

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.



DENNIS P. CAFFERTY, 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 FINANCE AND INSURANCE COMMITTEE MEETING AND ENGINEERING COMMITTEE MEETING

November 23, 2020

7:30 a.m.

This Meeting is being conducted in accordance with Governor Newsom's Executive Order N-29-20 (Paragraph 3) and the conditions specified therein which waive certain provisions of the Brown Act.

In an effort to protect public health and prevent the spread of COVID-19 (Coronavirus), and in accordance with the Governor's Executive Order N-29-20, **there will be no public location for attending in person.**

The Order allows all Board Members to participate telephonically in the Meeting from remote locations. As such, Directors Monin, Gaskins, Vergara, Freshley and Havens will be participating telephonically.

Members of the public who wish to comment on any item within the jurisdiction of the District or on any item on the agenda, may observe and address the Meeting by joining at this link: <https://us02web.zoom.us/j/86895758948>. (Meeting ID: 868 9575 8948). Members of the public who wish only to listen to the telephonic meeting may dial in at the following numbers (669) 900-6833 or (346) 248-7799 with the same Meeting ID noted above. Please be advised the Meeting is being recorded.

CALL TO ORDER – President Monin

PLEDGE OF ALLEGIANCE – Director Freshley

ORAL COMMUNICATIONS/PUBLIC COMMENTS

Members of the public may address the Board at this time or they may reserve this opportunity with regard to an item on the agenda until said item is discussed by the Board. Comments on other items will be heard at the times set aside for “COMMENTS REGARDING NON-AGENDA ENGINEERING COMMITTEE ITEMS” or for “COMMENTS REGARDING NON-AGENDA FIC ITEMS.” The public may 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 item(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.)

PRESENTATION OF AWARDS, RECOGNITIONS AND INTRODUCTIONS

a. Introduction of New Employee

1. Mr. Cafferty will introduce to the Board Scott Hopkins, Operations Superintendent.

FINANCE AND INSURANCE COMMITTEE MEETING

CALL MEETING TO ORDER – Director Vergara

1. **Consent Calendar**

(All matters under the Consent Calendar will be approved by one motion unless a Board member or a member of the public requests separate action or discussion on a specific item)

- a. Consider approving the minutes of the October 19, 2020 Finance and Insurance Committee meeting (Minutes Included)
- b. Consider renewing the District’s membership in California Association of Sanitation Agencies (CASA) in the amount of \$13,600 for calendar year 2021. The membership dues for 2020 were \$13,370.

- c. Consider renewing the District's membership in California Special Districts Association (CSDA) in the amount of \$7,805 for calendar year 2021. The membership dues for 2020 were \$7,615.
- d. Consider renewing the District's membership in American Water Works Association (AWWA) in the amount of \$2,289 for calendar year 2021. The membership dues for 2020 were \$2,223.

Recommended Action: The Board will be requested to approve the subject minutes and membership renewals listed above in the Consent Calendar.

APPROVAL OF ITEMS REMOVED FROM TODAY'S FINANCE AND INSURANCE COMMITTEE CONSENT CALENDAR

The Board will discuss items removed from today's Finance and Insurance Committee Consent Calendar requiring further discussion.

Recommended Action: The Board will be requested to approve the items removed from today's Finance and Insurance Committee Consent Calendar.

FINANCIAL INFORMATION ITEMS

2. **El Toro Water District OPEB GASB 75 Actuarial Valuation** (Reference Material Included)

Staff and Bartel Associates will review and comment on the ETWD Actuarial Valuation Update as of Measurement Date June 30, 2019 prepared by Bartel Associates. This is an update to the full actuarial valuation completed in 2019 for measurement date June 30, 2018.

3. **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.

FINANCIAL ACTION ITEMS

4. **ETWD Comprehensive Annual Financial Report/Audit – Fiscal Year Ended June 30, 2020** (Reference Material Included)

Staff and the District's Independent Auditor, White Nelson Diehl Evans, LLP, will review and comment on the District's Comprehensive Annual Financial report (CAFR) – Audit for the fiscal year ended June 30, 2020.

Recommended Action: Staff recommends that the Board of Directors receive and file the District's Comprehensive Annual Financial Report (CAFR) – Audit for the fiscal year ended June 30, 2020.

5. **Financial Package - Authorization to Approve Bills for Consideration dated November 23, 2020 and Receive and File Financial Statements as of October 31, 2020** (Reference Material Included)

The Board will consider approving the Bills for Consideration dated November 23, 2020 and Receive and File Financial Statements as of October 31, 2020.

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 November 23, 2020, and 2) receive and file the Financial Statements for the period ending October 31, 2020.

6. **Amendments to the El Toro Water District Retirement Savings Plan and Deferred Compensation Plan** (Reference Material Included)

Staff will review and comment on the purpose for amending and restating the District's Retirement Savings Plan and Deferred Compensation Plan including a proposed amendment that will allow employees the choice to direct to the Deferred Compensation Plan the District match for deferrals made to the Deferred Compensation Plan as well as an amendment that will allow employees to take advantage of opportunities provided in the CARES Act.

Recommended Action: Staff recommends that the Board of Directors direct staff to prepare amendments, for approval by the Board, to the ETWD Retirement Savings Plan and ETWD Deferred Compensation Plan to 1) Allow employees the discretion to direct the District's matching funds from salary deferrals to the Retirement Savings Plan (401k) or to the Deferred Compensation Plan (457b); 2) Offer employees the option of Coronavirus-related distributions per the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) and 3) make further amendments to align the Plans with current practice and law.

COMMENTS REGARDING NON-AGENDA FIC ITEMS

CLOSE FINANCE AND INSURANCE COMMITTEE MEETING

ENGINEERING COMMITTEE

CALL MEETING TO ORDER – Director Freshley

7. Consent Calendar

(All matters under the Consent Calendar will be approved by one motion unless a Board member or a member of the public requests separate action or discussion on a specific item)

- a. Consider approving the minutes of the October 19, 2020 Engineering Committee meeting. (Minutes Included)

Recommended Action: The Board will be requested to approve the subject minutes.

APPROVAL OF ITEMS REMOVED FROM TODAY'S ENGINEERING COMMITTEE CONSENT CALENDAR

The Board will discuss items removed from today's Engineering Committee Consent Calendar requiring further discussion.

Recommended Action: The Board will be requested to approve the items removed from today's Engineering Committee Consent Calendar.

ENGINEERING ACTION ITEMS

There are no action items.

ENGINEERING GENERAL INFORMATION ITEMS

8. 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.

