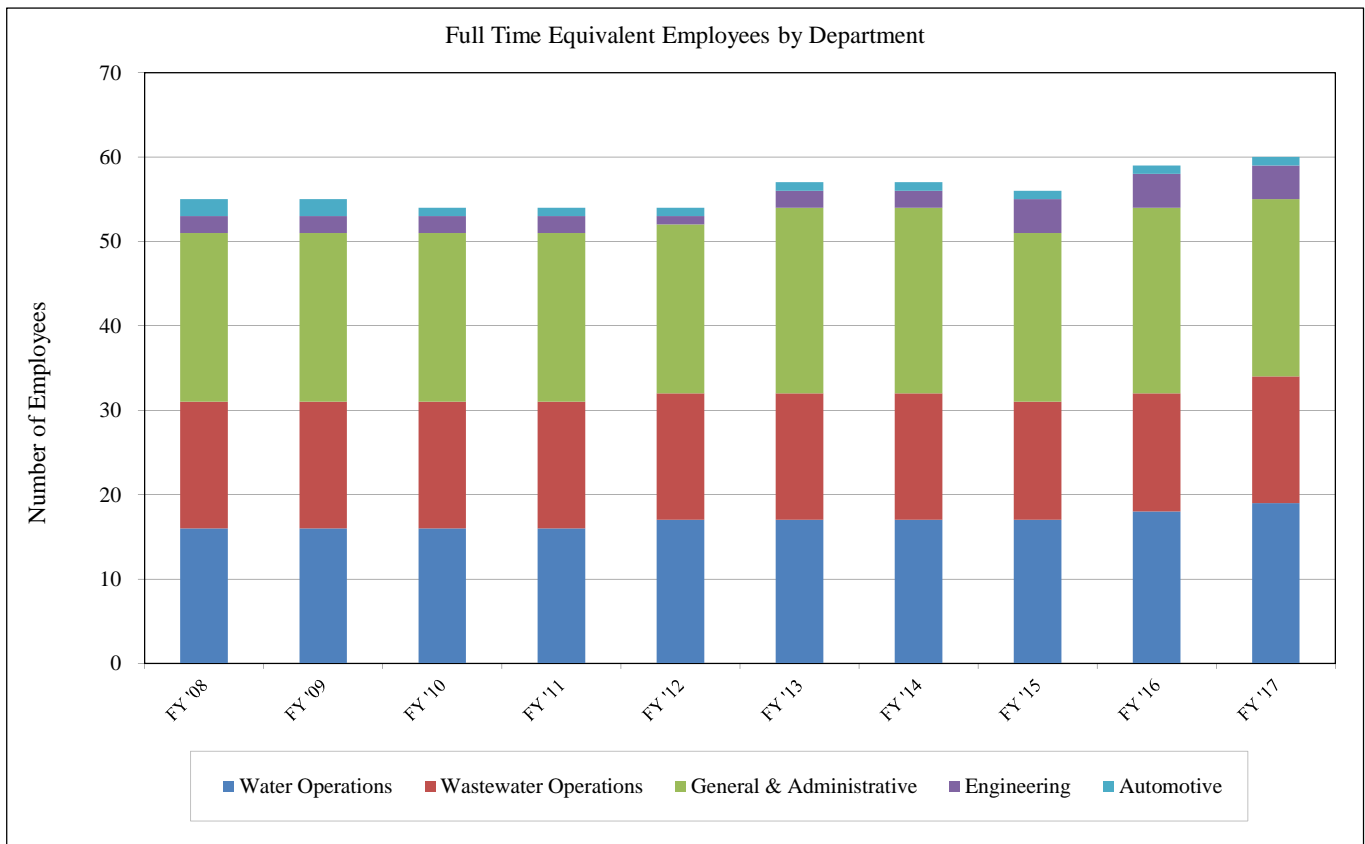
Employer	Number of Employees at 6/30/17	Percent of Total
Saddleback Memorial Medical Center	1,707	38.33%
Saddleback Valley Unified School District	1,200	26.94%
Home Depot	307	6.89%
Target	300	6.74%
City of Mission Viejo	269	6.04%
BJ's Restaurant	150	3.37%
JC Penney	145	3.26%
Allied Business School	128	2.87%
Ashley Crown Systems Inc	128	2.87%
Macy's	120	2.69%
Total Principal Employers	4,454	100.00%

Service Area: Covers about 5,430 acres including all of the city of Laguna Woods (36%), and portions of the cities of Laguna Hills (21%), Mission Viejo (12%), Lake Forest (27%) and Aliso Viejo (4%)



**El Toro Water District
Full Time Equivalent Employees by Department
Last Ten Fiscal Years**

Fiscal Year	Water Operations	Wastewater Operations	General & Administrative	Engineering	Automotive	Total
2008	16	15	20	2	2	55
2009	16	15	20	2	2	55
2010	16	15	20	2	1	54
2011	16	15	20	2	1	54
2012	17	15	20	1	1	54
2013	17	15	22	2	1	57
2014	17	15	22	2	1	57
2015	17	14	20	4	1	56
2016	18	14	22	4	1	59
2017	19	15	21	4	1	60



**El Toro Water District
Operating and Capacity Indicators
Last Ten Fiscal Years**

Fiscal Year	Water System			
	Miles of Water Mains	Service Connections	Annual Production (MG)	Average Daily Production (MGD)
2008	170	9,959	3,597,253,660	9,855,489
2009	170	10,159	3,405,702,738	9,330,692
2010	170	9,871	2,966,945,713	8,128,618
2011	170	9,797	2,878,545,866	7,886,427
2012	170	9,802	3,137,906,174	8,597,003
2013	170	9,803	3,137,906,174	8,597,003
2014	170	9,880	3,253,807,760	8,914,542
2015	170	9,828	2,818,530,813	7,722,002
2016	170	9,953	2,273,038,362	6,227,502
2017	170	9,943	2,291,973,506	6,279,379.47

Fiscal Year	Sewer System			
	Miles of Sewers Lines	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2008	114	9,959	1,580,046,650	4,328,895
2009	114	10,159	1,503,797,750	4,119,994
2010	114	9,871	1,489,460,350	4,080,713
2011	114	9,797	1,501,516,800	4,113,745
2012	114	9,802	1,441,560,400	3,949,481
2013	114	9,803	1,395,615,550	3,823,604
2014	114	9,880	1,261,691,200	3,456,688
2015	114	9,828	1,242,466,050	3,404,017
2016	114	9,953	1,096,485,250	3,004,069
2017	114	9,943	1,145,590,845	3,138,605

Fiscal Year	Recycled Water			
	Miles of Recycled Pipe	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2008	19	1	157,032,654	430,226
2009	19	1	143,529,430	393,231
2010	19	1	169,575,599	464,591
2011	19	1	185,162,307	507,294
2012	19	1	244,385,545	669,549
2013	19	1	190,260,557	521,262
2014	19	1	142,584,791	390,643
2015	19	70 (1)	159,560,925	437,153
2016	19	138 (1)	337,874,517	925,684
2017	19	210 (1)	462,485,422	1,267,083

Notes:

AF - Acre Feet
 MG - Millions of Gallons
 MGD - Millions of Gallons per Day

(1) The increase in Recycled Connections was a result of Recycled Water Project to transition irrigation customers to recycled water.

EL TORO WATER DISTRICT
FINANCIAL REPORT
December 18, 2017

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**EL TORO WATER DISTRICT
BALANCE SHEET**

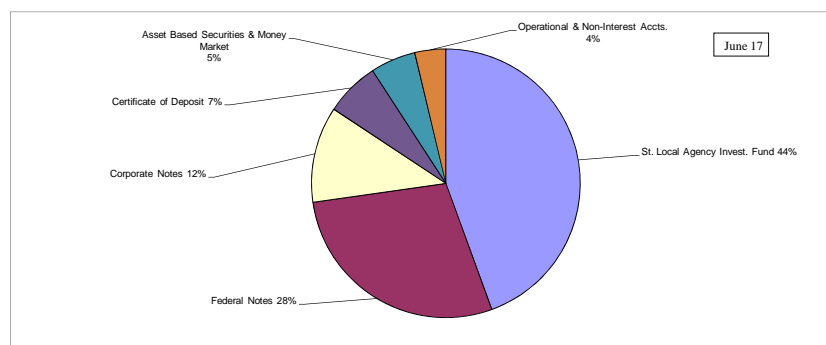
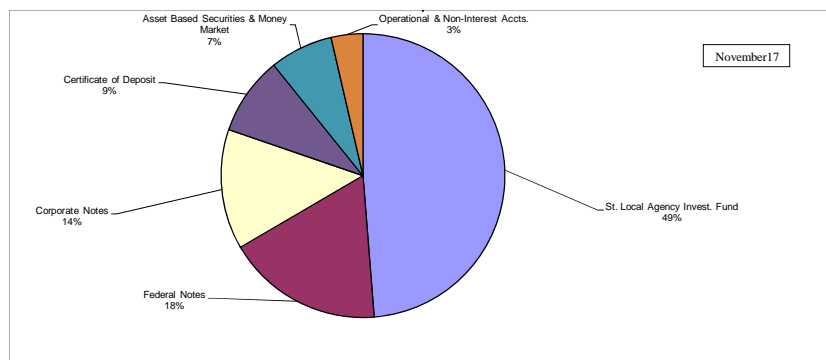
	11/30/17 (Unaudited)	June 30, 2017 (Unaudited)
ASSETS		
Current Assets		
Cash & Investments	\$7,558,149	\$6,482,719
Receivables:		
Accounts Receivable	2,768,966	3,000,262
Notes Receivable	-	-
Inventories	584,052	616,603
Prepaid Expenses	445,271	161,161
Total Current Assets	11,356,438	10,260,746
Restricted Assets		
Cash & Investments	11,427,140	10,897,628
Total Restricted Assets	11,427,140	10,897,628
Non-Current Assets		
Utility Plant:		
Land & Easements	7,451,585	7,451,585
Long Term Leases	342,382	342,382
Equipment	111,644,253	94,991,417
Collection & Impound Reservoirs	6,243,706	6,243,706
Structure & Improvements	34,640,855	34,599,770
Total Utility Plant	160,322,782	143,628,861
Less Accumulated Depreciation & Amortization	(68,547,680)	(66,535,201)
Net Utility Plant	91,775,102	77,093,660
Construction Work in Progress	2,194,880	17,832,166
Notes Receivable	-	-
Total Non-current Assets	93,969,982	94,925,825
TOTAL ASSETS	\$116,753,561	\$116,084,199

**EL TORO WATER DISTRICT
BALANCE SHEET**

	11/30/17 (Unaudited)	June 30, 2017 (Unaudited)
LIABILITIES and EQUITY		
Liabilities		
Current Liabilities Payable		
Accounts Payable	\$1,212,735	\$1,515,973
Current Portion of Long-Term Debt	1,745,817	10,611
Other Current Liabilities	8,262,411	6,524,521
Total Current Liabilities Payable		
From Current Assets	11,220,963	8,051,106
Long Term Debt		
Long Term Debt	35,802,806	37,542,443
Total Long Term Debt	35,802,806	37,542,443
Total Liabilities	47,023,768	45,593,548
Fund Equity		
Retained Earnings - Reserved	22,174,300	22,174,300
Contributed Capital	8,744,767	8,744,767
Retained Earnings - Unreserved	38,037,954	38,615,382
Net Income	772,771	956,202
Total Fund Equity	69,729,792	70,490,651
Total Liabilities & Fund Equity	\$116,753,561	\$116,084,199

**CASH & INVESTMENTS
SUMMARY OF INVESTMENTS BY TYPE**

	Maturity Dates	Par	Market Value 11/30/17	Financial Institution	YTM 11/30/17	Original Cost 11/30/17
State Local Agency Investment Fund	NA	NA	\$9,281,561	LAIF	1.17%	\$9,281,561
US Treasury N/B - Coupon Rate 1.625%	7/31/2020	60,000	59,604	US Bank/CAMP	1.60%	60,038
US Treasury N/B - Coupon Rate 1.375%	8/31/2020	110,000	108,505	US Bank/CAMP	1.53%	109,502
US Treasury N/B - Coupon Rate 1.375%	8/31/2020	260,000	256,466	US Bank/CAMP	1.44%	259,523
US Treasury N/B - Coupon Rate 1.375%	10/31/2020	160,000	157,569	US Bank/CAMP	1.65%	158,700
Intl BK of Recon & Dev Global Notes - Coupon Rate 1.125%	11/27/2019	110,000	108,278	US Bank/CAMP	1.50%	109,098
Intl BK of Recon & Dev Notes - Coupon Rate 1.875%	4/21/2020	90,000	89,742	US Bank/CAMP	1.90%	89,922
Inter-American Devel BK Note - Coupon Rate 1.625%	5/12/2020	150,000	148,751	US Bank/CAMP	1.70%	149,645
Intl BK of Recon & Dev Notes - Coupon Rate 1.561%	9/12/2020	90,000	88,571	US Bank/CAMP	1.64%	89,784
Inter-American Development Bank - Coupon Rate 2.125%	11/9/2020	90,000	90,230	US Bank/CAMP	1.81%	90,834
FNMA Benchmark Note - Coupon Rate 1.000%	2/28/2019	340,000	336,870	US Bank/CAMP	1.21%	337,895
FHLMC Reference Note- Coupon Rate 0.875%	7/19/2019	800,000	787,884	US Bank/CAMP	1.08%	795,616
FNMA Notes - Coupon Rate 1.000%	8/28/2019	950,000	936,595	US Bank/CAMP	1.10%	947,435
FNMA Notes - Coupon Rate 1.500%	2/28/2020	200,000	198,233	US Bank/CAMP	1.52%	199,872
Federal Notes		3,410,000	3,367,296			3,397,862
JP Morgan Chase Notes - Coupon Rate 6.000%	1/15/2018	150,000	150,705	US Bank/CAMP	1.79%	163,206
John Deere Capital Corp. - Coupon Rate 1.650%	10/15/2018	30,000	29,931	US Bank/CAMP	1.69%	29,981
Toyota Motor Credit Corp. - Coupon Rate 1.700%	1/9/2019	150,000	149,665	US Bank/CAMP	1.72%	149,948
US Bankcorp (Callable) Notes - Coupon Rate 2.200%	4/25/2019	150,000	150,402	US Bank/CAMP	1.47%	152,727
Pepsico Inc. - Coupon Rate 1.550%	5/2/2019	50,000	49,760	US Bank/CAMP	1.59%	49,963
American Express Credit - Coupon Rate 1.875%	5/3/2019	50,000	49,831	US Bank/CAMP	1.90%	49,980
American Honda Finance - Coupon Rate 1.200%	7/12/2019	150,000	147,899	US Bank/CAMP	1.48%	148,887
Goldman Sachs Group Inc - Coupon Rate 1.950%	7/23/2019	60,000	59,664	US Bank/CAMP	1.96%	59,993
Cisco Systems Notes - Coupon Rate 1.400%	9/20/2019	150,000	148,474	US Bank/CAMP	1.42%	149,931
Honeywell International Corp. Notes - Coupon Rate 1.800%	10/30/2019	25,000	24,901	US Bank/CAMP	1.84%	24,981
American Express Credit Corp. - Coupon Rate 1.700%	10/30/2019	100,000	99,240	US Bank/CAMP	1.99%	99,240
Citigroup Inc. Corp. Note - Coupon Rate 2.450%	1/10/2020	50,000	50,035	US Bank/CAMP	1.90%	50,607
BB&T Corp. Note - Coupon Rate 2.450%	1/15/2020	100,000	100,512	US Bank/CAMP	2.08%	101,053
Morgan Stanley Corp. Bonds - Coupon Rate 2.650%	1/27/2020	40,000	40,249	US Bank/CAMP	2.35%	40,346
IBM Corp. Notes - Coupon Rate 1.900%	1/27/2020	100,000	99,634	US Bank/CAMP	1.93%	99,904
Microsoft Corp. Note - Coupon Rate 1.850%	2/6/2020	90,000	89,638	US Bank/CAMP	1.87%	89,940
Apple Inc. Bonds - Coupon Rate 1.900%	2/7/2020	80,000	79,708	US Bank/CAMP	1.92%	79,961
Chevron Corp Notes - Coupon Rate 1.991%	3/3/2020	70,000	69,846	US Bank/CAMP	1.99%	70,000
Walt Disney Corp Notes - Coupon Rate 1.950%	3/4/2020	20,000	19,960	US Bank/CAMP	1.96%	19,995
Exxon Mobil Corp Note - Coupon Rate 1.912%	3/6/2020	90,000	89,690	US Bank/CAMP	1.75%	90,402
John Deere Capital Corp. - Coupon Rate 2.200%	3/13/2020	40,000	39,992	US Bank/CAMP	2.23%	39,969
Goldman Sachs Group Inc Corp Notes - Coupon Rate 2.600%	4/23/2020	30,000	30,067	US Bank/CAMP	2.28%	30,226
Apple Inc. Bonds - Coupon Rate 1.800%	5/11/2020	60,000	59,534	US Bank/CAMP	1.84%	59,939
Intel Corp Notes - Coupon Rate 1.850%	5/11/2020	90,000	89,650	US Bank/CAMP	1.86%	89,966
Home Depot Inc Corp Notes - Coupon Rate 1.800%	6/5/2020	40,000	39,754	US Bank/CAMP	1.82%	39,977
Walt Disney Corp Notes - Coupon Rate 1.800%	6/5/2020	70,000	69,556	US Bank/CAMP	1.84%	69,919
John Deere Capital Corp Notes - Coupon Rate 1.950%	6/22/2020	20,000	19,863	US Bank/CAMP	1.97%	19,988
State Street Corp Notes - Coupon Rate 2.550%	8/18/2020	10,000	10,100	US Bank/CAMP	1.83%	10,208
State Street Corp Notes - Coupon Rate 2.550%	8/18/2020	70,000	70,698	US Bank/CAMP	1.82%	71,471
Caterpillar Finl Service Note - Coupon Rate 1.850%	9/4/2020	70,000	69,301	US Bank/CAMP	1.88%	69,941
Citigroup Inc Corp Notes - Coupon Rate 2.650%	10/26/2020	40,000	40,142	US Bank/CAMP	2.34%	40,360
Paccar Financial Corp Notes - Coupon Rate 2.050%	11/13/2020	20,000	19,926	US Bank/CAMP	2.05%	19,998
VISA Inc. (Callable) Corp Notes - Coupon Rate 2.200%	12/14/2020	20,000	19,992	US Bank/CAMP	1.85%	20,220
Wal-Mart Stores Inc. Corp. Note - Coupon Rate 1.900%	12/15/2020	90,000	89,409	US Bank/CAMP	1.95%	89,870
United Parcel Service Corporate Bond - Coupon Rate 2.050%	4/1/2021	90,000	89,519	US Bank/CAMP	2.10%	89,858
Pepsico Inc. Corp. Note - Coupon Rate 2.000%	4/15/2021	30,000	29,727	US Bank/CAMP	2.01%	29,994
Bank of America Note - Coupon Rate 2.328%	10/1/2021	90,000	89,465	US Bank/CAMP	2.33%	90,000
Corporate Notes		2,585,000	2,576,437			2,602,944
Bank of Tokyo Mitsubishi - Coupon Rate 0.000%	1/26/2018	150,000	149,664	US Bank/CAMP	1.54%	148,296
Canadian Imperial Bank NY CD - Coupon Rate 1.760%	11/30/2018	250,000	250,434	US Bank/CAMP	1.25%	250,320
Svenska Handelsbanken NY LT CD - Coupon Rate 1.890%	1/10/2019	200,000	199,338	US Bank/CAMP	1.91%	200,000
Bank of Montreal Chicago CD - Coupon Rate 1.880%	2/7/2019	180,000	180,528	US Bank/CAMP	1.90%	180,000
Bank of Nova Scotia Houston LT CD - Coupon Rate 1.910%	4/5/2019	180,000	179,650	US Bank/CAMP	1.91%	180,000
Sumitomo Mitsui Bank CD - Coupon Rate 2.050%	5/3/2019	180,000	179,888	US Bank/CAMP	2.05%	180,000
Skandinav Enskilda Banken NY CD - Coupon Rate 1.840%	8/2/2019	180,000	178,759	US Bank/CAMP	1.85%	179,930
Bank of Tokyo Mitsubishi UFJ LTD CD- Coupon Rate 2.070%	9/25/2019	100,000	99,804	US Bank/CAMP	2.07%	100,000
Westpac Banking Corp NY CD - Coupon Rate 2.050%	8/3/2020	150,000	150,251	US Bank/CAMP	2.05%	150,000
Swedbank (NewYork) CD- Coupon Rate 2.270%	11/16/2020	135,000	134,670	US Bank/CAMP	2.30%	135,000
Certificate of Deposit		1,705,000	1,702,986			1,703,546
Nissan ABS 2015-A A3 - Coupon Rate 1.050%	10/15/2019	7,752	7,738	US Bank/CAMP	1.28%	7,716
CNH 2017-A A2 - Coupon Rate 1.640%	7/15/2020	190,000	189,907	US Bank/CAMP	1.80%	189,993
Toyota ABS 2017-A A3 - Coupon Rate 1.730%	2/15/2021	50,000	49,870	US Bank/CAMP	1.74%	49,994
John Deere ABS 2017-A A3 - Coupon Rate 1.780%	4/15/2021	30,000	29,867	US Bank/CAMP	1.79%	29,996
Toyota ABS 2017-B A3 - Coupon Rate 1.760%	7/15/2021	100,000	99,489	US Bank/CAMP	1.76%	99,992
Honda ABS 2017-1 A3 - Coupon Rate 1.720%	7/21/2021	40,000	39,852	US Bank/CAMP	1.72%	39,998
Hyundai ABS 2017-A A3 - Coupon Rate 1.780%	8/15/2021	40,000	39,837	US Bank/CAMP	1.76%	39,997
Nissan ABS 2017-A A3 - Coupon Rate 1.740%	8/15/2021	50,000	49,777	US Bank/CAMP	1.74%	49,995
Ally ABS 2017-2 A3 - Coupon Rate 1.780%	8/15/2021	70,000	69,825	US Bank/CAMP	1.79%	69,992
Honda ABS 2017-2 A3 - Coupon Rate 1.680%	8/15/2021	90,000	89,350	US Bank/CAMP	1.68%	89,992
CCCIT 2017-A9 A9 - Coupon Rate 1.800%	9/20/2021	100,000	99,578	US Bank/CAMP	1.80%	99,993
John Deere ABS 2017-B A3 - Coupon Rate 1.820%	10/15/2021	30,000	29,822	US Bank/CAMP	1.82%	29,998
Ford ABS 2017-B A3 - Coupon Rate 1.690%	11/15/2021	70,000	69,898	US Bank/CAMP	1.69%	69,997
American Express 2017-4 A - Coupon Rate 1.640%	12/15/2021	100,000	99,594	US Bank/CAMP	1.65%	99,984
Hyundai ABS 2017-B A3 - Coupon Rate 1.770%	1/15/2022	80,000	79,515	US Bank/CAMP	1.78%	79,986
Ally 2017-5 A3 - Coupon Rate 1.990%	3/15/2022	70,000	69,884	US Bank/CAMP	1.99%	69,995
Ford 2017-C A3 - Coupon Rate 2.010%	3/15/2022	110,000	109,980	US Bank/CAMP	2.02%	109,980
Citibank 2017-A3 A3 - Coupon Rate 1.920%	4/7/2022	100,000	99,628	US Bank/CAMP	1.82%	100,267
CAMP Money Market Fund	NA	NA	44,794	US Bank/CAMP	1.20%	44,794
Asset Based Securities & Money Market		1,327,752	1,368,208			1,372,657
Total Camp Investments		9,027,752	9,014,928			9,077,010
Operational & Non-Interest Bearing Accounts						
ETWD General Cash Account	NA	NA	662,079	Union Bank of Cal.	0.00%	662,079
ETWD Capital Facilities Reserve Account	NA	NA	23,302	Union Bank of Cal.	0.00%	23,302
ETWD Payroll Account	NA	NA	0	Union Bank of Cal.	0.00%	0
ETWD Petty Cash Account	NA	NA	700	Union Bank of Cal.	0.00%	700
Operational & Non-Interest Accts.			686,081			686,081
Total Investments & Cash			\$18,982,571			\$19,044,652