9. 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

ATTORNEY REPORT

CLOSED SESSION

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

1. At this time the Board will go into Closed Session pursuant to Government Code Section 54956.9 (d) (1) to consult with legal counsel and staff on a matter of pending litigation. *El Toro Water District v. Rossmoor Sanitation, Inc et al and Does 1through 50 inclusive- Orange County Superior Court- Case No. 30-2020-01152257-CU-OR—CJC.*
2. At this time the Board will go into Closed Session pursuant to Government Code Section 54956.9 (d) (1) to consult with legal counsel and staff on a matter of pending litigation. [Class Action] *Kessner et al. v. City of Santa Clara, et al. (Santa Clara County Superior Court - Case No. 20 CV 364054).*
3. At this time the Board will go into Closed Session pursuant to Government Code Section 54956.9 (d) (1) to consult with legal counsel and staff on a matter of pending litigation. *The People of the State of California, acting by and through the Department of Transportation. Plaintiff, vs. Laguna Hills Investment Company, L.P., a Delaware Limited Liability Company, et al., inclusive of El Toro Water District and Does 1 through 20, inclusive. Defendants- Orange County Superior Court- Case No. 30-2020-01140132-CU-EI-CXC.*
4. At this time the Board will go into Closed Session pursuant to Government Code Section 54957(b)(1) to conduct the General Manager's annual performance evaluation.

REGULAR SESSION

REPORT ON CLOSED SESSION (Legal Counsel)

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

10. 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., Monday, December 14, 2020.

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
FINANCE COMMITTEE MEETING

October 19, 2020

At approximately 9:10 a.m. Director Vergara called the Regular meeting to order via Zoom.

Consent Calendar

Director Vergara asked for a Motion.

Motion: President Monin made a Motion, seconded by Director Havens and unanimously carried across the Board to approve the Consent Calendar.

Roll Call Vote:

President Monin	aye
Vice President Gaskins	aye
Director Vergara	aye
Director Freshley	aye
Director Havens	aye

Finance Action Items

Quarterly Insurance Report

Ms. Cimorell stated that since this is the first quarter of the new fiscal year, there is not much information to report. She further stated that there are no workers compensation claims or injuries.

Ms. Cimorell stated that JPIA said they are doing a 10% reduction in the renewal rate for all Districts, and we don't have the first bill yet so we don't know what savings we will have.

Mr. Cafferty stated that this report shows two vehicle claims. He further stated that neither were the employee's fault. Mr. Cafferty stated that one accident was at El Toro Road and Carlota where there is only one through lane, and the vehicle in the right

turn lane came into the through lane and collided with our vehicle. He further stated that the other accident was when a piece of debris from the freeway hit our vehicle on accident.

Director Vergara asked on the report what is Excess Crime coverage. Ms. Cimorell stated that Finance provides the liability portion of this report. Mr. Cafferty stated that staff will report back to the Board with more information on the Excess Crime coverage.

Director Vergara stated that the Life Insurance coverage states that it is through Lincoln National Life Insurance Company at twice the employee's annual salary up to a maximum of \$300,000, and he asked if the Directors have Life Insurance coverage. Ms. Cimorell replied yes, but not at the same rate as the employees.

Director Havens asked if security cameras have been installed in the yard. Mr. Cafferty replied that staff is reviewing options so this is a work in progress. Director Havens asked if the new truck hauler has a camera. Mr. Cafferty replied yes there is a dash mounted camera that records to a DVR that has 30 days of storage.

Director Vergara asked for a Motion.

Motion: President Monin made a Motion, seconded by Director Freshley and unanimously carried across the Board to Receive and File the Quarterly Insurance report for the period of July 1, 2020 through September 30, 2020.

Roll Call Vote:

President Monin	aye
Vice President Gaskins	aye
Director Vergara	aye
Director Freshley	aye
Director Havens	aye

Financial Package - Authorization to Approve Bills for Consideration dated October 19, 2020 and Receive and File Financial Statements as of September 30, 2020

Mr. Hayden stated that on page 2, Balance Sheet has increased over the first quarter of the year, and Liabilities have gone up slightly. He further stated that on page 4, Investments have done well in terms of what the market value is compared to what the original cost was.

Director Freshley stated that on the Balance Sheet she doesn't see our obligations relative to post employment issues. Mr. Hayden replied that it could be included in the long-term debt portion.

Mr. Hayden stated that on the Revenue and Interest report the Interest Revenue is down slightly which is expected due to low interest rates. He further stated that Reserves are where they should be, and there are no major expenses that are outside the typical monthly basis.

Mr. Hayden stated that the 401(k) Plan is down slightly due to the month of September being a challenging month for the market. He further stated that Receivables are not out of line compared to where they have been in past years, but the longer term Receivables are slightly higher than they have been but should be expected during these economic times.

Mr. Hayden stated that Revenue and Expense is where we should be.

Director Vergara asked for a Motion.

Motion: President Monin made a Motion, seconded by Director Freshley 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 October 19, 2020, and 2) receive and file the Financial Statements for the period ending September 30,

2020.

Roll Call Vote:

President Monin	aye
Vice President Gaskins	aye
Director Vergara	aye
Director Freshley	aye
Director Havens	aye

ETWD OPEB GASB 75 Actuarial Valuation

Mr. Hayden stated that this valuation is required to be completed each year. He further stated that every two years a full study is required.

Mr. Hayden stated that this report is an update from last year's report. He further stated that our liability increased significantly by almost \$1 million.

Mr. Hayden stated that these are non-cash accounting charges that do not impact the cash reserves of the District and are more of an indication of potential long-term costs the District may incur for post-retirement health insurance benefits.

Director Havens asked in the future if we could see a target range set aside to lower our liability. Mr. Cafferty replied that staff has been discussing an OPEB Trust to fund this liability going forward.

Director Freshley asked why the starting figure is over \$16 million because the only exposure is medical. Mr. Cafferty replied that the overall medical budget for all 60 employees is just over \$1 million, and this calculates the actuarial valuation that looks at the total cost projecting the value of the medical insurance for retirees from the time they retire until their death.

President Monin suggested this topic for further discussion at a Special Board meeting.

Director Vergara asked for a Motion.

Motion: Director Freshley made a Motion, seconded by President Monin and unanimously carried across the Board to Receive and File the ETWD Actuarial Valuation Update as of the Measurement Date of June 30, 2019.

Roll Call Vote:

President Monin	aye
Vice President Gaskins	aye
Director Vergara	aye
Director Freshley	aye
Director Havens	aye

ETWD Staffing & Succession Plan

Mr. Cafferty stated that the District has staff changes occurring, and we are proposing adding a person which will take us to 61 employees. He further stated that by adding this additional person, we are above the 2020/21 budgeted employee count.

Mr. Cafferty stated that staff is reviewing the Succession Plan as we move toward retirements and staff changes. He further stated that when an anticipated retirement happens in the near future, we will return to 60 employees.

Director Havens asked if there is a probability that we could go to 62 employees. Mr. Cafferty replied that he does not anticipate going to 62 employees.

Director Vergara asked for a Motion.

Motion: Director Havens made a Motion, seconded by Vice President Gaskins and unanimously carried across the Board to authorize a temporary exceedance of the head count defined in the 2020/21 budget to facilitate the implementation of current succession planning efforts.

Roll Call Vote:

President Monin	aye
Vice President Gaskins	aye
Director Vergara	aye
Director Freshley	aye
Director Havens	aye

Financial Information Items

Tiered Water Usage and Revenue Tracking

There were no comments.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance Committee Meeting

At approximately 9:45 a.m. the Finance Committee meeting was closed.

Regular Session

Attorney Report

Mr. Granito reported that there is a need for a Closed Session at today's meeting to discuss all 3 items of today's Closed Session agenda.

Closed Session

At approximately 9:45 a.m. the Board went into Closed Session. Also at this time, Ms. Cimorell, Mr. Hayden, Mr. Olson, Mr. Young, Mr. Harnisch, and Ms. Welsch left the meeting.

Regular Session

At approximately 10:00 a.m. the Board returned to Regular Session. Also at this time, Ms. Cimorell and Ms. Welsch returned to the meeting.

Report on Closed Session

Mr. Granito reported that the Board did go into Closed Session with regard to all three (3) pending litigation matters reflected in today's Closed Session agenda. Mr. Granito reported that during the closed session he presented a brief status report on said matters and no reportable action was taken.

Adjournment

There being no further business to come before the Board, the meeting was adjourned at approximately 10:05 a.m.

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

MARK L. MONIN, President
of the El Toro Water District and the
Board of Directors thereof

DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and the
Board of Directors thereof



STAFF REPORT

TO: Board of Directors

MEETING DATE: November 23, 2020

FROM: Jason Hayden, Chief Financial Officer

SUBJECT: Actuarial Summary Presentation of the Other Post Employment Benefits (OPEB) Liability for the El Toro Water District

Attached to this memo please find a presentation about the District's Other Post Employment Benefits (OPEB) liability prepared by District's actuarial firm, Bartel Associates, LLC. This presentation is intended to provide an overview of the actuarial calculations involved in the OPEB liability and how those calculations lead to a total OPEB liability of \$16,843,879 at the end of Fiscal Year 2020.

Recommended Action: No action is recommended for this item, this is informational only.



**EL TORO WATER DISTRICT
RETIREE HEALTHCARE PLAN**

BARTEL
ASSOCIATES, LLC

June 30, 2020 OPEB Results for
Financial Statement Reporting –
GASB Statement 75

Presented by Mary Beth Redding, Vice President & Actuary
Prepared by Joe Herm, Senior Actuarial Analyst
Tak Frazita, Associate Actuary
Bartel Associates, LLC

DRAFT November 16, 2020

PURPOSE

<ul style="list-style-type: none"> ■ OPEB 	<ul style="list-style-type: none"> ■ Other (not pension) Post Employment Benefits ■ Usually retiree health care 	
<ul style="list-style-type: none"> ■ Actuarial Valuation 	<ul style="list-style-type: none"> ■ How much are the benefits to be paid to current and future retirees worth now? ■ Discount for time value of money <ul style="list-style-type: none"> ● How much must be invested now to grow to the required amount? ■ How long will retirees and beneficiaries live ■ Will current active employees receive benefits or will they leave the District before retirement 	
<ul style="list-style-type: none"> ■ GASB Statement 75 	<ul style="list-style-type: none"> ■ New, beginning 6/30/18 ■ Total OPEB Liability: value of OPEB benefits allocated to past service ■ Reported on balance sheet 	

DISTRICT BENEFIT SUMMARY

■ Eligibility	■ Retire from the District after age 60 with 20 years of service	
■ Medical Benefit	■ District pays most of the premium for retiree and dependent retiree health coverage ■ If hired after 6/1/2008, District pays most of retiree premium (no spouse/dependents) ■ Health insurance from ACWA/JPIA ■ No dental, vision, life insurance	



PARTICIPANTS

	6/30/18
■ Covered participants in valuation	
■ Active employees (future retirees)	61
■ Retirees	<u>22</u>
■ Total	83



ACTUARIAL METHODS & ASSUMPTIONS

Assumption	
■ Valuation Date	■ June 30, 2018
■ Measurement Date	<ul style="list-style-type: none"> ■ June 30, 2019 ■ Snapshot of OPEB liability reported unadjusted at June 30, 2020
■ Discount Rate	<ul style="list-style-type: none"> ■ 3.50% – Not pre-funded ■ Municipal bond index (Bond Buyer 20 bond index) at June 30, 2020 ■ Next year, 2.21%
■ Medical Trend (Health Care Future Annual Cost Increases)	<ul style="list-style-type: none"> ■ Non-Medicare - 7.5% for 2020, gradually declining to 4.0% in 2076+ ■ 6.5% initially for 2020 post-Medicare ■ Based on Society of Actuaries model
■ Demographics	<ul style="list-style-type: none"> ■ Based on CalPERS studies ■ Mortality improvement: Society of Actuaries improvement scale

RESULTS

Total OPEB Liability – Reasonableness Illustration

■ Total lifetime retiree premiums	
1. Average district-paid premium	\$500/month
2. Average retirement time	25 years
3. Total district-paid premium per person (12 x 500 x 25)	\$150,000
■ Total value	
4. Number active employees & retirees	83
5. Number retiree spouses	16
6. Number expected District-paid employee spouses	24
7. Total value (150,000 x 123)	18,450,000

Major simplifying assumptions:

Future healthcare trend = discount rate

No adjustment for liability accrued or pre-retirement termination for active employees

Above is provided as an illustration only. The actuarial valuation is done on an individual basis in much more detail.



RESULTS

	Total OPEB Liability	
<ul style="list-style-type: none"> ■ Balance at 6/30/19 (6/30/18 measurement date) 	\$ 15,204,470	
<ul style="list-style-type: none"> ■ Changes for the year <ul style="list-style-type: none"> ● Service Cost ● Interest ● Benefit payments ● Actual vs. expected experience ● Assumption changes 	410,098 598,626 (292,405) 0 923,090	<div style="border: 1px solid black; padding: 5px; display: inline-block;">Expected changes for the year</div>
<ul style="list-style-type: none"> ■ Net Changes 	1,639,409	<div style="border: 1px solid black; padding: 5px; display: inline-block;">Rollforward year</div>
<ul style="list-style-type: none"> ■ Balance at 6/30/20 (6/30/19 measurement date) 	\$ 16,843,879	<div style="border: 1px solid black; padding: 5px; display: inline-block;">Discount rate change: 3.87% to 3.50%</div>