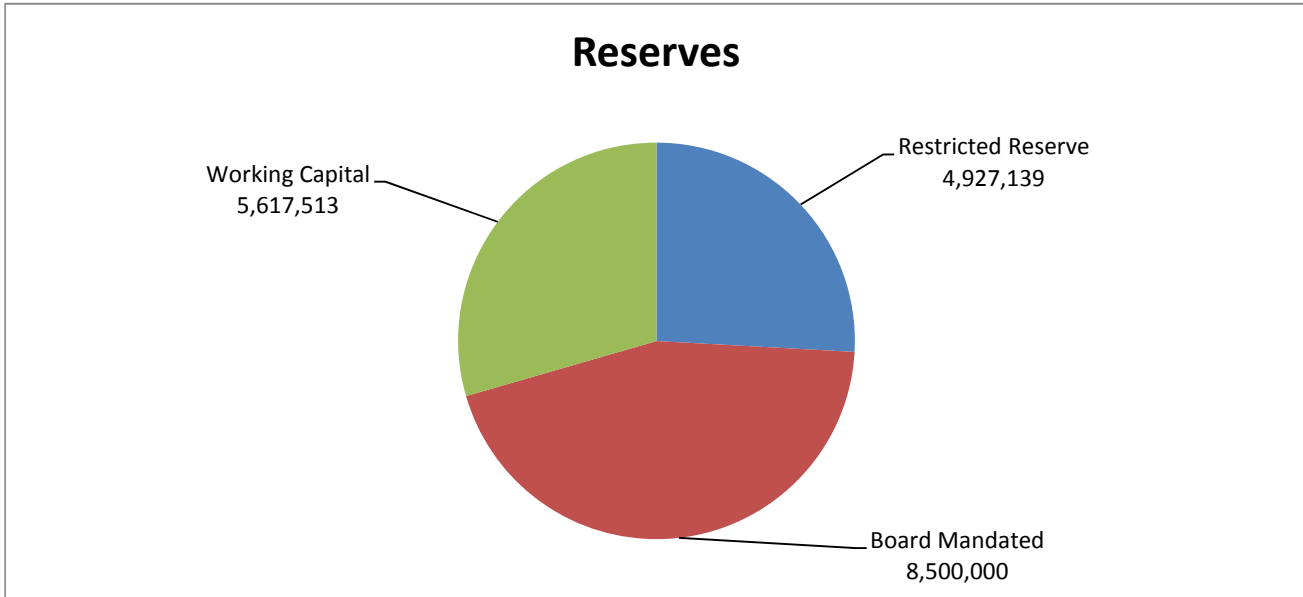


LIQUIDITY

	November 30, 2017		June 30, 2017	
	\$	%	\$	%
DEMAND	\$ 10,012,437	52.57%	\$ 8,399,070	48.21%
30 Days	\$ -	0.00%	\$ -	0.00%
31-180 Days	\$ 311,502	1.64%	\$ -	0.00%
181 - 360	\$ 29,981	0.16%	\$ 420,306	2.41%
361-1800 Days	\$ 8,690,733	45.63%	\$ 8,602,295	49.38%
TOTAL	\$ 19,044,652	100.00%	\$ 17,421,671	100.00%

All investment actions since the prior report have been executed in full compliance with the District's Investment Policy and in accordance with California Government Code Sections 53646 (b) (2) and (3) requiring sufficient cash reserves for six months of District operations.

**EL TORO WATER DISTRICT
RESERVE ANALYSIS
30-Nov-17**



Restricted Reserve	\$	4,927,139
Board Mandated	\$	8,500,000
Capital Cash Flow/ Compliance	\$	5,617,513
Total	\$	19,044,652

Restricted Reserve

SRFL-Recycled	\$	1,602,958
Capital Facilities Reserve	\$	23,302
Tiered Cons Fund	\$	2,165,860
Baker Funding	\$	1,135,020
Total	\$	4,927,139

Board Mandated Minimum Reserve Levels

Capital Construction	\$	3,000,000
Rate Stabilization	\$	2,200,000
Operations	\$	1,300,000
Working Capital	\$	2,000,000
Total	\$	8,500,000

Six months operating expense requirement:	\$11,119,197
Cash less restricted reserve on hand:	\$14,117,513

EL TORO WATER DISTRICT CHANGE IN RESERVES

	<u>November 30, 2017</u>	<u>Year to Date</u>	<u>June 30, 2017</u>
Operating Revenue	2,058,047	11,206,481	23,839,180
Non-operating Revenue	122,186	682,606	1,501,421
Total Revenue	<u>2,180,233</u>	<u>11,889,087</u>	<u>25,340,601</u>
Operating Expenses	1,935,736	9,018,210	20,040,847
Depreciation	352,477	1,762,385	3,814,656
Non-operating Expenses	67,144	335,720	528,896
Total Expenses	<u>2,355,357</u>	<u>11,116,316</u>	<u>24,384,399</u>
NET INCOME	(175,124)	772,771	956,202
Non-Cash Items:			
Add: Depreciation	352,477	1,762,385	3,814,656
Change in Notes Receivable/Grant Fund	-	-	-
Loan Proceeds	-	-	1,352,912
Less: Debt Service	-	-	(199,965)
Capital Improvements	(424,367)	(995,766)	(3,561,957)
Total Non-Cash Items	<u>(71,890)</u>	<u>766,619</u>	<u>1,405,646</u>
CHANGE IN RESERVES	<u>(247,014)</u>	<u>1,539,390</u>	<u>2,361,848</u>

EL TORO WATER DISTRICT
Cash Sheet
For the month ending November 30, 2017

CHECK NUMBER	PAYMENT DATE	VENDOR NAME	PAYMENT AMOUNT
84103	11/09/2017	MUNICIPAL WATER DISTRICT OF ORANGE CO.	457,503.58
84245	11/30/2017	MOULTON NIGUEL WATER DISTRICT	159,821.20
84244	11/30/2017	E.J. MEYER COMPANY, INC.	156,339.59
84154	11/16/2017	IRVINE RANCH WATER DISTRICT	149,485.59
84236	11/30/2017	UNITED RENTALS, INC.	141,825.94
84102	11/09/2017	MOULTON NIGUEL WATER DISTRICT	132,165.00
84074	11/09/2017	ACWA HEALTH BENEFITS AUTHORITY	105,818.53
84217	11/30/2017	MOULTON NIGUEL WATER DISTRICT	83,265.90
84212	11/30/2017	JWC ENVIRONMENTAL, LLC	82,255.28
84196	11/21/2017	SO. CALIFORNIA EDISON CO.	76,639.75
TOTAL CHECKS OVER \$50,000			\$ 1,545,120.36
TOTAL CHECKS IN REGISTER			\$ 1,894,920.82

INTERBANK WIRES / DEBIT TRANSFERS

11/09/2017	PAYROLL DIRECT DEPOSIT	134,836.85
11/09/2017	FEDERAL DEPOSIT LIABILITY	33,697.77
11/09/2017	SDI & STATE TAX	11,095.75
11/09/2017	WAGE GARNISHMENTS	585.00
11/09/2017	PRUDENTIAL (401K)	48,241.03
11/09/2017	PRUDENTIAL (457)	13,632.07
11/15/2017	PAYROLL BOARD OF DIRECTOR	4,061.38
11/15/2017	SS, MEDICARE, SDI & STATE TAX	1,378.27
11/15/2017	PRUDENTIAL (457)	2,722.00
11/24/2017	PAYROLL DIRECT DEPOSIT	132,773.84
11/24/2017	FEDERAL DEPOSIT LIABILITY	32,732.14
11/24/2017	SDI & STATE TAX	10,502.20
11/24/2017	WAGE GARNISHMENTS	585.00
11/24/2017	PRUDENTIAL (401K)	47,508.58
11/24/2017	PRUDENTIAL (457)	13,046.39
11/30/2017	ADP AND BANK FEES	4,954.99
TOTAL INTERBANK WIRES / DEBIT TRANSFERS		\$ 492,353.26

TOTAL DISBURSEMENTS \$ 2,387,274.08

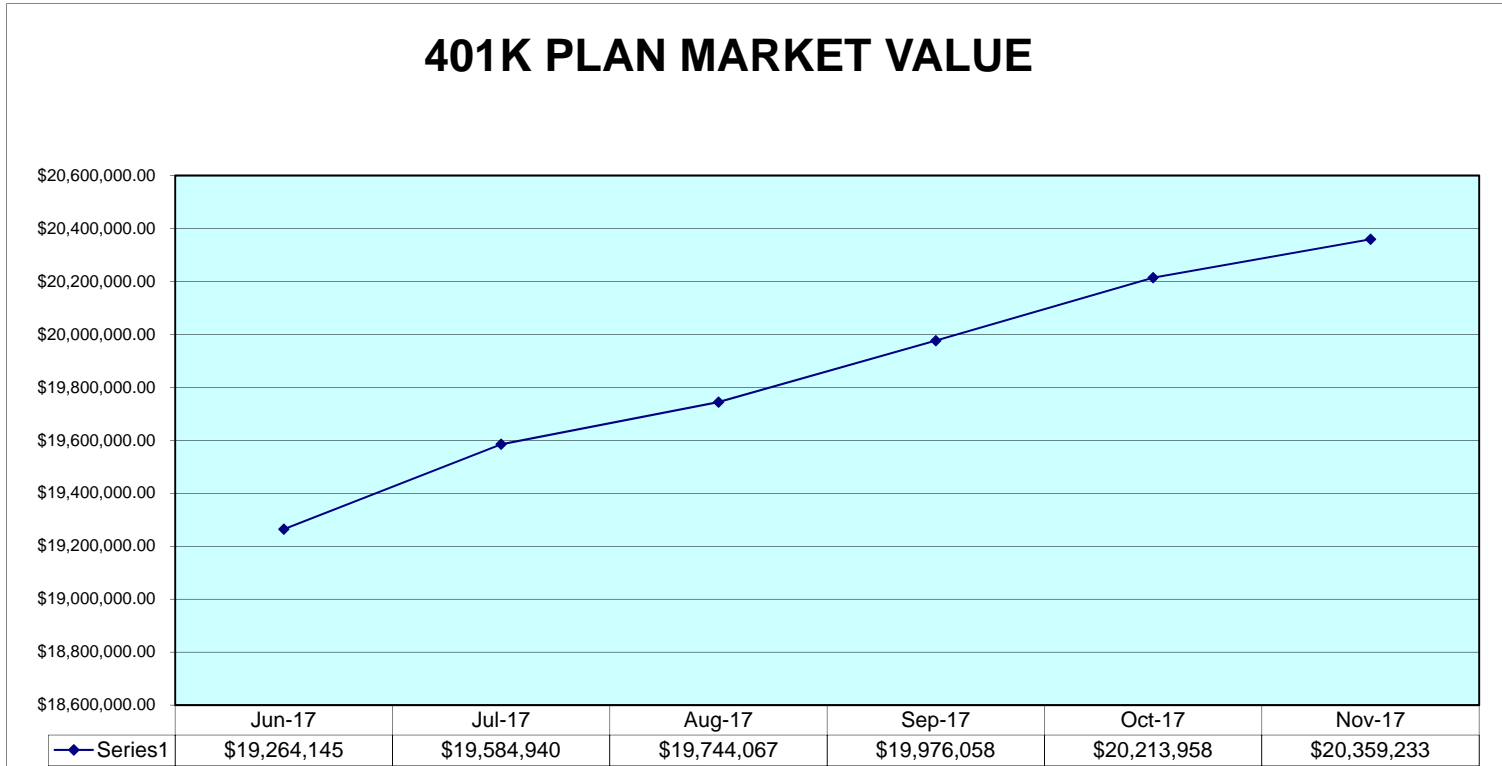
ETWD EMPLOYEES

CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
84116	11/09/2017	TROY DAVIS (Expense Reimbursement)	215.00
84096	11/09/2017	JIM REDDING (Expense Reimbursement)	205.00
84194	11/21/2017	SHERRI A. SEITZ (Expense Reimbursement)	106.20
84060	11/02/2017	RICK BROWN (Expense Reimbursement)	90.00
84121	11/09/2017	MICHAEL MIAZGA (Expense Reimbursement)	44.88
84122	11/16/2017	ABEL ESTRADA (Expense Reimbursement)	41.31
TOTAL CHECKS TO EMPLOYEES			\$ 702.39

ETWD DIRECTORS

CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
84097	11/09/2017	JOSE VERGARA (Expense Reimbursement)	165.32
84093	11/09/2017	FREDERICK ADJARIAN (Expense Reimbursement)	126.85
84101	11/09/2017	MARK MONIN (Expense Reimbursement)	101.65
TOTAL CHECKS TO DIRECTORS			\$ 393.82

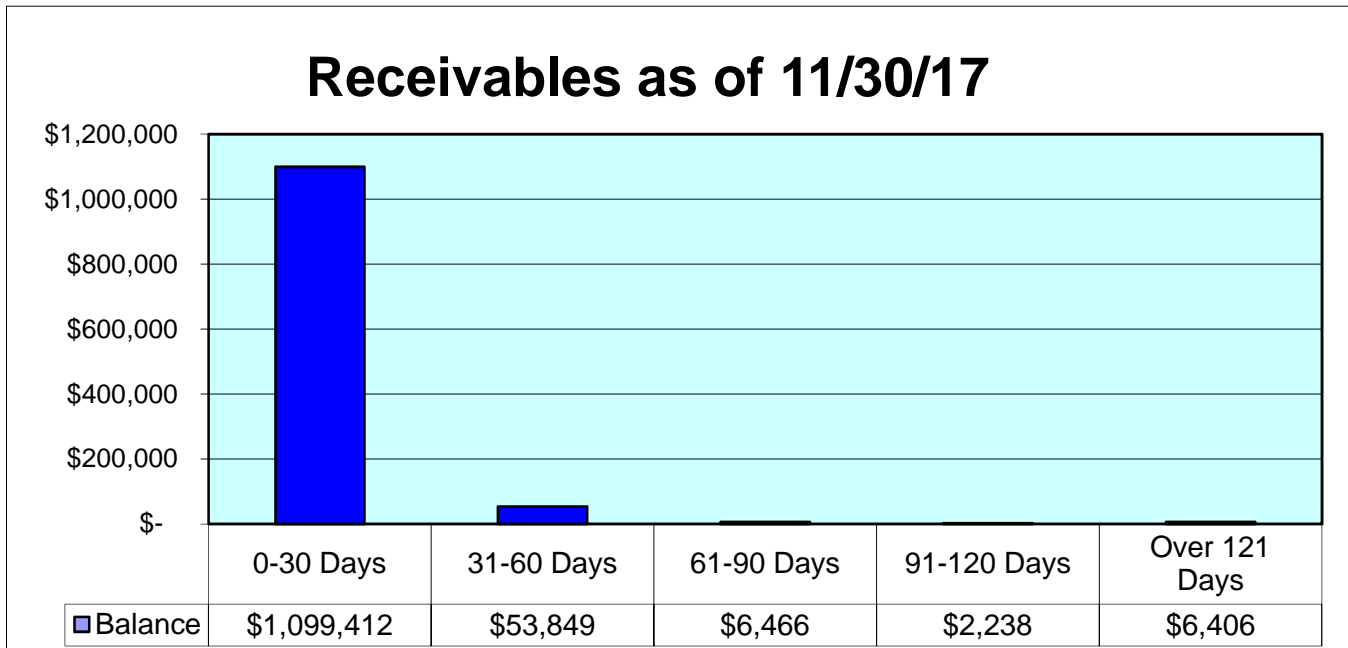
EL TORO WATER DISTRICT 401K PLAN SUMMARY



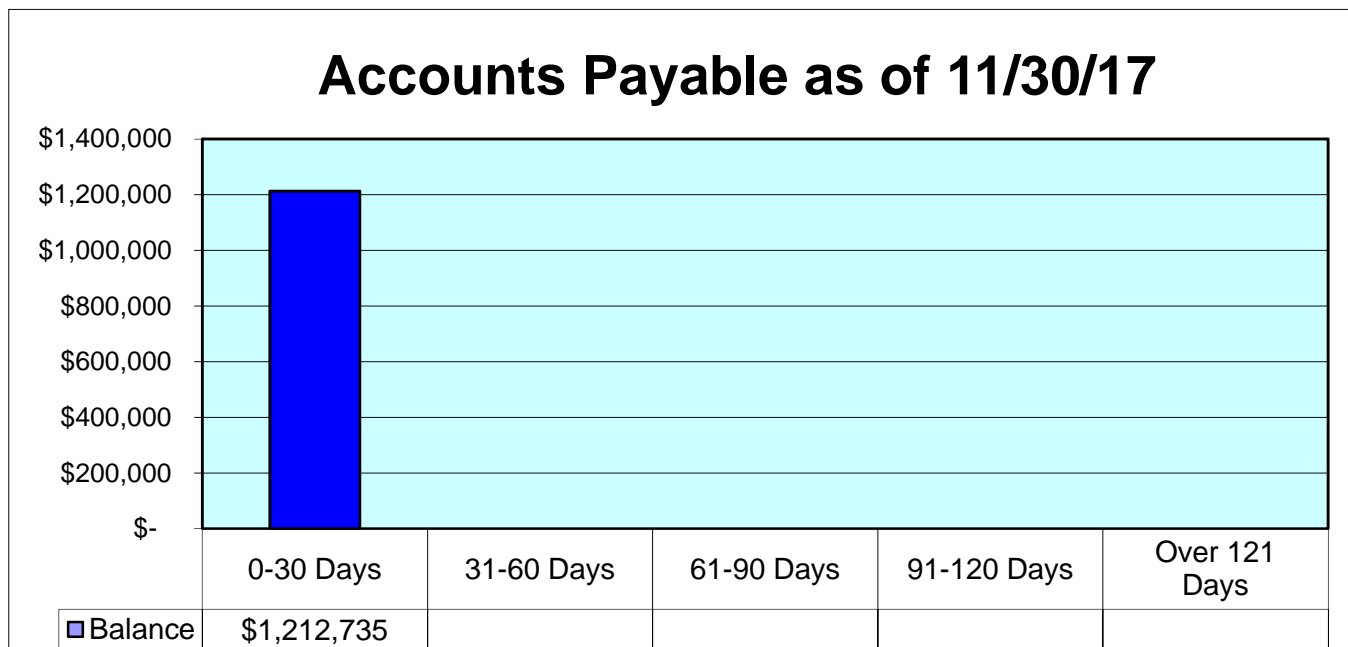
	MARKET VALUE SUMMARY			
	Growth Port. Under 40 yrs. Old	Balanced Port. 40 to 50 yrs. Old	Income & Growth 50 to 60 yrs. Old	Capital Pres. Port Over 60 yrs. Old
Balance at July 1, 2017	\$ 1,249,773.70	\$2,323,855.06	\$11,668,412.71	\$4,022,103.68
Contributions	115,918.98	67,744.70	252,332.74	106,233.32
Withdrawals	(2.92)	0.00	(49,416.68)	(105,304.03)
Transfers	(233,907.18)	(42,684.69)	(538,442.46)	815,034.33
Interest, dividends and appreciation net of fees and charges	67,604.28	104,506.09	412,955.08	122,516.55
Balance at November 30, 2017	\$ 1,199,386.86	\$2,453,421.16	\$11,745,841.39	\$4,960,583.85
Average return YTD November 30, 2017	5.64%	4.26%	3.52%	2.47%

Average return is calculated by dividing the interest, dividends and appreciation, net of fees by ending fund balance and then annualize.

RECEIVABLES & PAYABLES AGEING



Bad Debts Year to Date: \$8,688

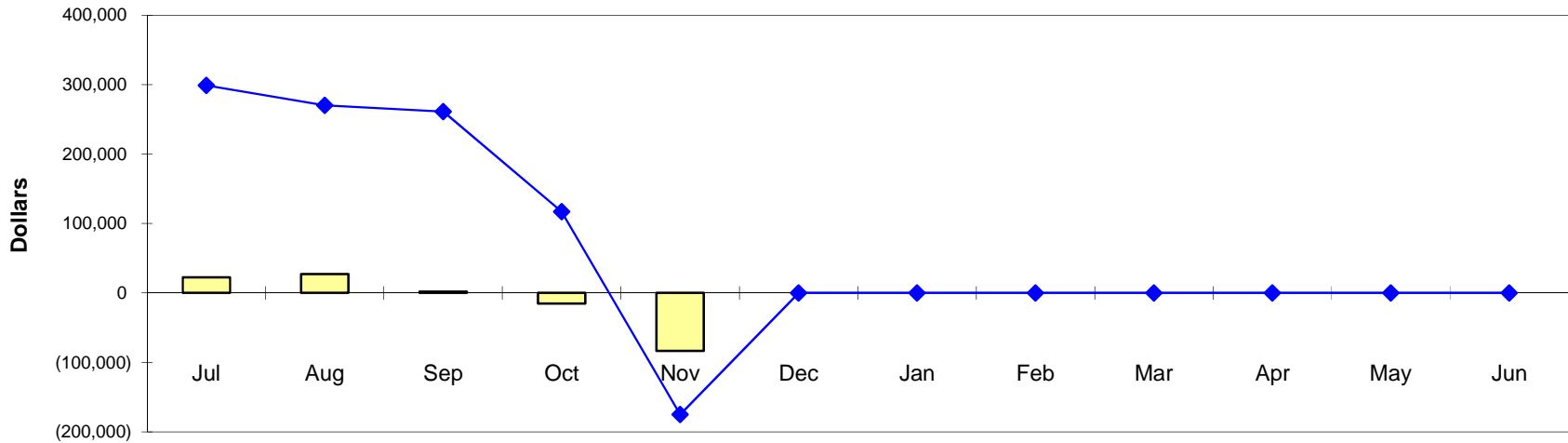


Year to Date Discounts Taken: \$1,279

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El Toro Water District
Income Statement
November 2017

	<u>Nov 17</u>	<u>Budget</u>	<u>% of Budget</u>	<u>Jul - Nov 17</u>	<u>YTD Budget</u>	<u>% of Budget</u>	<u>Annual Budget</u>
Income							
4600 · Water Service Charge	255,478.03	256,107.50	99.75%	1,256,355.34	1,280,537.50	98.11%	3,073,290.00
4700 · Sanitary Service	635,817.50	630,416.67	100.86%	3,190,110.28	3,152,083.31	101.21%	7,565,000.00
4722 · Recycled Water Tertiary Sales	100,703.45	97,592.72	103.19%	842,456.15	687,986.48	122.45%	1,450,000.00
4724 · Service Charge - Recycled Water	17,253.20	17,333.33	99.54%	84,709.40	86,666.69	97.74%	208,000.00
4750 · Capital Facilities Charge	250,157.31	251,250.00	99.57%	1,252,368.77	1,256,250.00	99.69%	3,015,000.00
4800 · Commodity Charge	794,117.53	599,586.27	132.44%	4,523,775.51	4,226,823.38	107.03%	8,908,451.00
4950 · Other Operating Income	4,520.08	4,583.33	98.62%	45,961.79	22,916.69	200.56%	55,000.00
4960 · Other Income	59,806.04	35,625.00	167.88%	274,444.07	178,125.00	154.07%	427,500.00
4967 · SMWD	0.00	8,333.33	0.0%	0.00	41,666.69	0.0%	100,000.00
4970 · MNWD	0.00	1,750.00	0.0%	11,000.00	8,750.00	125.71%	21,000.00
4980 · Interest Income	8,710.72	8,333.33	104.53%	77,215.63	41,666.69	185.32%	100,000.00
4985 · Changes FMV CAMP	-18,352.19			-26,563.14			
4986 · Changes FMV LAIF	0.00			-256.54			
4990 · Property Taxes	72,021.32	69,583.33	103.5%	357,509.40	347,916.69	102.76%	835,000.00
Total Income	2,180,232.99	1,980,494.81	110.09%	11,889,086.66	11,331,389.12	104.92%	25,758,241.00
Gross Profit	2,180,232.99	1,980,494.81	110.09%	11,889,086.66	11,331,389.12	104.92%	25,758,241.00
Expense							
5100 · Personnel Cost	647,163.96	658,579.42	98.27%	3,204,838.34	3,292,897.06	97.33%	7,902,953.00
5405 · Water Purchases	833,444.33	517,968.76	160.91%	3,510,745.17	3,648,551.66	96.22%	7,691,757.00
5410 · Electrical Power	74,555.63	80,341.66	92.8%	485,301.46	401,708.38	120.81%	964,100.00
5415 · Repair Parts & Materials	68,351.92	34,372.44	198.86%	219,713.64	171,862.92	127.84%	412,470.00
5420 · Equipment Maintenance & Repair	5,477.12	11,045.81	49.59%	35,272.77	55,229.33	63.87%	132,550.00
5425 · Pump Maintenance & Repair	17,670.50	12,741.66	138.68%	47,097.53	63,708.38	73.93%	152,900.00
5430 · Motor Maintenance & Repair	0.00	3,141.69	0.0%	6,689.45	15,708.17	42.59%	37,700.00
5440 · Electrical/Contl Maint & Repair	0.00	5,500.01	0.0%	5,705.33	27,499.93	20.75%	66,000.00
5445 · Meter Maintenance & Repair	0.00	183.33	0.0%	1,340.31	916.69	146.21%	2,200.00
5455 · Chemicals	13,632.27	17,275.00	78.91%	85,638.95	86,375.00	99.15%	207,300.00
5460 · Structure Maint & Repair	2,117.07	2,721.67	77.79%	12,058.79	13,608.31	88.61%	32,660.00
5465 · Asphalt Maintenance & Repair	1,720.00	6,125.00	28.08%	29,930.00	30,625.00	97.73%	73,500.00
5470 · Consultants	1,521.90	11,433.34	13.31%	17,680.25	57,166.62	30.93%	137,200.00
5475 · Contractors	90,733.54	109,535.75	82.84%	489,794.57	547,678.75	89.43%	1,314,429.00
5480 · Engineers	1,353.75	7,141.67	18.96%	17,476.84	35,708.31	48.94%	85,700.00
5482 · Dump Fees	767.16	1,333.34	57.54%	7,251.16	6,666.62	108.77%	16,000.00
5485 · Laboratory	703.37	1,558.34	45.14%	8,738.43	7,791.62	112.15%	18,700.00
5490 · License & Permits	4,316.14	10,639.96	40.57%	16,756.18	53,200.28	31.5%	127,680.00
5495 · Gas & Oil	6,365.03	7,500.00	84.87%	36,832.91	37,500.00	98.22%	90,000.00
5500 · Equipment Rental	1,501.13	1,366.67	109.84%	6,427.98	6,833.31	94.07%	16,400.00
5505 · Landscaping	16,407.93	6,888.33	238.2%	30,978.49	34,441.69	89.95%	82,660.00
5510 · Small Tools & Equipment	11,116.95	4,708.34	236.11%	21,204.21	23,541.62	90.07%	56,500.00
5515 · Security	-189.00	1,587.94	-11.9%	12,513.48	7,939.42	157.61%	19,055.00
5520 · Operating Supplies	4,633.99	3,958.34	117.07%	26,972.38	19,791.62	136.28%	47,500.00
5525 · Safety Equipment	12,976.00	1,958.33	662.61%	27,881.97	9,791.69	284.75%	23,500.00
5530 · Temporary Help	0.00	4,583.34	0.0%	0.00	22,916.62	0.0%	55,000.00
5535 · Other Employee Cost	8,455.02	6,583.34	128.43%	40,470.43	32,916.62	122.95%	79,000.00
5540 · Depreciation	352,477.00	333,333.33	105.74%	1,762,385.00	1,666,666.69	105.74%	4,000,000.00
5545 · Insurance	38,052.97	35,191.67	108.13%	185,467.47	175,958.31	105.4%	422,300.00
5555 · Advertising & Publicity	0.00	208.33	0.0%	3,161.00	1,041.69	303.45%	2,500.00
5560 · Amortization	570.49	570.83	99.94%	2,852.45	2,854.19	99.94%	6,850.00
5570 · Annual Event	0.00	445.83	0.0%	0.00	2,229.19	0.0%	5,350.00
5575 · Audit	0.00	2,500.00	0.0%	8,400.00	12,500.00	67.2%	30,000.00
5580 · Bad Debts	2,168.82	1,666.67	130.13%	8,687.56	8,333.31	104.25%	20,000.00
5585 · Bank Charges	4,954.99	4,500.00	110.11%	21,768.39	22,500.00	96.75%	54,000.00
5590 · Data Processing Supply & Access	304.92	1,666.67	18.3%	13,786.23	8,333.31	165.44%	20,000.00
5595 · Data Processing Equipment	11,945.95	3,333.33	358.38%	12,714.64	16,666.69	76.29%	40,000.00
5600 · Data Processing Consultants	2,808.00	4,166.67	67.39%	25,014.00	20,833.31	120.07%	50,000.00
5605 · Directors Fees	7,918.00	7,750.00	102.17%	37,906.00	38,750.00	97.82%	93,000.00
5610 · Dues & Memberships	6,484.13	6,250.00	103.75%	36,224.91	31,250.00	115.92%	75,000.00
5615 · Education & Training	2,794.15	2,625.00	106.44%	21,058.21	13,125.00	160.44%	31,500.00
5620 · Election Expense	0.00	0.00	0.0%	0.00	0.00	0.0%	0.00
5625 · Employee Service Awards	0.00	333.33	0.0%	0.00	1,666.69	0.0%	4,000.00
5630 · Software Maintenance & Licenses	838.70	6,616.67	12.68%	49,441.47	33,083.31	149.45%	79,400.00
5640 · Interest Expense	67,144.07	67,144.08	100.0%	335,720.35	335,720.44	100.0%	805,729.00
5645 · Janitorial	2,775.00	2,875.00	96.52%	14,063.00	14,375.00	97.83%	34,500.00
5650 · Legal	2,754.05	12,500.00	22.03%	29,894.96	62,500.00	47.83%	150,000.00
5655 · Meets, Conventions & Travel	1,755.70	2,916.67	60.2%	21,085.87	14,583.31	144.59%	35,000.00
5657 · Meets, Con & Travel - Directors	1,920.82	2,166.67	88.65%	8,804.09	10,833.31	81.27%	26,000.00
5660 · Office Supplies	56.18	1,916.67	2.93%	7,385.46	9,583.31	77.07%	23,000.00
5670 · Postage	110.00	1,708.33	6.44%	3,696.25	8,541.69	43.27%	20,500.00
5675 · Printing & Reproduction	121.56	1,750.00	6.95%	6,035.22	8,750.00	68.97%	21,000.00
5680 · Property Tax	2,882.97	458.33	629.02%	2,937.42	2,291.69	128.18%	5,500.00
5685 · Public Education & Outreach	7,656.74	20,016.67	38.25%	42,326.78	100,083.31	42.29%	240,200.00
5690 · Publications & Subscriptions	553.67	250.00	221.47%	1,558.67	1,250.00	124.69%	3,000.00
5695 · Communications	9,148.13	6,916.67	132.26%	39,775.72	34,583.31	115.01%	83,000.00
5700 · Utilities	2,364.15	1,541.67	153.35%	8,853.44	7,708.31	114.86%	18,500.00
Total Expense	2,355,356.87	2,064,092.57	114.11%	11,116,315.58	11,379,170.99	97.69%	26,245,243.00
Net Income							
	-175,123.88	-83,597.76	209.48%	772,771.08	-47,781.87	-1,617.29%	-487,002.00