RESULTS

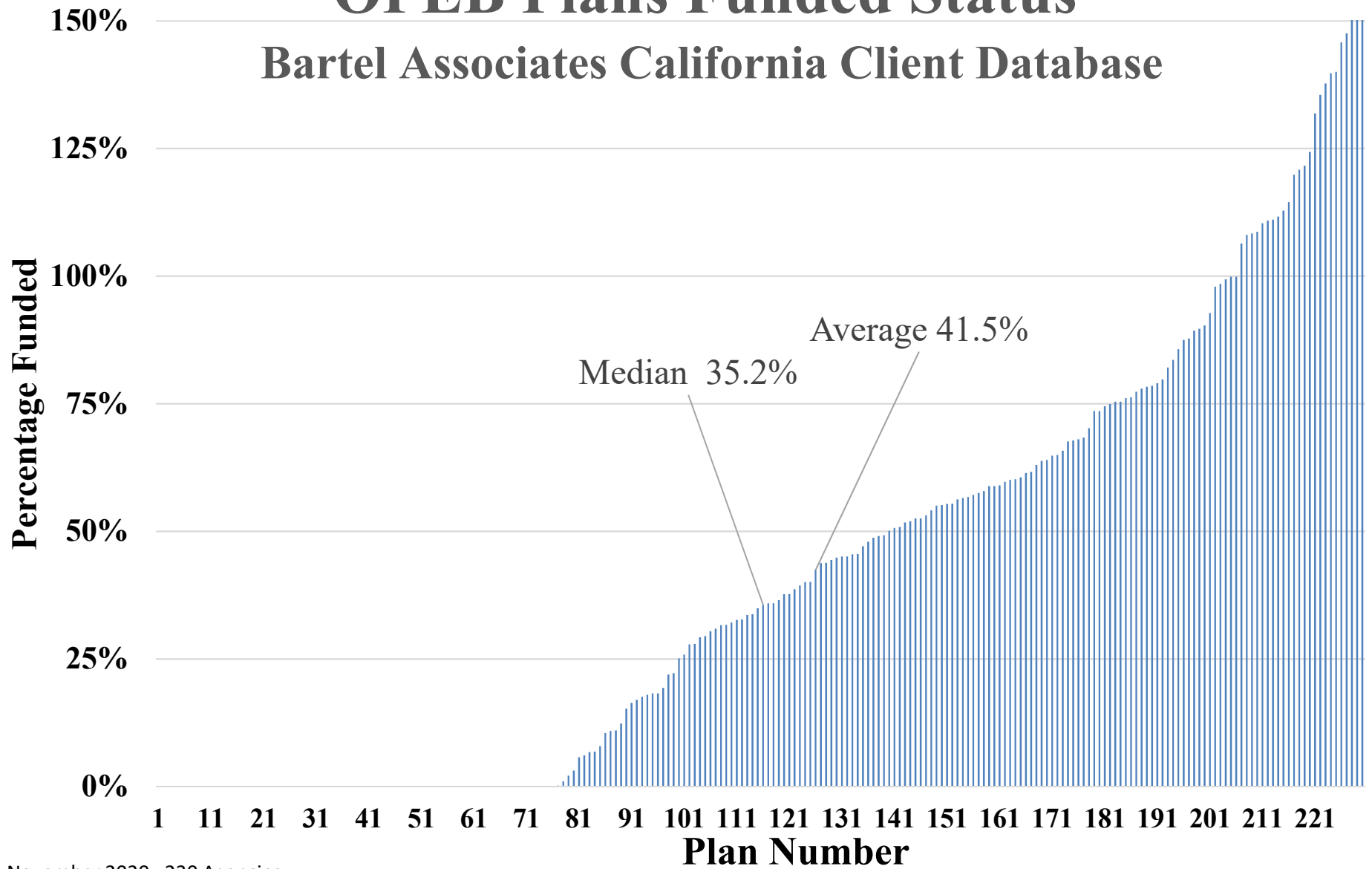
Projected Retiree Healthcare Benefit Payments

Fiscal Year Ending	Total
2019	\$ 332,359
2020	384,907
2021	449,299
2022	531,524
2023	602,039
2024	654,544
2025	709,987
2026	796,083
2027	847,317
2028	888,039



OPEB Plans Funded Status

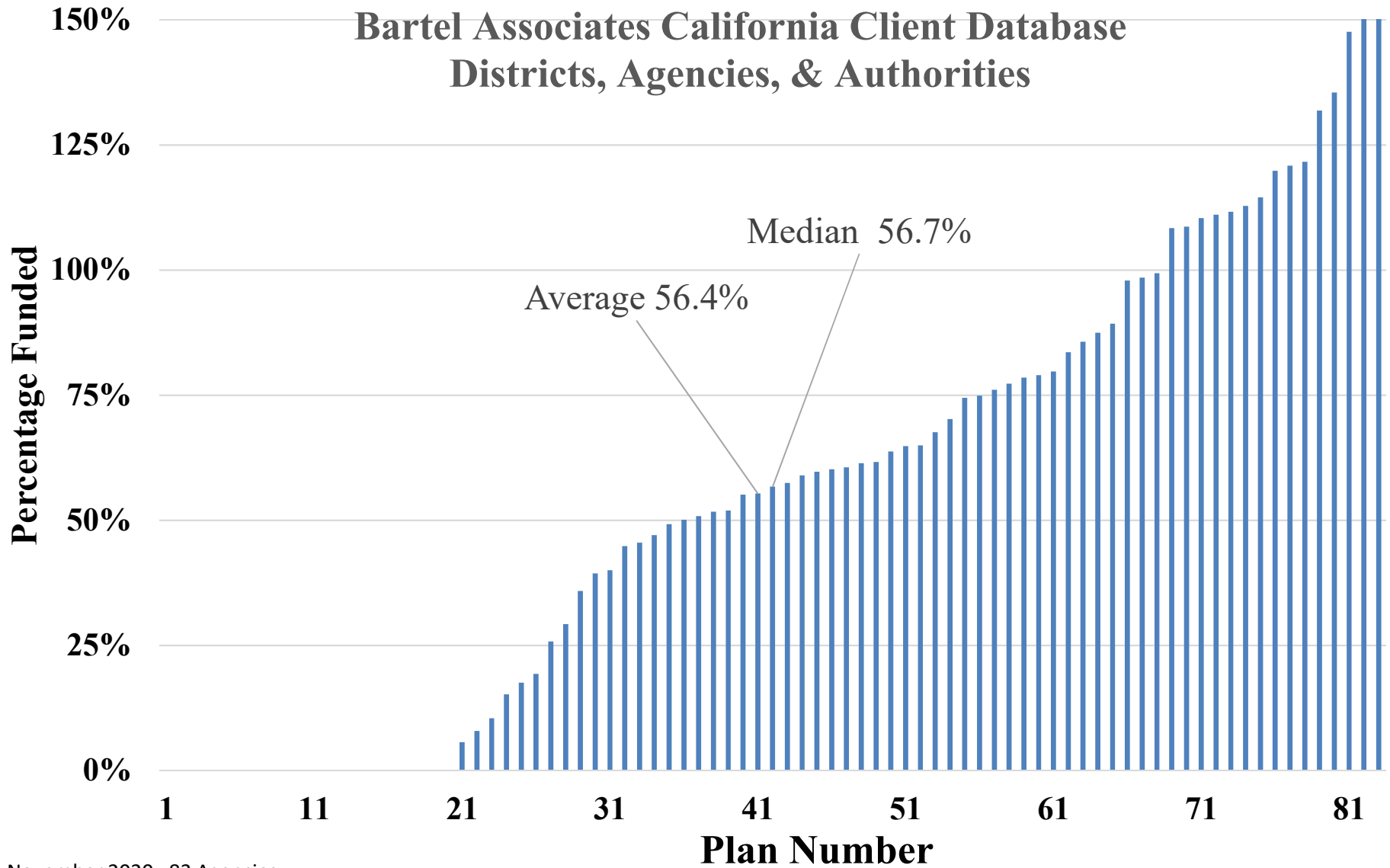
Bartel Associates California Client Database