ANALYSIS OF REVENUE & EXPENSE
Fiscal Year 2017/2018

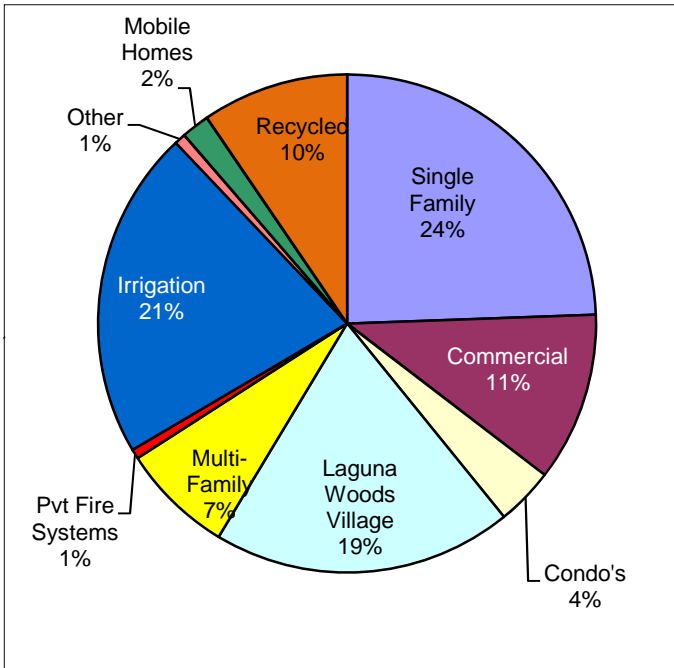
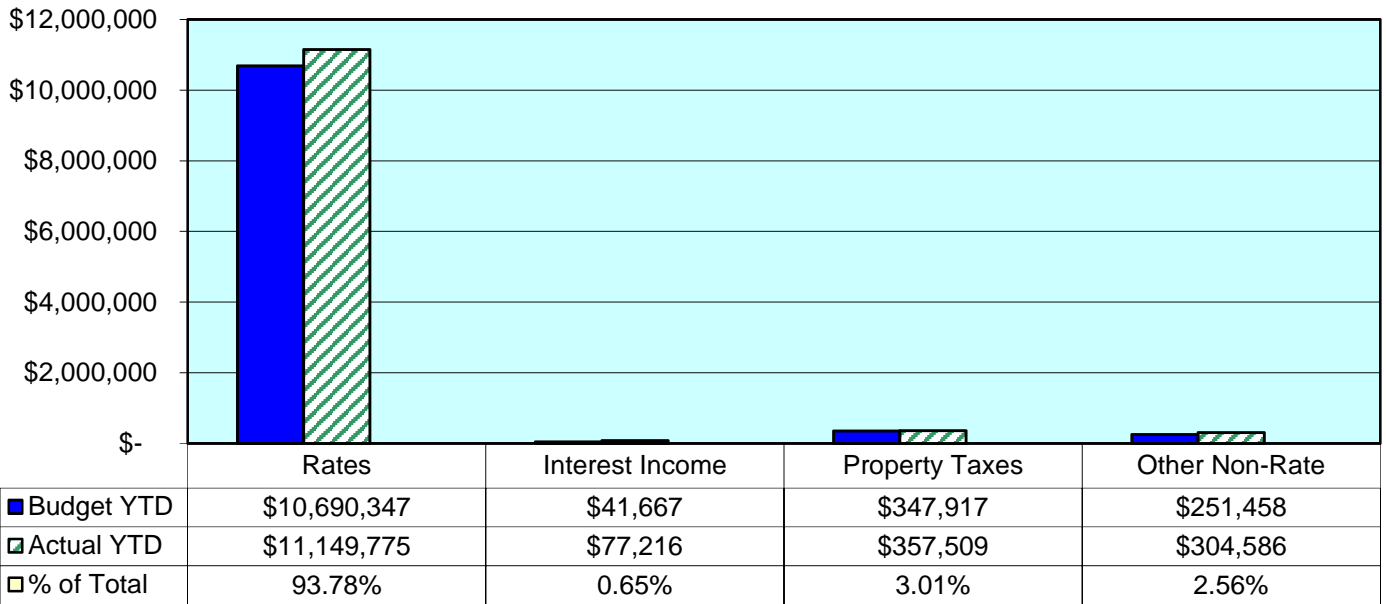


ANALYSIS OF REVENUES & EXPENSES
BUDGET COMPARED TO ACTUAL
FISCAL YEAR 2017/2018

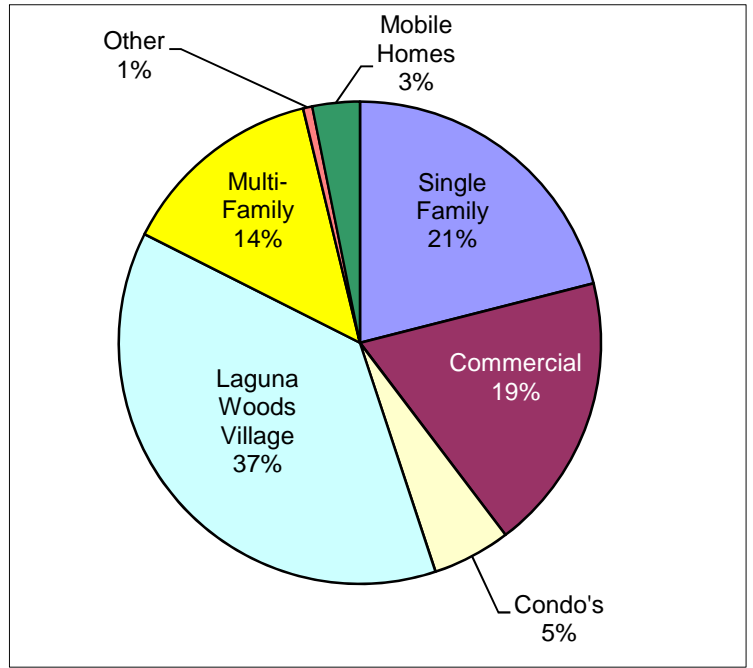
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Budget												
Revenue	2,389,705	2,407,351	2,310,146	2,243,693	1,980,495							
Expense	2,367,284	2,380,357	2,308,337	2,259,101	2,064,093							
Profit/Loss	22,421	26,993	1,809	(15,408)	(83,598)	0	0	0	0	0	0	0
Actual												
Revenue	2,478,548	2,600,793	2,330,428	2,299,085	2,180,233							
Expense	2,179,463	2,330,381	2,069,170	2,181,945	2,355,357							
Profit/Loss	299,085	270,412	261,258	117,140	(175,124)	0	0	0	0	0	0	0

EL TORO WATER DISTRICT REVENUES FROM WATER & WASTE WATER SALES AS OF 11/30/17

Where the Money Comes From



WATER REVENUE YTD 2017/2018



WASTE WATER REVENUE YTD 2017/2018

**EL TORO WATER DISTRICT
REVENUE COMPARISON
For the Month Ended November 30, 2017**

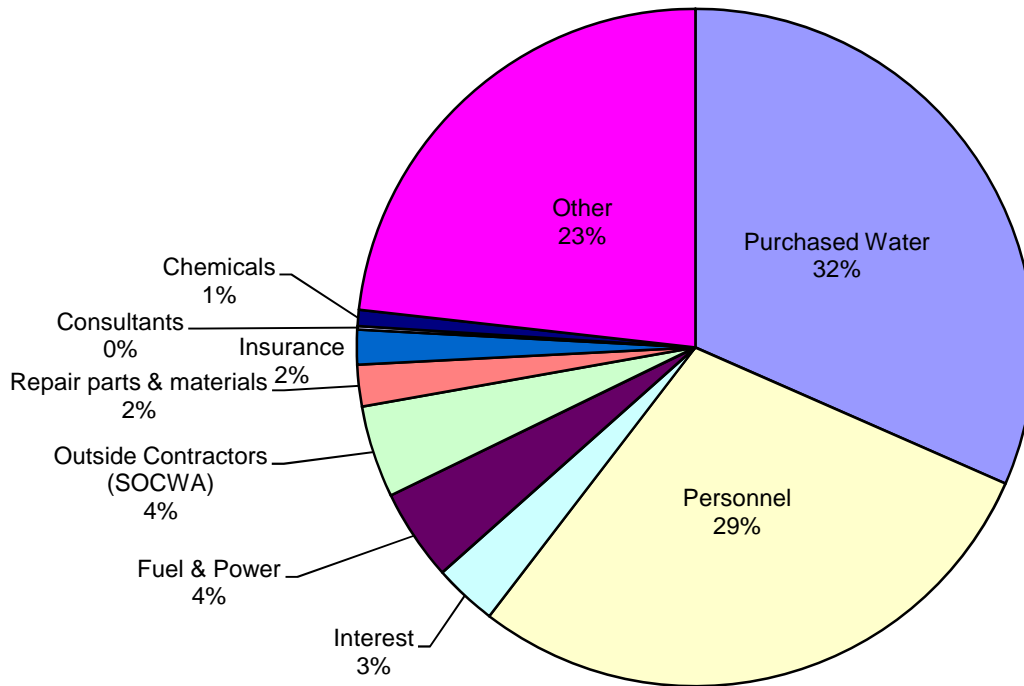
	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	BUDGET	REMAINING BUDGET
<u>From Rates</u>										
Capital Facilities Charge	\$ 250,157	\$ 251,250	\$ (1,093)	0%	\$ 1,252,369	\$ 1,256,250	\$ (3,881)	0%	\$ 3,015,000	\$ 1,762,631
Water sales - Commodity	794,118	599,586	194,531	32%	4,523,776	4,226,823	296,952	7%	8,908,451	4,384,675
Water sales - Fixed Meter	255,478	256,108	(629)	0%	1,256,355	1,280,538	(24,182)	-2%	3,073,290	1,816,935
Waste water sales	635,818	630,417	5,401	1%	3,190,110	3,152,083	38,027	1%	7,565,000	4,374,890
Recycled water tertiary sales	100,703	97,593	3,111	3%	842,456	687,986	154,470	22%	1,450,000	607,544
Service charge - Recycled water	17,253	17,333	(80)	0%	84,709	86,667	(1,957)	-2%	208,000	123,291
TOTAL FROM RATES	2,053,527	1,852,286	201,241	11%	11,149,775	10,690,347	459,428	4%	24,219,741	13,069,966
<u>Non-rate Revenue</u>										
Admin fee	1,765	1,600	165	10%	33,027	8,000	25,027	313%	19,200	(13,827)
48 Hour notice fee	2,370	2,451	(81)	-3%	11,145	12,257	(1,112)	-9%	29,416.44	18,271
Restoration fee	300	370	(70)	-19%	1,200	1,850	(650)	-35%	4,440	3,240
Unpaid check fee	85	150	(65)	-43%	590	750	(160)	-21%	1,800	1,210
Cut lock fee	-	12	(12)	-100%	-	60	(60)	-100%	144	144
TOTAL NON-RATE	4,520	4,583	(63)	-1%	45,962	22,917	23,045	101%	55,000	9,039
<u>Other Revenue</u>										
Interest	8,711	8,333	377	5%	77,216	41,667	35,549	85%	100,000	22,784
Change FMV Investment	(18,352)	-	(18,352)	0%	(26,820)	-	(26,820)	0%	-	26,820
Property taxes	72,021	69,583	2,438	4%	357,509	347,917	9,593	3%	835,000	477,491
Other	59,806	35,625	24,180	68%	274,444	178,125	96,319	54%	427,500	153,056
TOTAL OTHER REVENUE	122,186	113,542	8,644	8%	682,349	567,708	114,641	20%	1,362,500	680,151
<u>Contract Service</u>										
Santa Margarita W. D.	-	8,333	(8,333)	-100%	-	41,667	(41,667)	-100%	100,000	100,000
Moulton Niguel W. D.	-	1,750	(1,750)	-100%	11,000	8,750	2,250	26%	21,000	10,000
TOTAL CONTRACT SERVICES	-	10,083	(10,083)	-100%	11,000	50,417	(39,417)	-78%	121,000	110,000
TOTAL REVENUE	\$ 2,180,233	\$ 1,980,495	\$ 199,738	10%	\$ 11,889,087	\$ 11,331,389	\$ 557,697	5%	\$ 25,758,241	\$ 13,869,155

**EL TORO WATER DISTRICT
NON-RATE REVENUE ANALYSIS
FOR THE MONTH ENDING November 30, 2017**

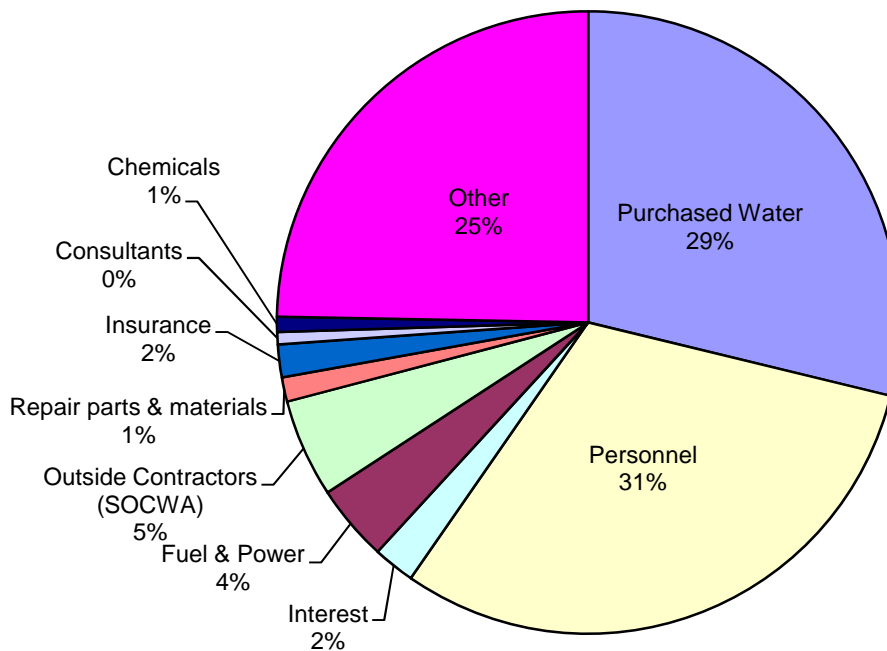
	Nov-17 Actual	Nov-17 Budget	Jul 17-Nov 17 YTD Actual	Jul 17-Nov 17 YTD Budget
Site Leases	10,256	15,833	76,801	79,165
MWD Recycled Water LRP Rebate	39,250	19,792	159,500	98,958
SOCWA Refund		-	-	-
MWDOC Budget Based Tier & 2015 Urban Water Refund		-	25,660	-
Recycled Metal	-	-	-	-
Diesel Fuel Tax Refund	-	-	56	-
Sale of District Vehicle	7,746		7,746	-
Misc Work for Customers	2,554	-	4,682	-
	<u>\$ 59,806</u>	<u>\$ 35,625</u>	<u>\$ 274,445</u>	<u>\$ 178,123</u>
Other Operating Income				
Sales to Santa Margarita	-		-	
Sales to Moulton Niguel	-		-	
	<u>-</u>		<u>-</u>	
Total	<u>59,806</u>		<u>274,445</u>	

WHERE THE MONEY GOES

YTD EXPENSES AT 11/30/17



EXPENSES YEAR ENDING 6/30/17



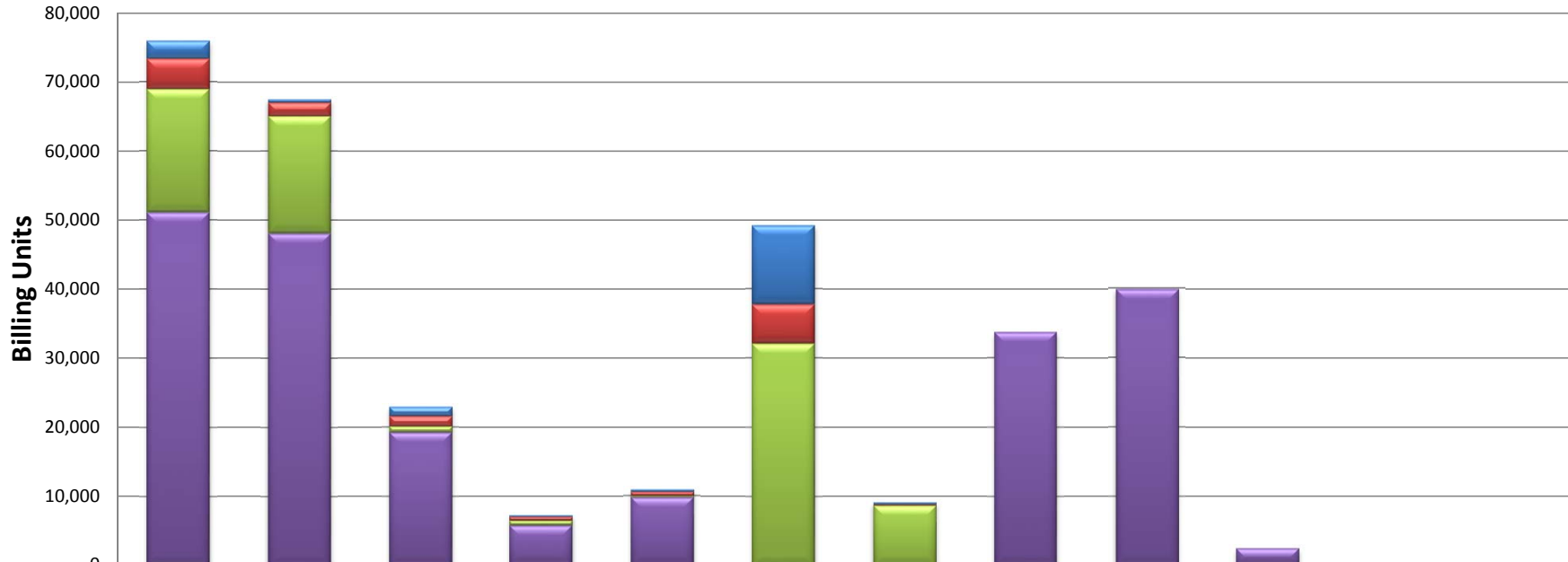
EL TORO WATER DISTRICT
Expense Comparison
For the Month Ended November 30, 2017

	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	Annual BUDGET	REMAINING BUDGET
<u>Operating Expenses</u>										
Personnel cost	\$647,164	\$658,579	\$11,415	2%	\$3,204,838	\$3,292,897	\$88,059	3%	\$7,902,953	4,698,115
Purchased water	833,444	517,969	(315,476)	-61%	3,510,745	3,648,552	137,806	4%	7,691,757	4,181,012
Electrical power	74,556	80,342	5,786	7%	485,301	401,708	(83,593)	-21%	964,100	478,799
Repair parts & materials	68,352	34,372	(33,979)	-99%	219,714	171,863	(47,851)	-28%	412,470	192,756
Equipment repairs & maintenance	5,477	11,046	5,569	50%	35,273	55,229	19,957	36%	132,550	97,277
Pump repairs & maintenance	17,671	12,742	(4,929)	-39%	47,098	63,708	16,611	26%	152,900	105,802
Motor repairs & maintenance	-	3,142	3,142	100%	6,689	15,708	9,019	57%	37,700	31,011
Electrical repairs & maintenance	-	5,500	5,500	100%	5,705	27,500	21,795	79%	66,000	60,295
Meter repairs & maintenance	-	183	183	100%	1,340	917	(424)	-46%	2,200	860
Chemicals	13,632	17,275	3,643	21%	85,639	86,375	736	1%	207,300	121,661
Structure repairs & maintenance	2,117	2,722	605	22%	12,059	13,608	1,550	11%	32,660	20,601
Asphalt repairs & maintenance	1,720	6,125	4,405	72%	29,930	30,625	695	2%	73,500	43,570
Consultants - outside	1,522	11,433	9,911	87%	17,680	57,167	39,486	69%	137,200	119,520
Contractors - outside	90,734	109,536	18,802	17%	489,795	547,679	57,884	11%	1,314,429	824,634
Engineers - outside	1,354	7,142	5,788	81%	17,477	35,708	18,231	51%	85,700	68,223
Dump fees	767	1,333	566	42%	7,251	6,667	(585)	-9%	16,000	8,749
Laboratories	703	1,558	855	55%	8,738	7,792	(947)	-12%	18,700	9,962
License & permits	4,316	10,640	6,324	59%	16,756	53,200	36,444	69%	127,680	110,924
Automotive fuel & oil	6,365	7,500	1,135	15%	36,833	37,500	667	2%	90,000	53,167
Equipment rental	1,501	1,367	(134)	-10%	6,428	6,833	405	6%	16,400	9,972
Landscaping	16,408	6,888	(9,520)	-138%	30,978	34,442	3,463	10%	82,660	51,682
Small tools & equipment	11,117	4,708	(6,409)	-136%	21,204	23,542	2,337	10%	56,500	35,296
Security	(189)	1,588	1,777	112%	12,513	7,939	(4,574)	-58%	19,055	6,542
Operating supplies	4,634	3,958	(676)	-17%	26,972	19,792	(7,181)	-36%	47,500	20,528
Safety equipment	12,976	1,958	(11,018)	-563%	27,882	9,792	(18,090)	-185%	23,500	(4,382)
Temporary help	-	4,583	4,583	100%	0	22,917	22,917	100%	55,000	55,000
Other employee cost	8,455	6,583	(1,872)	-28%	40,470	32,917	(7,554)	-23%	79,000	38,530
Employee service awards	-	333	333	100%	-	1,667	1,667	100%	4,000	4,000
Education & training	2,794	2,625	(169)	-6%	21,058	13,125	(7,933)	-60%	31,500	10,442
Total Operating Expenses	1,827,590	1,533,732	(293,858)	-19%	8,426,369	8,727,367	300,998	3%	19,880,914	11,454,545

EL TORO WATER DISTRICT
Expense Comparison
For the Month Ended November 30, 2017

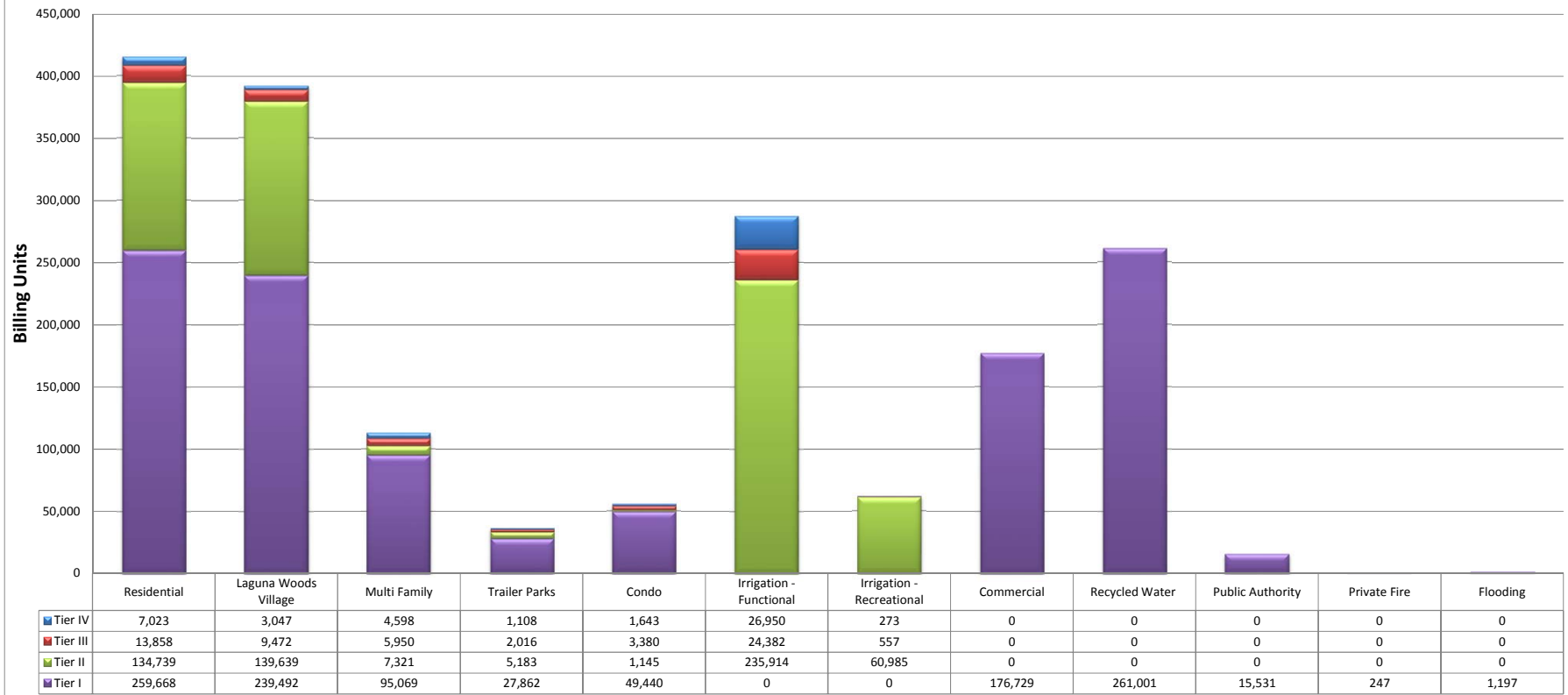
	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	Annual BUDGET	REMAINING BUDGET
<u>Indirect Cost</u>										
Depreciation	352,477	333,333	(19,144)	-6%	1,762,385	1,666,667	(95,718)	-6%	4,000,000	2,237,615
Amortization	570	571	0	0%	2,852	2,854	2	0%	6,850	3,998
Insurance	38,053	35,192	(2,861)	-8%	185,467	175,958	(9,509)	-5%	422,300	236,833
Data processing supplies & assoc.	305	1,667	1,362	82%	13,786	8,333	(5,453)	-65%	20,000	6,214
Data processing equipment	11,946	3,333	(8,613)	-258%	12,715	16,667	3,952	24%	40,000	27,285
Data processing consultants	2,808	4,167	1,359	33%	25,014	20,833	(4,181)	-20%	50,000	24,986
Software maintenance & licenses	839	6,617	5,778	87%	49,441	33,083	(16,358)	-49%	79,400	29,959
Janitorial	2,775	2,875	100	3%	14,063	14,375	312	2%	34,500	20,437
Printing & reproduction	122	1,750	1,628	93%	6,035	8,750	2,715	31%	21,000	14,965
Publications & subscriptions	554	250	(304)	-121%	1,559	1,250	(309)	-25%	3,000	1,441
Communications - voice	3,471	1,250	(2,221)	-178%	16,129	6,250	(9,879)	-158%	15,000	(1,129)
Communications - data	2,532	3,917	1,384	35%	11,841	19,583	7,743	40%	47,000	35,159
Communications - mobile	3,145	1,750	(1,395)	-80%	11,806	8,750	(3,056)	-35%	21,000	9,194
Utilities	2,364	1,542	(822)	-53%	8,853	7,708	(1,145)	-15%	18,500	9,647
Total Indirect Cost	421,961	398,213	(23,748)	-6%	2,121,947	1,991,062	(130,885)	-7%	4,778,550	2,656,603
<u>Overhead Cost</u>										
Annual events	-	446	446	100%	-	2,229	2,229	100%	5,350	5,350
Audit	-	2,500	2,500	100%	8,400	12,500	4,100	33%	30,000	21,600
Bad debts	2,169	1,667	(502)	-30%	8,688	8,333	(354)	-4%	20,000	11,312
Bank charges	4,955	4,500	(455)	-10%	21,768	22,500	732	3%	54,000	32,232
Directors fees	7,918	7,750	(168)	-2%	37,906	38,750	844	2%	93,000	55,094
Dues & memberships	6,484	6,250	(234)	-4%	36,225	31,250	(4,975)	-16%	75,000	38,775
Election Expense	-	-	0	0%	0	0	0	0%	0	0
Interest	67,144	67,144	0	0%	335,720	335,720	0	0%	805,729	470,009
Legal	2,754	12,500	9,746	78%	29,895	62,500	32,605	52%	150,000	120,105
Meetings, conventions & travel	1,756	2,917	1,161	40%	21,086	14,583	(6,503)	-45%	35,000	13,914
Meets, con & travel - Directors	1,921	2,167	246	11%	8,804	10,833	2,029	19%	26,000	17,196
Office supplies	56	1,917	1,860	97%	7,385	9,583	2,198	23%	23,000	15,615
Postage	110	1,708	1,598	94%	3,696	8,542	4,845	57%	20,500	16,804
Property taxes	2,883	458	(2,425)	-529%	2,937	2,292	(646)	-28%	5,500	2,563
Advertising & Publicity	-	208	208	100%	3,161	1,042	(2,119)	-203%	2,500	(661)
Public education & outreach	7,657	20,017	12,360	62%	42,327	100,083	57,757	58%	240,200	197,873
Total Overhead Cost	105,806	132,148	26,342	20%	567,999	660,741	92,742	14%	1,585,779	1,017,780
TOTAL EXPENSES	\$2,355,357	\$2,064,093	(\$291,264)	-14%	\$11,116,316	\$11,379,171	\$262,855	2%	\$26,245,243	\$15,128,927

November 2017 Water Sales

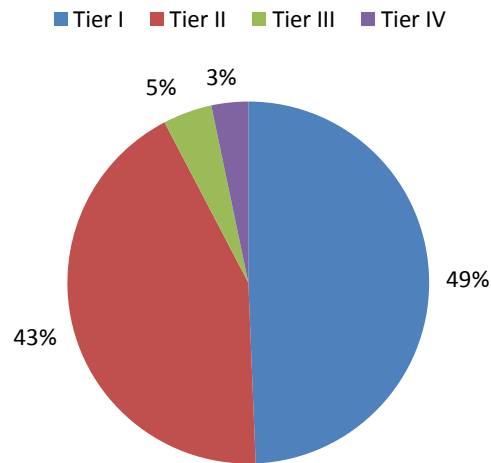


	Residential	Laguna Woods Village	Multi Family	Trailer Parks	Condo	Irrigation - Functional	Irrigation - Recreational	Commercial	Recycled Water	Public Authority	Private Fire	Flooding
■ Tier IV	2,600	450	1,353	199	304	11,412	268	0	0	0	0	0
■ Tier III	4,380	1,950	1,479	543	593	5,657	179	0	0	0	0	0
■ Tier II	17,853	16,974	869	672	201	32,094	8,579	0	0	0	0	0
■ Tier I	51,130	48,114	19,237	5,737	9,786	0	0	33,726	39,852	2,425	21	154

Year-to-Date Water Sales as of November 2017

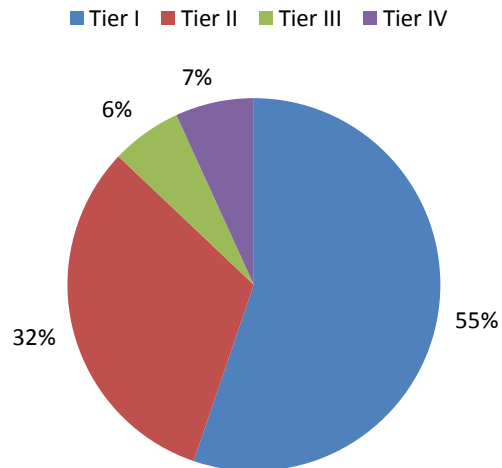


Year to Date Tiered Sales As of November 2017



Year To Date Sales in ccf		
Tier I	671,531	49.35%
Tier II	584,926	42.99%
Tier III	59,615	4.38%
Tier IV	44,642	3.28%
	1,360,714	100.00%

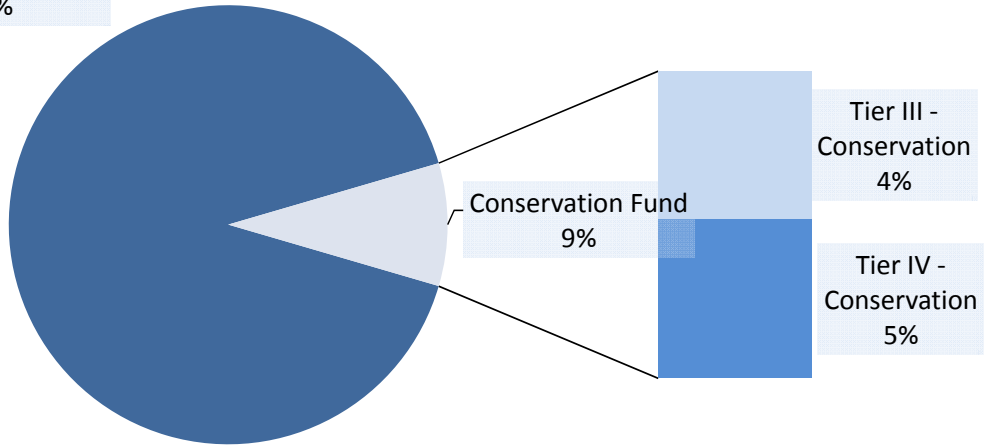
November 2017 Tiered Sales



Current Month Sales in ccf		
Tier I	134,004	55.23%
Tier II	77,242	31.84%
Tier III	14,781	6.09%
Tier IV	16,586	6.84%
	242,613	100.00%

Year to Date Water Sales as of November 2017

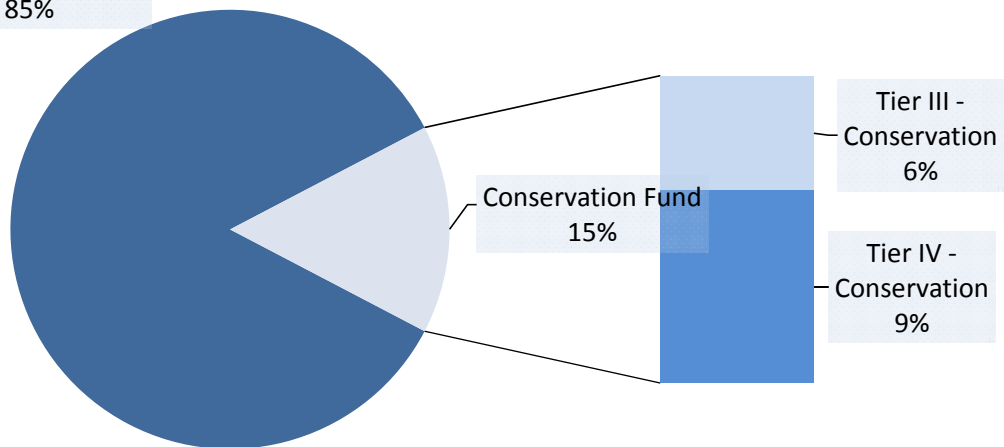
Water Delivery Cost
91%



Category	Billings	Percentage
Water Delivery Cost	\$3,699,445.88	90.96%
Tier III - Conservation	\$177,442.31	4.36%
Tier IV - Conservation	\$190,233.24	4.68%
	\$4,067,121.43	100.00%