November 2020. 230 Agencies

OPEB Plans Funded Status

Bartel Associates California Client Database
Districts, Agencies, & Authorities



November 2020. 83 Agencies

Actuarial Valuation Information

Actuarial Obligations

(Based on 6.25% Funded* and 3.87% Non-funded Discount Rates)

	6/30/2018	6/30/2018
■ Discount Rate	3.87%	6.25%
■ Present Value of Benefits		
● Actives	\$ 12,702,383	\$ 7,929,660
● Retirees	6,063,472	4,523,506
● Total	18,765,855	12,453,166
■ Actuarial Accrued Liability		
● Actives	9,141,944	6,329,319
● Retirees	6,063,472	4,523,506
● Total	15,205,416	10,852,825
■ Market Value of Assets	0	0
■ Unfunded AAL	15,205,416	10,852,825
■ Funded Percent	0%	0%

* 6.25% Funded discount rate based on assumed investments in PARS Balanced Fund

Actuarial Valuation Information

Actuarially Determined Contributions

(Based on 6.25% Funded Discount Rate)

	2020/21	2021/22
■ ADC - \$		
● Normal Cost	\$ 244,849	\$ 252,195
● Administrative Expenses	-	-
● UAAL Amortization	1,065,235	1,065,235
● Total ADC	<u>1,310,084</u>	<u>1,317,430</u>