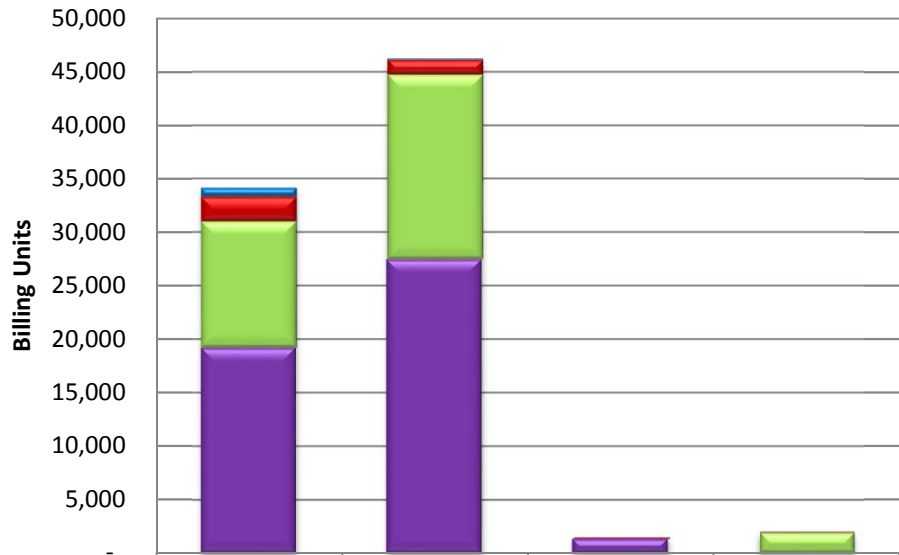
November 2017 Water Sales

Water Delivery Cost
85%



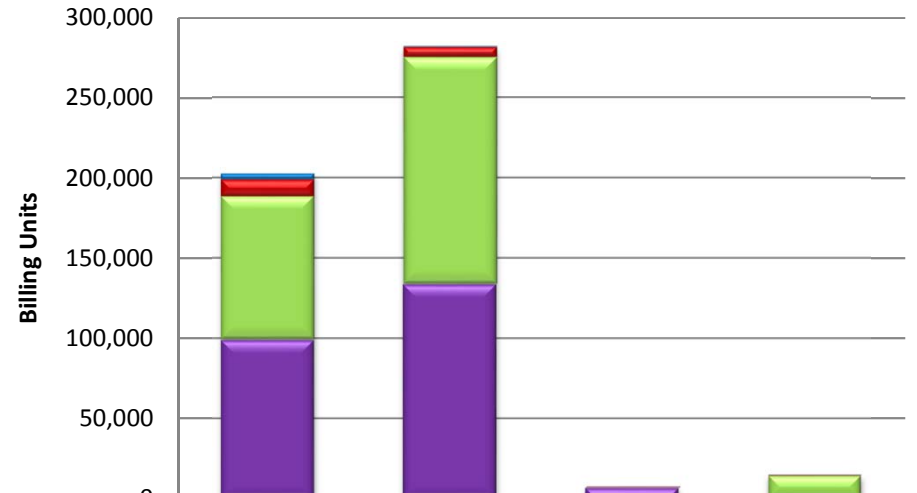
Category	Billings	Percentage
Water Delivery Cost	\$661,303.04	84.65%
Tier III - Conservation	\$44,934.24	5.75%
Tier IV - Conservation	\$75,008.04	9.60%
	\$781,245.32	100.00%

Laguna Woods Village November 2017 Water Sales



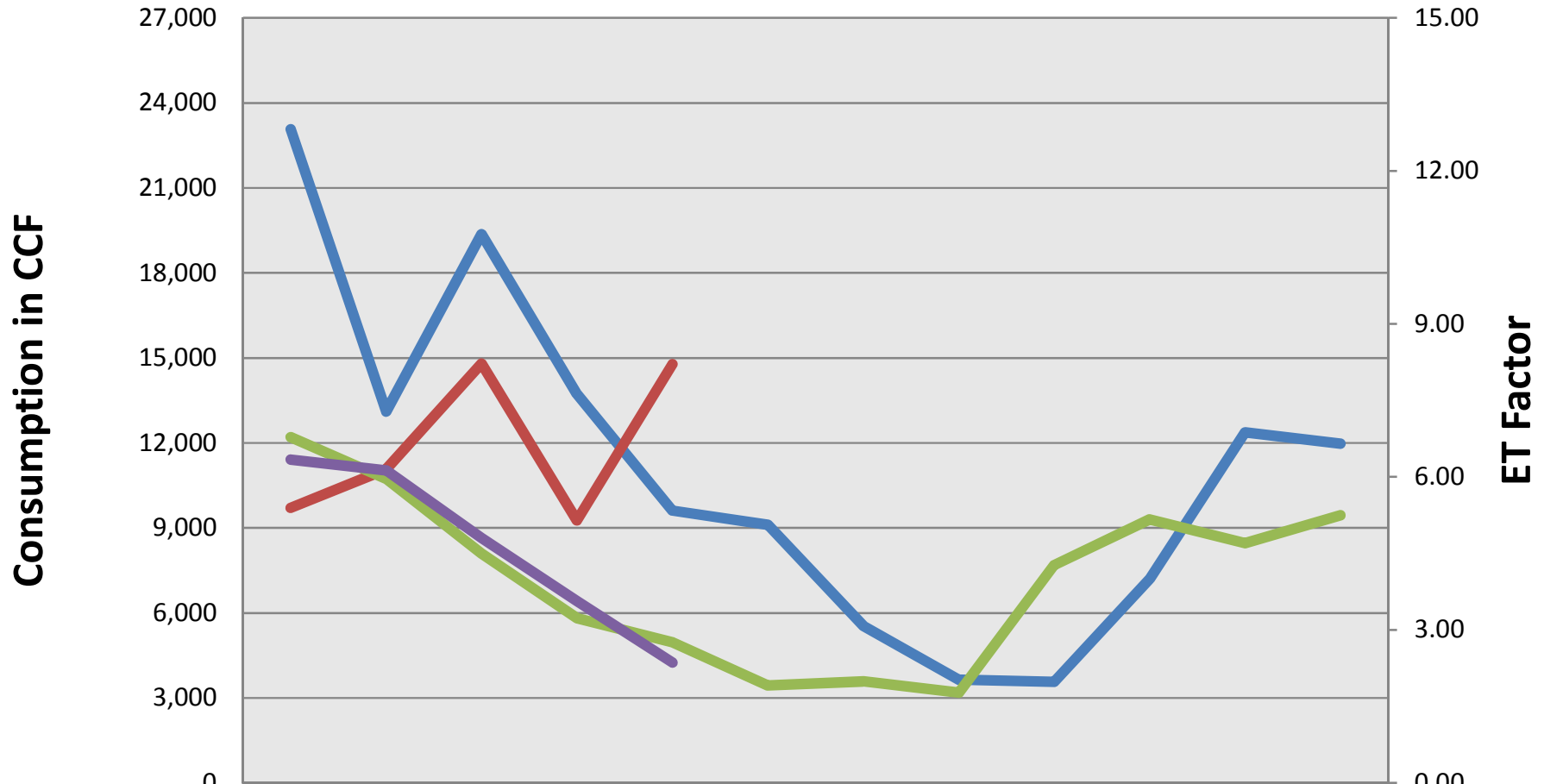
	Third	United	Mutual 50	GRF
Tier 4	801	141	37	41
Tier 3	2,296	1,360	108	42
Tier 2	11,807	17,242	20	1,952
Tier 1	19,265	27,489	1,360	-

Laguna Woods Village Year-to-Date Water Sales November 2017



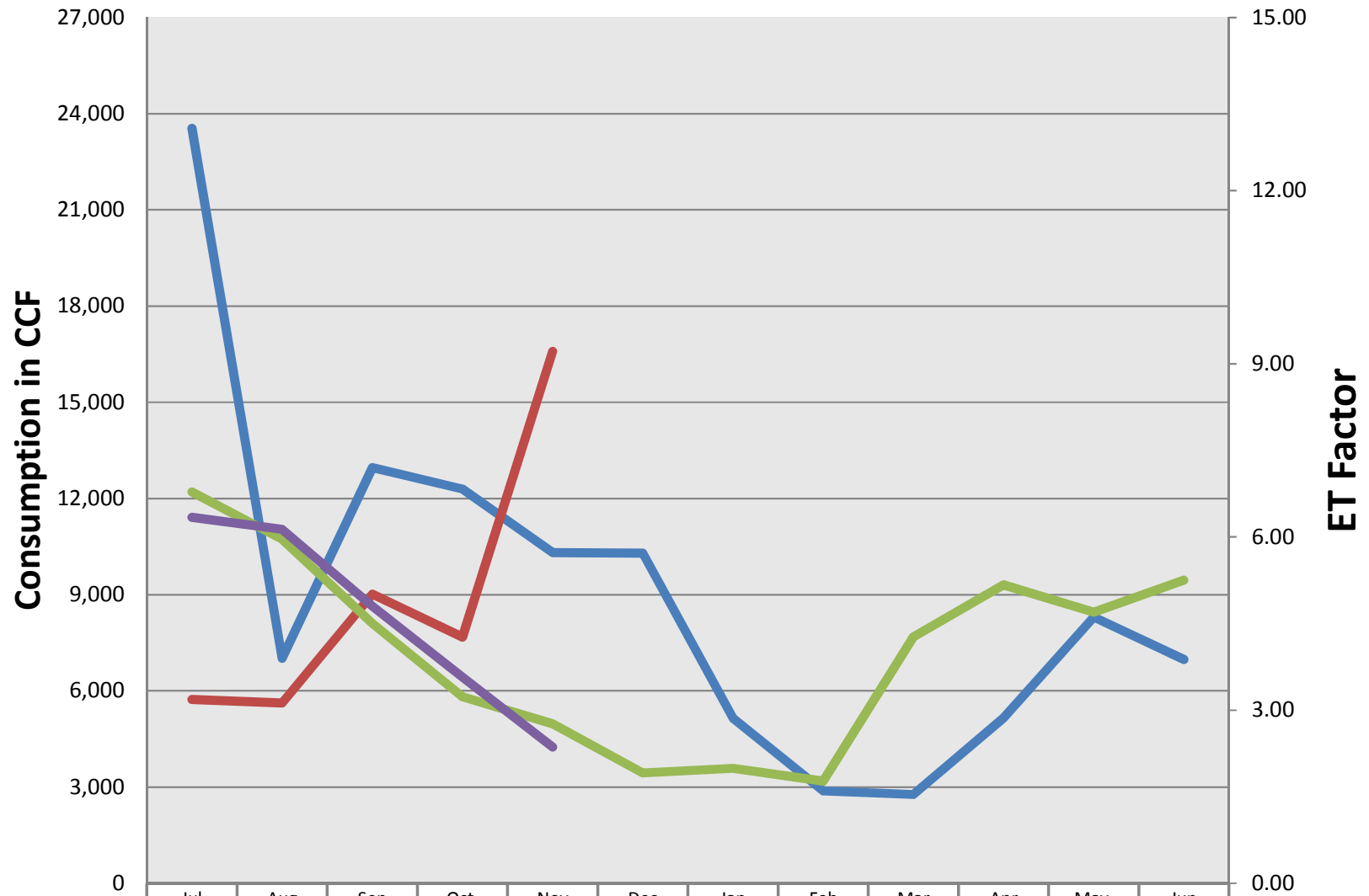
	Third	United	Mutual 50	GRF
Tier 4	3,765	762	82	111
Tier 3	10,448	6,101	515	350
Tier 2	89,654	141,608	164	14,465
Tier 1	99,027	133,558	6,907	0

Tier III Consumption



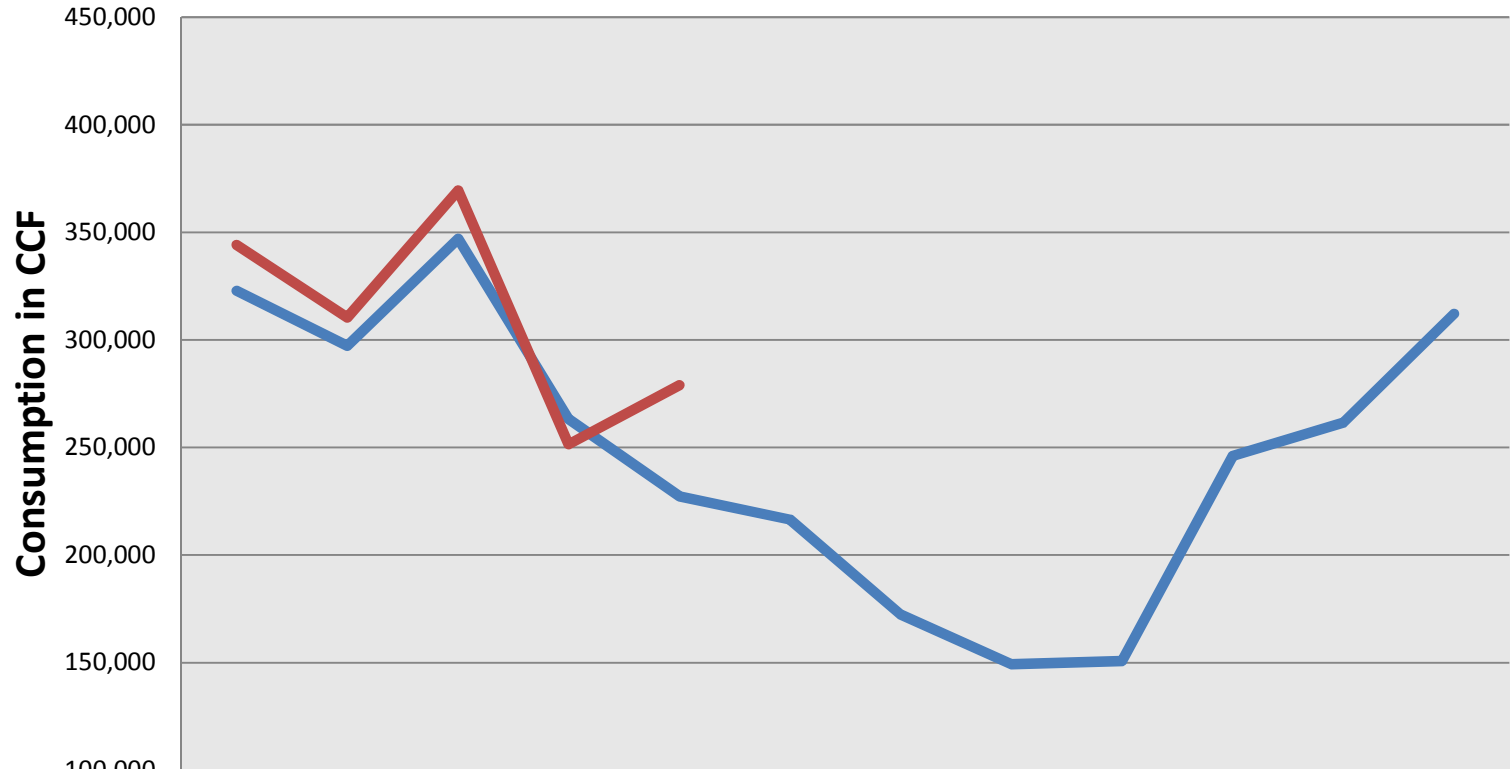
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2016-2017	23,067	13,103	19,362	13,724	9,614	9,106	5,536	3,639	3,568	7,198	12,369	11,979
2017-2018	9,711	11,063	14,797	9,263	14,781							
16/17 ET	6.78	5.96	4.50	3.23	2.76	1.91	1.99	1.77	4.27	5.17	4.70	5.25
17/18 ET	6.34	6.13	4.80	3.57	2.36							

Tier IV Consumption



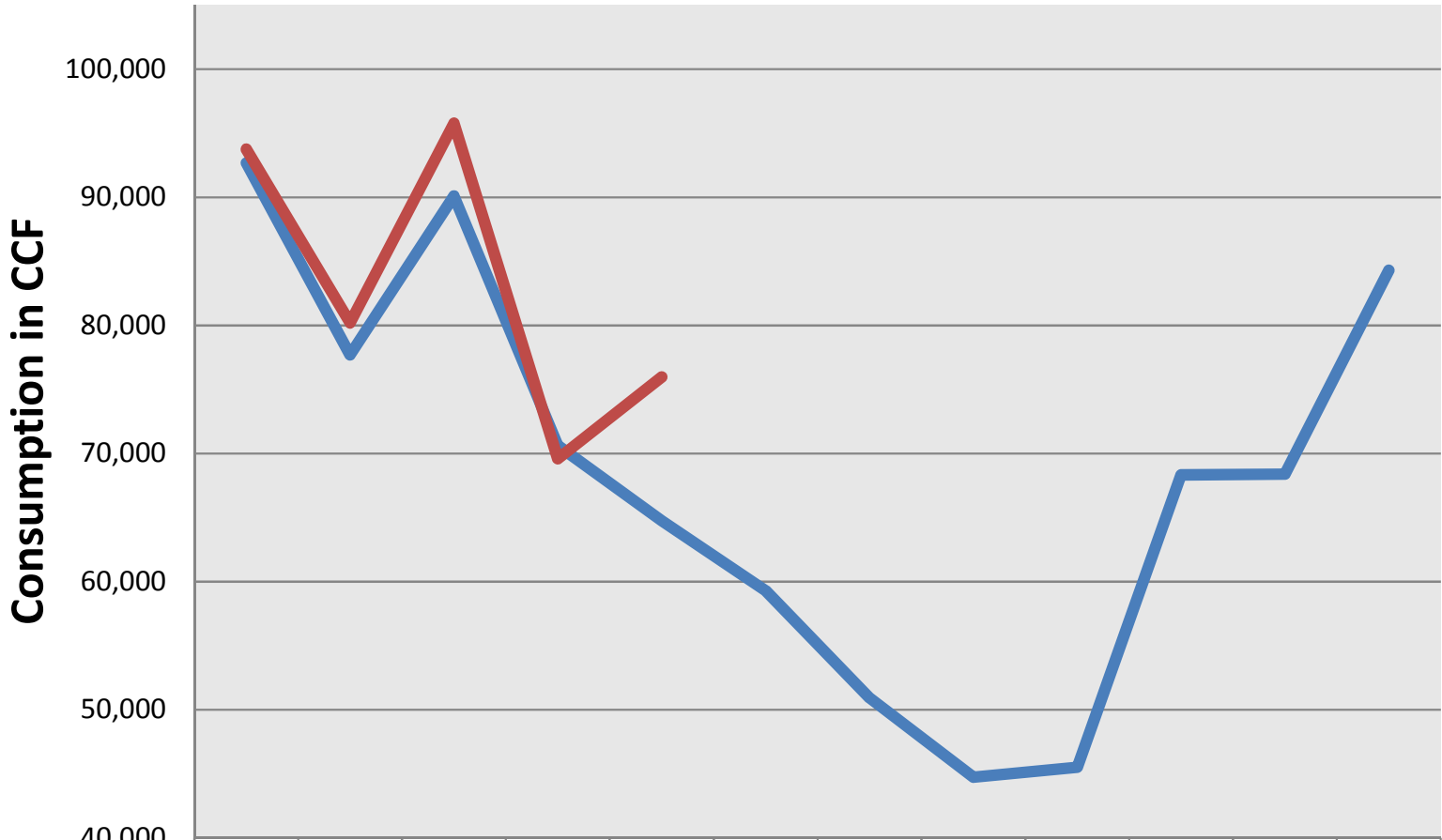
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2016-2017	23,546	7,013	12,969	12,291	10,308	10,294	5,145	2,883	2,769	5,155	8,304	6,981
2017-2018	5,733	5,622	9,022	7,679	16,586							
16/17 ET	6.78	5.96	4.50	3.23	2.76	1.91	1.99	1.77	4.27	5.17	4.70	5.25
17/18 ET	6.34	6.13	4.80	3.57	2.36							

ETWD Total Consumption



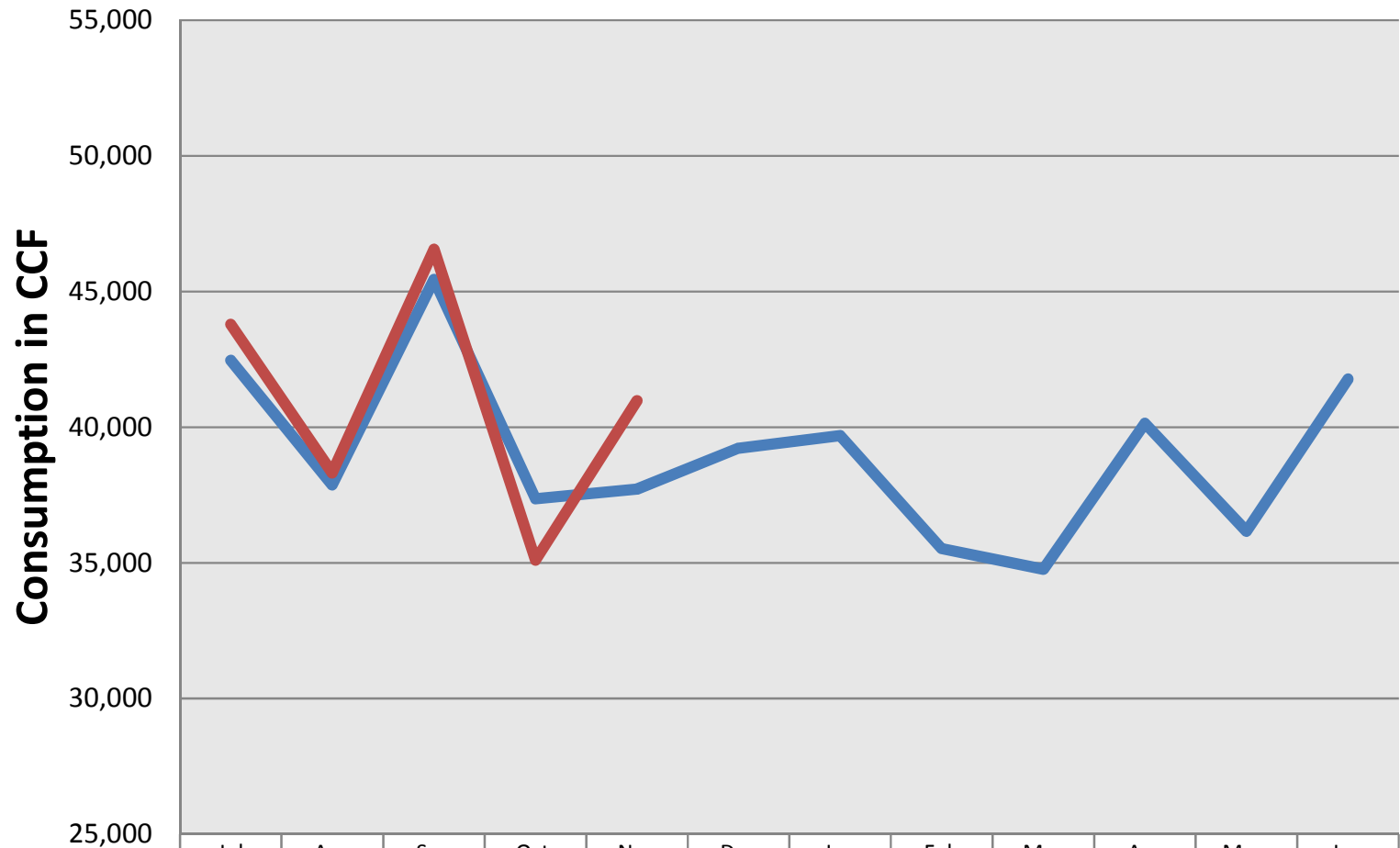
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
— 2016-2017	322,764	297,273	346,995	263,120	227,277	216,478	172,428	149,232	150,697	246,036	261,524	312,014
— 2017-2018	344,078	310,451	369,472	251,478	278,939							
— %	107%	104%	106%	96%	123%	0%	0%	0%	0%	0%	0%	0%

Single Family Residents Consumption



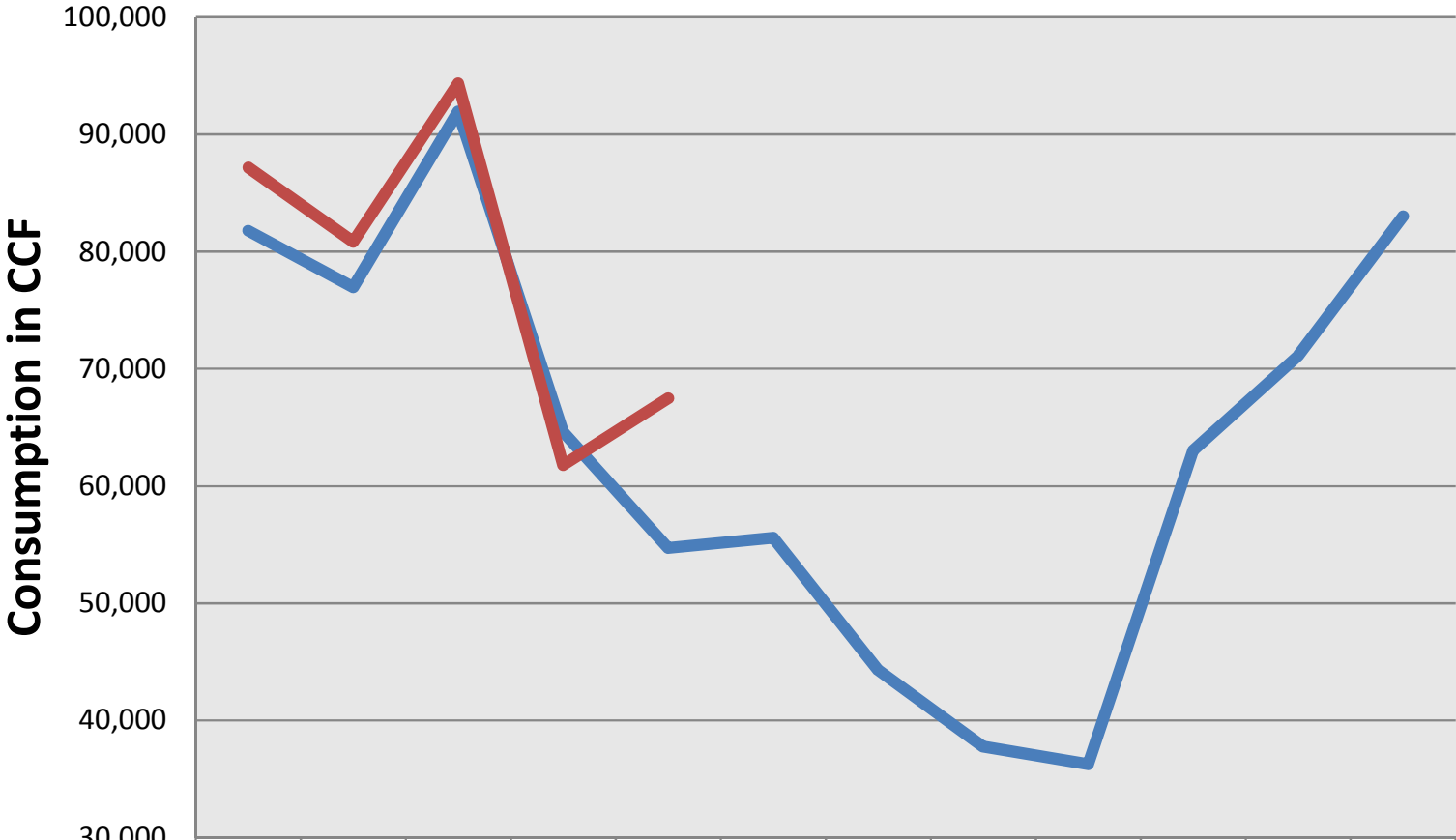
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2016-2017	92,684	77,685	90,100	70,617	64,741	59,287	50,923	44,723	45,516	68,339	68,377	84,309
2017-2018	93,758	80,204	95,783	69,580	75,963							
%	101%	103%	106%	99%	117%	0%	0%	0%	0%	0%	0%	0%

Multi Family Residents Consumption



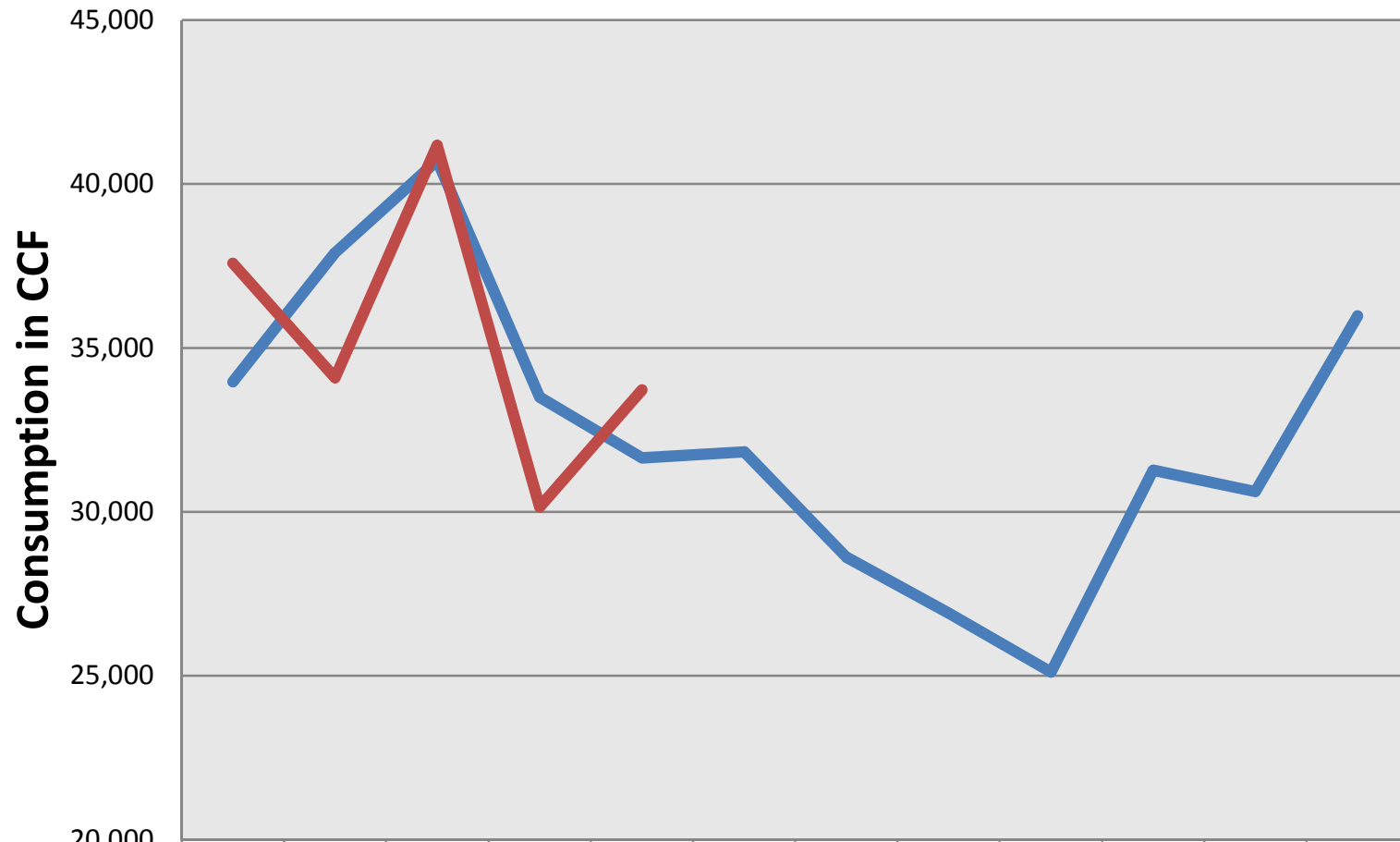
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2016-2017	42,465	37,872	45,442	37,354	37,718	39,233	39,696	35,523	34,761	40,142	36,164	41,773
2017-2018	43,787	38,310	46,555	35,098	40,975							
%	103%	101%	102%	94%	109%	0%	0%	0%	0%	0%	0%	0%

Laguna Woods Village Consumption (Excluding Dedicated Irrigation)



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2016-2017	81,773	76,968	91,952	64,623	54,727	55,588	44,298	37,794	36,274	63,045	71,112	83,001
2017-2018	87,171	80,837	94,360	61,794	67,488							
%	107%	105%	103%	96%	123%	0%	0%	0%	0%	0%	0%	0%

Commercial Consumption



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2016-2017	33,963	37,902	40,718	33,489	31,644	31,831	28,616	26,911	25,113	31,267	30,623	35,977
2017-2018	37,582	34,086	41,181	30,146	33,724							
%	111%	90%	101%	90%	107%	0%	0%	0%	0%	0%	0%	0%

EL TORO WATER DISTRICT

Glossary of Water Terms

Accumulated overdraft: The amount of water necessary to be replaced in the intake area of the groundwater basin to prevent the landward movement of ocean water into the fresh groundwater body.

Acre-foot, AF: A common water industry unit of measurement. An acre-foot is 325,851 gallons, or the amount of water needed to cover one acre with water one foot deep. An acre-foot serves annual needs of two typical California families.

ACWA: Association of California Water Agencies.
A statewide group based in Sacramento that actively lobbies State and Federal Government on water issues.

Advanced treatment: Additional treatment processes used to clean wastewater even further following primary and secondary treatment. Also known as tertiary treatment.

AFY: Acre-foot per year.

Alluvium: A stratified bed of sand, gravel, silt, and clay deposited by flowing water.

AMP: Allen McCulloch pipeline.

Major pipeline transporting treated water to water districts between Yorba Linda, where it starts to El Toro Water District reservoir, where it terminates.

Annexation: The inclusion of land within a government agency's jurisdiction.

Annual overdraft: The quantity by which the production of water from the groundwater supplies during the water year exceeds the natural replenishment of such groundwater supplies during the same water year.

Aqueduct: A man-made canal or pipeline used to transport water.

Aquifer: An underground geologic formation of rock, soil or sediment that is naturally saturated with water; an aquifer stores groundwater.

Arid: Dry; deserts are arid places. Semi-arid places are almost as dry as a desert.

Artesian: An aquifer in which the water is under sufficient pressure to cause it to rise above the bottom of the overlying confining bed, if the opportunity is provided.

Artificial recharge: The addition of surface water to a groundwater reservoir by human activity, such as putting surface water into recharge basins. (See also: groundwater recharge and recharge basin.)

AWWA American Water Works Association
Nationwide group of public and private water purveyors and related industrial suppliers.

Base flow: The portion of river surface flow which remains after deduction of storm flow and/or purchased imported water.

Bay-Delta: The Sacramento-San Joaquin Bay-Delta is a unique natural resource of local, state and national significance. The Delta is home to more than 500,000 people; contains 500,000 acres of agriculture; provides habitat for 700 native plant and animal species; provides water for more than 25 million Californians and 3 million acres of agriculture; is traversed by energy, communications and transportation facilities vital to the economic health of California; and supports a \$400 billion economy.

BIA: Building Industry Association.

Biofouling: The formation of bacterial film (biofilm) on fragile reverse osmosis membrane surfaces.

Biosolids: Solid organic matter recovered from a sewage treatment process and used especially as fertilizer.

BMP: Best Management Practice. An engineered structure or management activity, or combination of these, that eliminates or reduces adverse environmental effects.

Brackish water: A mixture of freshwater and saltwater.

Brown Act: Ralph M. Brown Act enacted by the State legislature governing all meetings of legislative bodies. Also known as the Open Meeting requirements.

Canal: A ditch used to move water from one location to another.

CASA: California Association of Sanitation Agencies The sanitation equivalent of ACWA concerned solely with issues affecting the treatment and disposal of solid waste and wastewater.

CEQA: California Environmental Quality Act.

CERCLA: Comprehensive Environmental Response, Compensation and Liability Act. This federal law establishes the Superfund program for hazardous waste sites. It provides the legal basis for the United States EPA to regulate and clean up hazardous waste sites, and if appropriate, to seek financial compensation from entities responsible for the site.

CFS: Cubic feet per second.

Chloramines: A mixture of ammonia and chlorine used to purify water.

Clarify: To make clear or pure by separation and elimination of suspended solid material.

Coagulation: The clumping together of solids so they can more easily be settled out or filtered out of water. A chemical called aluminum sulfate (alum) is generally used to aid coagulation in water treatment and reclamation.

Coastkeepers: A non-profit organization dedicated to the protection and preservation of the marine habitats and watersheds of Orange County through programs of education, restoration, enforcement and advocacy.