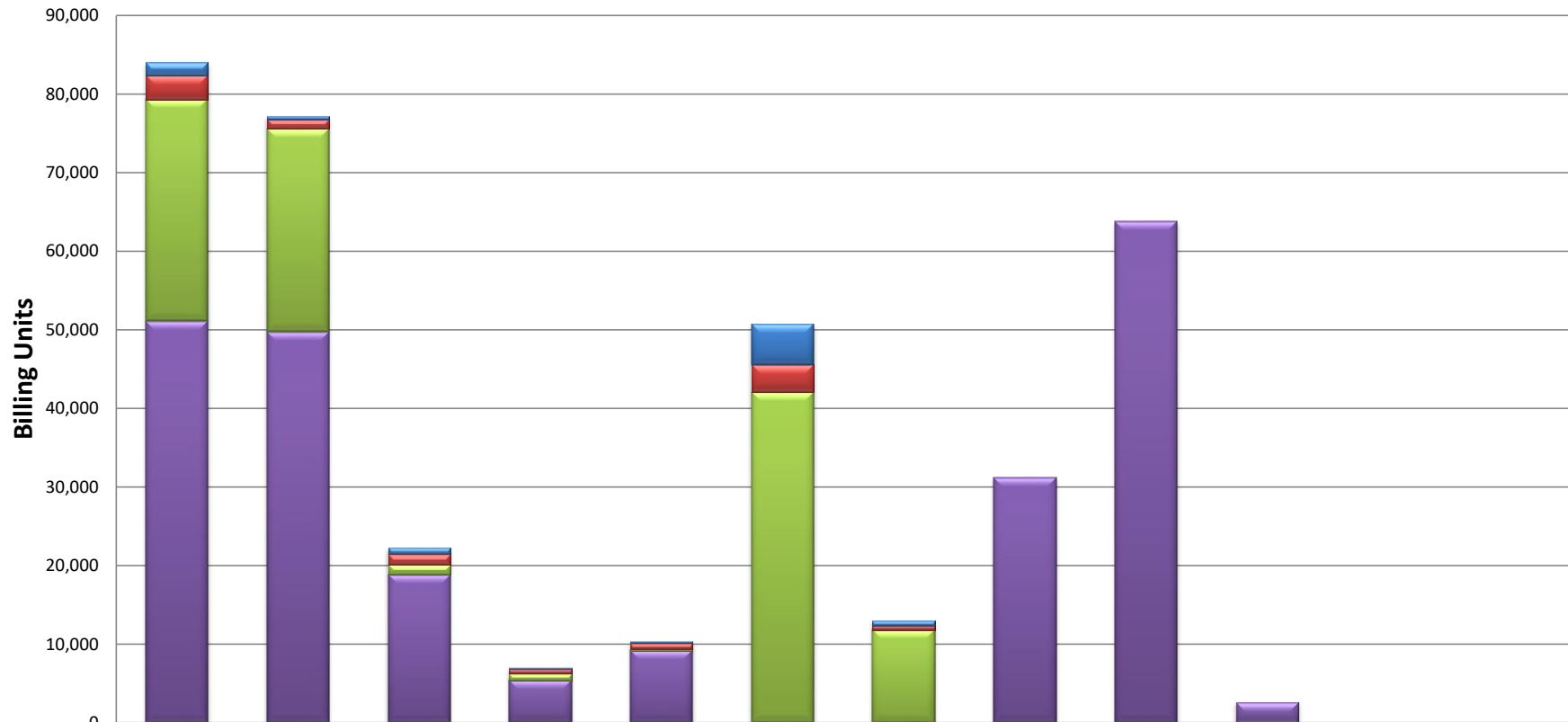
Actuarial Valuation Information

Projected Benefit Payments

10-Year Illustration

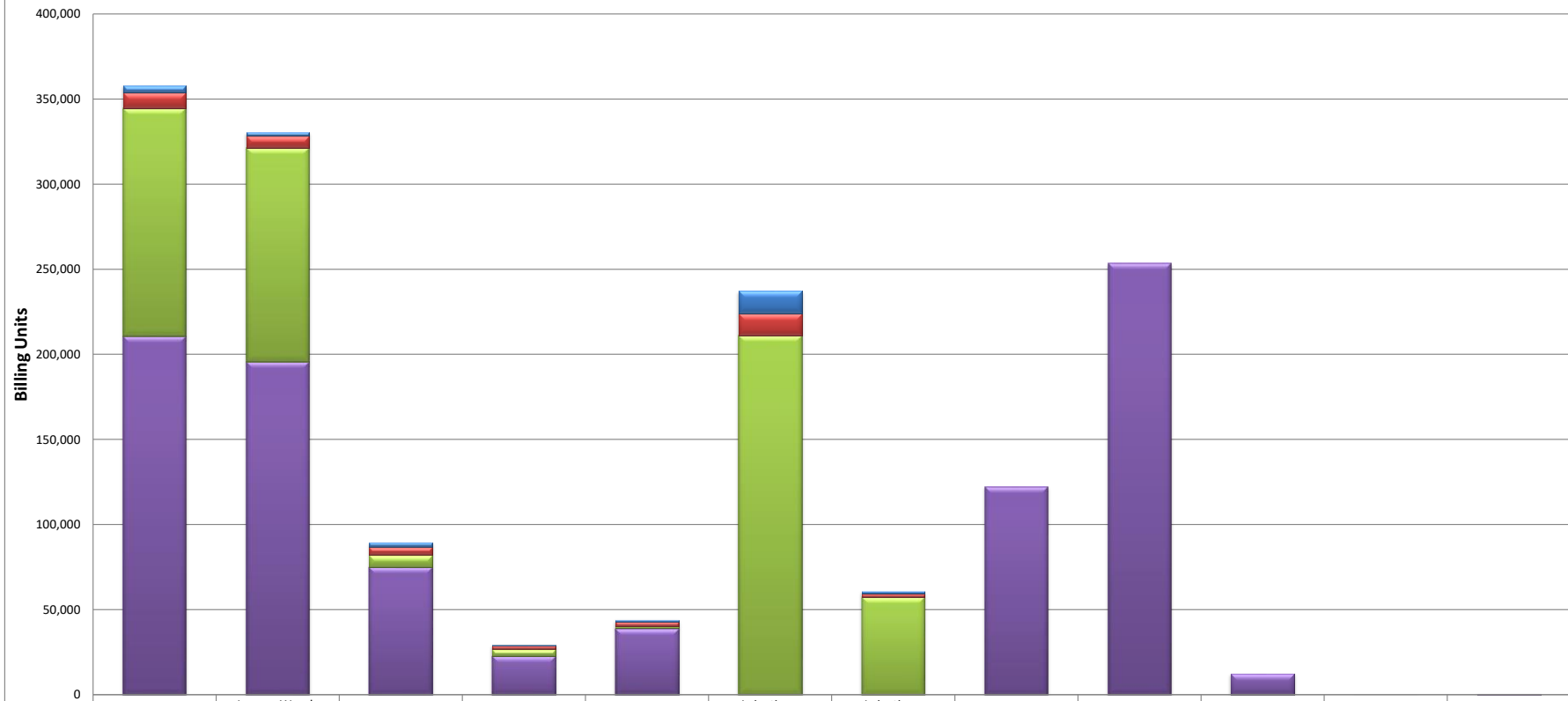
Fiscal Year Ending	Actives Benefit Payment	Retirees Benefit Payment	Total Benefit Payment
2019	\$ 29,662	\$ 302,697	\$ 332,359
2020	90,228	294,678	384,907
2021	155,384	293,915	449,299
2022	220,120	311,403	531,524
2023	284,975	317,065	602,039
2024	340,962	313,582	654,544
2025	381,438	328,549	709,987
2026	464,948	331,135	796,083
2027	503,049	344,268	847,317
2028	550,447	337,592	888,039

October 2020 Water Sales



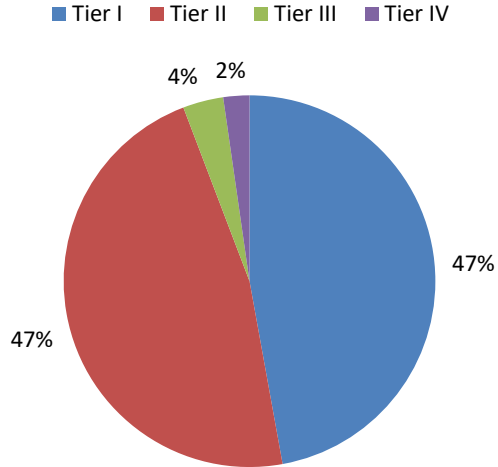
	Residential	Laguna Woods Village	Multi Family	Trailer Parks	Condo	Irrigation - Functional	Irrigation - Recreational	Commercial	Recycled Water	Public Authority	Private Fire	Flooding
■ Tier IV	1,687	429	819	177	257	5,171	619	0	0	0	0	0
■ Tier III	3,106	1,179	1,324	549	676	3,450	581	0	0	0	0	0
■ Tier II	28,158	25,872	1,364	890	248	42,096	11,815	0	0	0	0	0
■ Tier I	51,148	49,771	18,799	5,407	9,184	0	0	31,164	63,745	2,618	17	113

Year-to-Date Water Sales as of October 2020



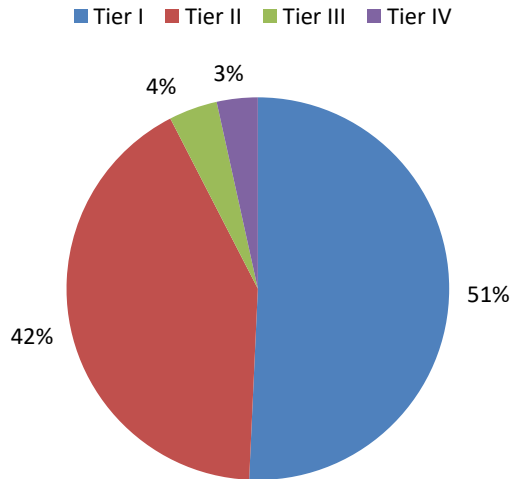
	Residential	Laguna Woods Village	Multi Family	Trailer Parks	Condo	Irrigation - Functional	Irrigation - Recreational	Commercial	Recycled Water	Public Authority	Private Fire	Flooding
■ Tier IV	4,405	2,453	2,802	664	1,194	13,366	1,214	0	0	0	0	0
■ Tier III	9,224	6,787	4,708	2,079	2,880	12,864	1,994	0	0	0	0	0
■ Tier II	134,346	126,184	7,040	3,955	1,074	211,235	57,592	0	0	0	0	0
■ Tier I	210,277	195,328	75,018	22,859	38,994	0	0	122,329	253,229	12,375	54	605

Year to Date Tiered Sales As of October 2020



Year To Date Sales in ccf		
Tier I	542,476	47.15%
Tier II	541,426	47.06%
Tier III	40,536	3.52%
Tier IV	26,098	2.27%
	1,150,536	100.00%