Colored water: Groundwater extracted from the basin that is unsuitable for domestic use without treatment due to high color and odor exceeding drinking water standards.

Condensation: The process of water vapor (gas) changing into liquid water. An example of condensation can be seen in the tiny water droplets that form on the outside of a glass of iced tea as warmer air touches the cooler glass.

Confined aquifer: An aquifer that is bound above and below by dense layers of rock and contains water under pressure.

Conjunctive use: Storing imported water in a local aquifer, in conjunction with groundwater, for later retrieval and use.

Contaminate: To make unclean or impure by the addition of harmful substances.

CPCFA: California Pollution Control Financing Authority. State agency providing funds for wastewater reclamation projects.

Crisis:

1. **a:** The turning point for better or worse **b:** a paroxysmal attack of pain, distress, or disordered function **c:** an emotionally significant event or radical change of status in a person's life <a midlife crisis>

2. The decisive moment (as in a literary plot)

3. **a:** An unstable or crucial time or state of affairs in which a decisive change is impending; *especially* : one with the distinct possibility of a highly undesirable outcome <a financial crisis> **b:** a situation that has reached a critical phase

CTP Coastal Treatment Plant

CWPCA California Water Pollution Control Association. A 7000 member non-profit educational organization dedicated to water pollution control.

Dam: A barrier built across a river or stream to hold water.

Decompose: To separate into simpler compounds, substances or elements.

Deep percolation: The percolation of surface water through the ground beyond the lower limit of the root zone of plants into a groundwater aquifer.

Degraded water: Water within the groundwater basin that, in one characteristic or another, does not meet primary drinking water standards.

Delta: Where the rivers empty; an outlet from land to ocean, also where the rivers deposit sediment they carry forming landforms.

Delta Vision: Delta Vision is intended to identify a strategy for managing the Sacramento-San Joaquin Delta as a sustainable ecosystem that would continue to support environmental and economic functions that are critical to the people of California.

Demineralize: To reduce the concentrations of minerals from water by ion exchange, distillation, electro-dialysis, or reverse osmosis.

De-nitrification: The physical process of removing nitrate from water through reverse osmosis, microfiltration, or other means.

Desalting (or desalination): Removing salts from salt water by evaporation or distillation. Specific treatment processes, such as reverse osmosis or multi-stage flash distillation, to demineralize seawater or brackish (saline) waters for reuse. Also sometimes used in wastewater treatment to remove salts other pollutants.

Desilting: The physical process of removing suspended particles from water.

Dilute: To lessen the amount of a substance in water by adding more water.

Disinfection: Water treatment which destroys potentially harmful bacteria.

Drainage basin: The area of land from which water drains into a river, for example, the Sacramento River Basin, in which all land area drains into the Sacramento River. Also called catchment area, watershed, or river basin.

Drought: A prolonged period of below-average precipitation.

DPHS: California Department of Public Health Services. Regulates public water systems; oversees water recycling projects; permits water treatment devices; certifies drinking water treatment and distribution operators; supports and promotes water system security; provides support for small water systems and for improving technical, managerial, and financial (TMF) capacity; provides funding opportunities for water system improvements.

DVL: Diamond Valley Lake. Metropolitan's major reservoir near Hemet, in southwestern Riverside County.

DWR: California Department of Water Resources. Guides development/management of California's water resources; owns/operates State Water Project and other water facilities.

Endangered Species: A species of animal or plant threatened with extinction.

Endangered Species Act of 1973 (ESA): The most wide-ranging of the dozens of United States environmental laws passed in the 1970s. As stated in section 2 of the act, it was designed to protect critically imperiled species from extinction as a "consequence of economic growth and development untended by adequate concern and conservation.

Ecosystem: Where living and non-living things interact (coexist) in order to survive.

Effluent: Wastewater or other liquid, partially or completely treated or in its natural state, flowing from a treatment plant.

Evaporation: The process that changes water (liquid) into water vapor (gas).

Estuary: Where fresh water meets salt water.

Evapotranspiration: The quantity of water transpired (given off), retained in plant tissues, and evaporated from plant tissues and surrounding soil surface. Quantitatively, it is expressed in terms of depth of water per unit area during a specified period of time.

FCH Federal Clearing House – Environmental Review/Processing

FEMA Federal Emergency Management Agency

Filtration: The process of allowing water to pass through layers of a porous material such as sand, gravel or charcoal to trap solid particles. Filtration occurs in nature when rain water soaks into the ground and it passes through hundreds of feet of sand and gravel. This same natural process of filtration is duplicated in water and wastewater treatment plants, generally using sand and coal as the filter media.

Flocculation: A chemical process involving addition of a coagulant to assist in the removal of turbidity in water.

Forebay: A reservoir or pond situated at the intake of a pumping plant or power plant to stabilize water level; also, a portion of a groundwater basin where large quantities of surface water can recharge the basin through infiltration.

Gray water reuse: Reuse, generally without treatment, of domestic type wastewater for toilet flushing, garden irrigation and other non-potable uses. Excludes water from toilets, kitchen sinks, dishwashers, or water used for washing diapers.

Green Acres Project (GAP): A 7.5 million gallons per day (MGD) water reclamation project that serves tertiary treated recycled water to irrigation and industrial users in Costa Mesa, Fountain Valley, Huntington Beach, Newport Beach, and Santa Ana.

God Squad: A seven-member committee that is officially called the "Endangered Species Committee". Members consist of Secretary of the Interior, the Secretary of Agriculture, the Secretary of the Army, the Chairman of the Council of Economic Advisers, the Administrator of the National Oceanic and Atmospheric Administration and one individual from the affected state. The squad was established in 1978 by an amendment to the 1973 Endangered Species Act (ESA). It has only been called into action three times to deal with proposed federal agency actions that have been determined to cause "jeopardy" to any listed species. Such actions may receive an exemption from the ESA if five members of the committee determine that the action is of regional or national significance, that the benefits of the action clearly outweigh the benefits of conserving the species and that there are no reasonable and prudent alternatives to the action.

Groundwater: Water that has percolated into natural, underground aquifers; water in the ground, not water puddled on the ground.

Groundwater basin: A groundwater reservoir defined by the overlying land surface and the underlying aquifers that contain water stored in the reservoir. Boundaries of success-ively deeper aquifers may differ and make it difficult to define the limits of the basin.

Groundwater mining: The withdrawal of water from an aquifer in excess of recharge over a period of time. If continued, the underground supply would eventually be exhausted or the water table could drop below economically feasible pumping lifts.

Groundwater overdraft: The condition of a groundwater basin in which the amount of water withdrawn by pumping exceeds the amount of water that recharges the basin over a period of years during which water supply conditions approximate average.

Groundwater recharge: The action of increasing groundwater storage by natural conditions or by human activity. See also: Artificial recharge.

Ground Water Replenishment System (GWRS): A joint project of the Orange County Water District and the Orange County Sanitation District that will provide up to 100,000 acre-feet of reclaimed water annually. The high-quality water will be used to expand an existing underground seawater intrusion barrier and to replenish the groundwater basin underlying north and central Orange County.

Groundwater table: The upper surface of the zone of saturation (all pores of subsoil filled with water), except where the surface is formed by an impermeable body.

GPM: Gallons per minute.

Ground Water Replenishment System (GWRS): Orange County Water District's state-of-the-art, highly advanced, waste-water treatment facility.

Hydrologic balance: An accounting of all water inflow to, water outflow from, and changes in water storage within a hydrologic unit over a specified period.

Hydrologic cycle: The process of water constantly circulating from the ocean, to the atmosphere, to the earth in a form of precipitation, and finally returning to the ocean.

Imported water: Water that has originated from one hydrologic region and is transferred to another hydrologic region.

Inflatable rubber dams: Designed to replace temporary sand levees that wash out during heavy storm flow, the dams hold back high-volume river flows and divert the water into the off-river system for percolation.

Influent: Water or wastewater entering a treatment plant, or a particular stage of the treatment process.

Irrigation: Applying water to crops, lawns or other plants using pumps, pipes, hoses, sprinklers, etc.

JPIA Joint Powers Insurance Authority. A group of water agencies providing self-insurance to members of the ACWA.

LAIF Local Agency Investment Fund. Statewide pool of surplus public agency money managed by State Treasurer.

Leach: To remove components from the soil by the action of water trickling through.

MAF: Million acre feet.

MCL: Maximum contaminant level set by EPA for a regulated substance in drinking water. According to health agencies, the maximum amount of a substance that can be present in water that's safe to drink and which looks, tastes and smells good.

MET: Metropolitan Water District of Southern California.

MGD: Million gallons per day.

Microfiltration: A physical separation process where tiny, hollow filaments members separate particles from water.

Microorganism: An animal or plant of microscopic size.

MWD: Metropolitan Water District of Southern California.

MWDOC: Municipal Water District of Orange County. Intermediate wholesaler between MWD and 27 member agencies including ETWD.

Non-point source pollution: Pollution that is so general or covers such a wide area that no single, localized source of the pollution can be identified.

NPDES National Pollution Discharge Elimination System

OCBC: Orange County Business Council.

OCEMA Orange County Environmental Management Agency

OCWD: Orange County Water District.

Opportunity:

1. A favorable juncture of circumstances.
2. A good chance for advancement or progress .

Organism: Any individual form of life, such as a plant, animal or bacterium.

PCM Professional Community Management, Inc. Property Management company providing services to Laguna Woods Village and other homeowner associations.

Perched groundwater: Groundwater supported by a zone of material of low permeability located above an underlying main body of groundwater with which it is not hydrostatically connected.

Percolation: The downward movement of water through the soil or alluvium to the groundwater table.

Permeability: The capability of soil or other geologic formations to transmit water.

Point source: A specific site from which waste or polluted water is discharged into a water body, the source of which is identified. See also: non-point source.

Potable water: Suitable and safe for drinking.

PPB: Parts per billion.

Precipitation: Water from the atmosphere that falls to the ground as a liquid (rain) or a solid (snow, sleet, hail).

Primary treated water: First major treatment in a wastewater treatment facility, usually sedimentation but not biological oxidation.

Primary treatment: Removing solids and floating matter from wastewater using screening, skimming and sedimentation (settling by gravity).

Prior appropriation doctrine: Allocates water rights to the first party who diverts water from its natural source and applies the water to beneficial use. If at some point the first appropriator fails to use the water beneficially, another person may appropriate the water and gain rights to the water. The central principle is beneficial use, not land ownership.

Pumping Plant: A facility that lifts water up and over hills.

Recharge: The physical process where water naturally percolates or sinks into a groundwater basin.

Recharge basin: A surface facility, often a large pond, used to increase the infiltration of surface water into a groundwater basin.

Reclaimed wastewater: Wastewater that becomes suitable for a specific beneficial use as a result of treatment. See also: wastewater reclamation.

Reclamation project: A project where water is obtained from a sanitary district or system and which undergoes additional treatment for a variety of uses, including landscape irrigation, industrial uses, and groundwater recharge.

Recycling: A type of reuse, usually involving running a supply of water through a closed system again and again. Legislation in 1991 legally equates the term "recycled water" to reclaimed water.

Reservoir: A place where water is stored until it is needed. A reservoir can be an open lake or an enclosed storage tank.

Reverse osmosis: (RO) A method of removing salts or other ions from water by forcing water through a semi-permeable membrane.

RFP Request for Proposal

Riparian: Of or on the banks of a stream, river, or other body of water.

RO: Reverse osmosis. See the listing under "reverse osmosis."

R-O-W Right-of-way

Runoff: Liquid water that travels over the surface of the Earth, moving downward due to gravity. Runoff is one way in which water that falls as precipitation returns to the ocean.

RWQCB Regional Water Quality Control Board. State agency regulating discharge and use of recycled water.

Safe Drinking Water Act (SDWA): The Safe Drinking Water Act (SDWA) was originally passed by Congress in 1974 to protect public health by regulating the nation's public drinking water supply. The law was amended in 1986 and 1996 and requires many actions to protect drinking water and its sources: rivers, lakes, reservoirs, springs, and ground water wells. (SDWA does not regulate private wells which serve fewer than 25 individuals.) SDWA authorizes the United States Environmental Protection Agency (US EPA) to set national health-based standards for drinking water to protect against both naturally-occurring and man-made contaminants that may be found in drinking water. US EPA, states, and water systems work together to make sure that these standards are met.

Safe yield: The maximum quantity of water that can be withdrawn from a groundwater basin over a long period of time without developing a condition of overdraft, sometimes referred to as sustained yield.

SAFRA Santa Ana River Flood Protection Agency

Salinity: Generally, the concentration of mineral salts dissolved in water. Salinity may be measured by weight (total dissolved solids - TDS), electrical conductivity, or osmotic pressure. Where seawater is known to be the major source of salt, salinity is often used to refer to the concentration of chlorides in the water.

SAWPA: Santa Ana Watershed Project Authority.

SCADA Supervisory Control and Data Acquisition

SCAP Southern California Alliance of Publicly. Newly formed group of public agencies seeking reasonable regulation of sewer industry.

SCH State Clearing House – Environmental Review/Processing

Seasonal storage: A three-part program offered by Metropolitan Water District of Southern California:

STSS (Short Term Seasonal Storage) financially encourages agencies with local groundwater production capabilities to produce a higher percentage of their demand in the summer from their local groundwater supplies, thus shifting a portion of their demand on the MWD system from the summer to winter;

LTSS (Long Term Seasonal Storage) financially encourages retail agencies to take and store additional amounts of MWD water above their normal annual demands for later use; Replenishment Water provides less expensive interruptible water that is generally available and used to increase the operating yield of groundwater basins.

Seawater intrusion: The movement of salt water into a body of fresh water. It can occur in either surface water or groundwater basins.

Seawater barrier: A physical facility or method of operation designed to prevent the intrusion of salt water into a body of freshwater.

Secondary treatment: The biological portion of wastewater treatment which uses the activated sludge process to further clean wastewater after primary treatment. Generally, a level of treatment that produces 85 percent removal efficiencies for biological oxygen demand and suspended solids. Usually carried out through the use of trickling filters or by the activated sludge process.

Sedimentation: The settling of solids in a body of water using gravity.

Settle: To clarify water by causing impurities/solid material to sink to a container's bottom.

Sewer: The system of pipes that carries wastewater from homes and businesses to a treatment plant or reclamation plant. Sewers are separate from storm drains, which is a system of drains and pipes that carry rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain water is not treated before it is discharged.

SigAlert: Any unplanned event that causes the closing of one lane of traffic for 30 minutes or more, as opposed to a planned event, like road construction, which is planned.

SJBA San Juan Basin Authority

Sludge: The solids that remain after wastewater treatment. This material is separated from the cleaned water, treated and composted into fertilizer. Also called biosolids.

SOCWA South Orange County Wastewater Authority. Regional Joint Powers Authority formed for collection and treatment of sewerage (previously known as AWMA/SERRA/SOCRA). SOCWA member agencies:

CSC – City of San Clemente

CSJC – City of San Juan Capistrano

CLB – City of Laguna Beach

ETWD – El Toro Water District

EBSD – Emerald Bay Service District

IRWD – Irvine Ranch Water District

MNWD – Moulton Niguel Water District

SCWD – South Coast Water District

SMWD – Santa Margarita Water District

TCWD – Trabuco Canyon Water District

SRF State Revolving Fund

Storm Drain: The system of pipes that carries rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain

water is not treated before it is discharged. Storm drains are separate from sewers, which is a separate system of pipes to carry wastewater from homes and businesses to a treatment plant or reclamation plant for cleaning.

Storm flow: Surface flow originating from precipitation and run-off which has not percolated to an underground basin.

SWP: State Water Project. An aqueduct system that delivers water from northern California to central and southern California.

SWRCB State Water Resources Control Board

TDS: Total dissolved solids. A quantitative measure of the residual minerals dissolved in water that remain after evaporation of a solution. Usually expressed in milligrams per liter.

Tertiary treatment: The treatment of wastewater beyond the secondary or biological stage. Normally implies the removal of nutrients, such as phosphorous and nitrogen, and a high percentage of suspended solids.

THM: Trihalomethanes. Any of several synthetic organic compounds formed when chlorine or bromine combine with organic materials in water.

TMA: Too many acronyms.

TMDL: Total maximum daily load; A quantitative assessment of water quality problems, contributing sources, and load reductions or control actions needed to restore and protect bodies of water.

Transpiration: The process in which plant tissues give off water vapor to the atmosphere as an essential physiological process.

Turbidity: Thick or opaque with matter in suspension; muddy water.

Ultraviolet light disinfection: A disinfection method for water that has received either secondary or tertiary treatment used as an alternative to chlorination.

VE Value Engineering

VOC: Volatile organic compound; a chemical compound that evaporates readily at room temperature and contains carbon.

Wastewater: Water that has been previously used by a municipality, industry or agriculture and has suffered a loss of quality as a result.

Water Cycle: The continuous process of surface water (puddles, lakes, oceans) evaporating from the sun's heat to become water vapor (gas) in the atmosphere. Water condenses into clouds and then falls back to earth as rain or snow (precipitation). Some precipitation soaks into the ground (percolation) to replenish groundwater supplies in underground aquifers.

Water rights: A legally protected right to take possession of water occurring in a natural waterway and to divert that water for beneficial use.

Water-use Efficiency: The water requirements of a particular device, fixture, appliance, process, piece of equipment, or activity.

Water year (USGS): The period between October 1st of one calendar year to September 30th of the following calendar year.

Watermaster: A court appointed person(s) that has specific responsibilities to carry out court decisions pertaining to a river system or watershed.

Water Reclamation: The treatment of wastewater to make it suitable for a beneficial reuse, such as landscape irrigation. Also called water recycling.

Watershed: The total land area that from which water drains or flows to a river, stream, lake or other body of water.

Water table: The top level of water stored underground.

WEF Water Environment Federation. Formerly – Water Pollution Control Federation (WPCF). International trade group advising members of sewage treatment techniques and their effect on the environment.

Weir box: A device to measure/control surface water flows in streams or between ponds.

Wellhead treatment: Water quality treatment of water being produced at the well site.

Wetland: Any area in which the water table stands near, at, or above the land surface for a portion of the year. Wetlands are characterized by plants adapted to wet soil conditions.

Xeriscape: Landscaping that requires minimal water.