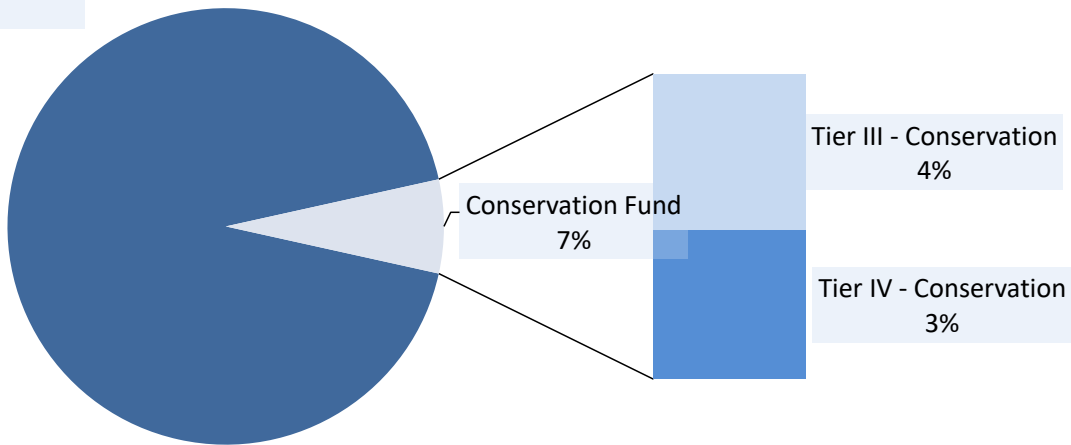
October 2020 Tiered Sales



Current Month Sales in ccf		
Tier I	134,309	50.73%
Tier II	110,443	41.71%
Tier III	10,865	4.10%
Tier IV	9,159	3.46%
	264,776	100.00%

Year to Date Water Sales as of October 2020

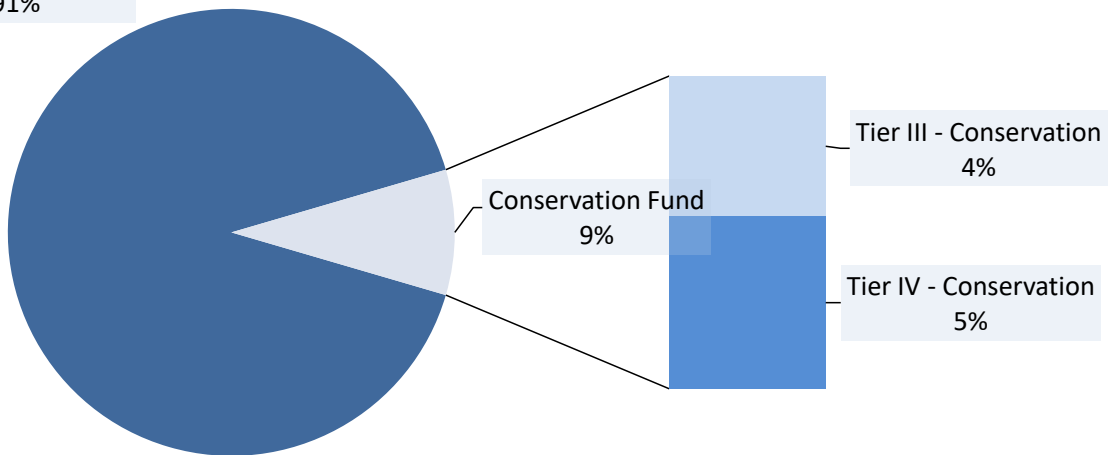
Water Delivery Cost
93%



Category	Billings	Percentage
Water Delivery Cost	\$3,219,669.28	93.06%
Tier III - Conservation	\$123,229.44	3.56%
Tier IV - Conservation	\$116,709.59	3.37%
	\$3,459,608.31	100.00%

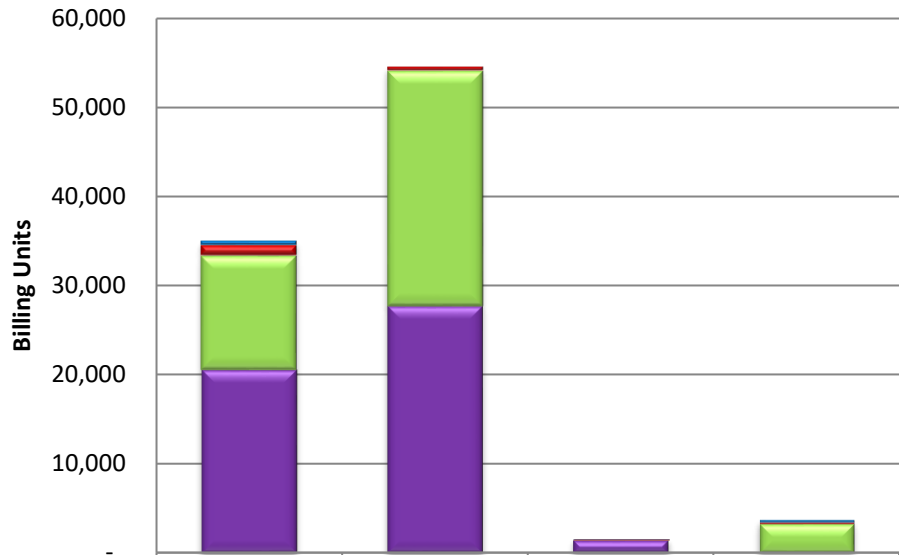
October 2020 Water Sales

Water Delivery Cost
91%



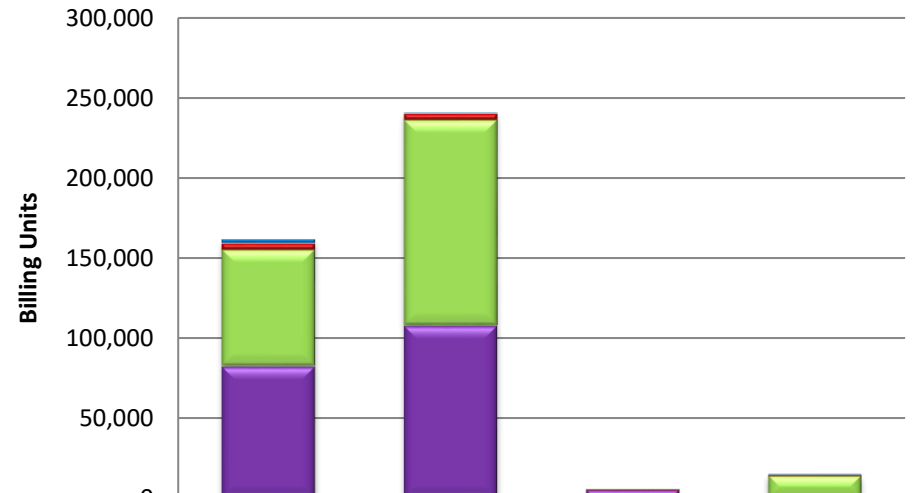
Category	Billings	Percentage
Water Delivery Cost	\$738,530.72	90.95%
Tier III - Conservation	\$33,029.60	4.07%
Tier IV - Conservation	\$40,479.79	4.98%
	\$812,040.11	100.00%

Laguna Woods Village October 2020 Water Sales



	Third	United	Mutual 50	GRF
Tier 4	473	-	5	257
Tier 3	1,118	417	81	184
Tier 2	12,788	26,318	28	3,287
Tier 1	20,593	27,726	1,452	-

Laguna Woods Village Year-to-Date Water Sales October 2020



	Third	United	Mutual 50	GRF
Tier 4	2,221	279	15	327
Tier 3	4,042	3,918	141	881
Tier 2	73,023	128,565	82	14,253
Tier 1	82,224	107,677	5,427	0



STAFF REPORT

TO: Board of Directors

MEETING DATE: November 23, 2020

FROM: Jason Hayden, Chief Financial Officer

SUBJECT: Presentation of the Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020

Attached to this memo please find the Comprehensive Annual Financial Report (CAFR) for the El Toro Water District for the Fiscal Year ended June 30, 2020. Also attached are two documents that communicate information from the District's audit firm, the Additional Communications Letter and the Letter on Government Audit Standards.

Finance Staff is pleased to report that the audit opinion is unqualified (*excerpted from Page 14 of the CAFR*):

“In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.”

In addition to the unqualified opinion in the CAFR, the Additional Communication Letter also communicates the auditor's opinion of working with the Finance Staff:

“Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

A summary of the financial results of the District's operations for the fiscal year ended June 30, 2020 appears in the Management's Discussion and Analysis section beginning on Page 15 and ending on Page 21. Some of the significant changes during the current fiscal year include:

- The Net Position of the District declined \$1,813,768 (-2.81%), from \$64,553,048 as of June 30, 2019 to \$62,739,280 as of June 30, 2020 (*this information is extracted from Page 17 of the CAFR from the chart entitled "Condensed Statement of Net Position"*).
- The decline in Net Position was primarily caused by Depreciation expense (\$4,483,607) and an increase in OPEB liability (\$1,639,409). These are both non-cash accounting charges that do not reduce the current assets of the District.
- Current assets of the District increased \$708,208 (3.26%). Capital Assets, Net of Related Debt and Accumulated Depreciation, declined \$3,036,064 primarily due to the depreciation expense of \$4,483,607 which was offset to some extent by capital investments of \$1,447,543.
- Non-current Liabilities decreased \$361,937 as the District paid \$2,166,953 in principal on its outstanding debt (*see chart "Summary of Outstanding Debt" on Page 20 of the CAFR*) but this was offset by the increase in OPEB liability (\$1,639,409) and by an increase in liability for future compensated absences (\$196,417).
- Operating Revenues increased \$533,873 (2.16%), from \$24,663,457 during the 2019 fiscal year to \$25,197,330 during the 2020 fiscal year (*Please see the chart "Total Revenues" on Page 19 of the CAFR*). Non-operating revenues declined \$883,324 (-33.61%), from \$2,627,873 during the 2019 fiscal year to \$1,744,549 during the 2020 fiscal year. The decline in Non-operating Revenue is almost entirely attributable to the significant refund of \$823,179 from SOCWA that the District received during the 2019 fiscal year. This was an unusually large refund which had not occurred prior to 2019 and is unlikely to occur in future years.
- Operating Expenses increased \$1,035,019 (4.61%), from \$22,462,404 during fiscal year 2019 to \$23,497,423 during fiscal year 2020 (*Please see the chart "Total Expenses" on Page 19 of the CAFR*). However, the majority of this increase in Operating Expenses was caused

by the increase in the OPEB Charge. The OPEB Charge increased \$428,651, from \$913,252 during fiscal year 2019 to \$1,341,903 during fiscal year 2020. The OPEB Charge comprised 41.4% of the increase in Operating Expenses during fiscal year 2020. If the OPEB charges are removed from Operating Expenses in 2019 and 2020, Operating Expenses increase \$606,368 (2.81%), from \$21,549,152 during fiscal year 2019 to \$22,155,520 during fiscal year 2020.

- The accounting value of the District's capital assets declined \$3,036,064 during fiscal year 2020, from a beginning value of \$94,473,600 to an ending value of \$91,437,536 (*please see the "Capital Assets" chart on Page 20 of the CAFR*). This decline is caused by depreciation expense of \$4,483,607 offset to some extent by capital investments of \$1,447,543. Construction in Progress, included in Non-depreciable Assets, was reduced by \$6,045,229 as portions of the Recycled Water Project that were completed in fiscal year 2020 were moved to Depreciable Assets.
- Total outstanding debt decreased \$2,166,953 to an ending balance of \$35,951,509, as the District paid 5.68% of the \$38,118,462 in outstanding principal at the beginning of fiscal year 2020 (*please see the "Summary of Outstanding Debt" chart on Page 20 of the CAFR*). The District began to pay the SRF Loan – 2018 in fiscal year 2020 and this added almost 20% to the principal amount the District pays each year.

In general, I would characterize fiscal year 2020 as a relatively successful year, especially when considering the challenging environment the District (and society as a whole) encountered towards the end of the fiscal year (i.e., the March to June period). The District improved its current assets, reduced its total long term liabilities and significantly reduced outstanding debt, and on an accounting basis recognized a significant infrastructure investment by moving the Recycled Water Project from Construction in Progress to a depreciable asset.

Recommended Action: Staff recommends that the Board of Directors Receive and File the District's Comprehensive Annual Financial Report (CAFR) – Audit for the Fiscal Year ended June 30, 2020.



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2020



EL TORO WATER DISTRICT

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

EI TORO WATER DISTRICT
For the Fiscal Years Ended June 30, 2020 and 2019
Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	1
Board of Directors and Management	7
Organization Chart	8
Certificate of Achievement for Excellence in Financial Reporting	9
FINANCIAL SECTION:	
Independent Auditors' Report	13
Management's Discussion and Analysis (Required Supplementary Information)	15
Basic Financial Statements:	
Statement of Net Position	25
Statement of Revenues, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
Notes to Basic Financial Statements	33
Required Supplementary Information:	
Schedule of Changes in the Total OPEB Liability and Related Ratios	63
STATISTICAL SECTION (UNAUDITED):	
Index to the Statistical Section	67
Changes in Net Position and Net Position by Component.	68
Operating Revenues by Source	70
Operating Expenses by Activity	71
Source of Water for Sales	72
Water Operation Rates and Charges	73
Sewer Operation Rates and Charges	74
Water Customers by Type	75
Top Ten Water Customers	76
Outstanding Debt by Type	77
Debt Service Coverage	78
Demographic and Economic Statistics County of Orange	79
Principal Employers	80
Full Time Equivalent Employees by Department	81
Operating and Capacity Indicators	82

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



El Toro Water District

"A District of Distinction"

Serving the Public - Respecting the Environment

October 27, 2020

Board of Directors

Mark L. Monin
President

Mike Gaskins
Vice President

Jose F. Vergara
Director

Kathryn Freshley
Director

Kay Havens
Director

General Manager

Dennis P. Cafferty

Board of Directors
El Toro Water District

Submitted for your review and consideration is the Comprehensive Annual Financial Report for the El Toro Water District (the "District"), for the fiscal year ended June 30, 2020. California law requires special purpose governments to publish a complete set of financial statements within 180 days of the close of each fiscal year. This Comprehensive Annual Financial Report is issued by the District to comply with this requirement and to enable elected officials, District residents, and all other stakeholders to gain a comprehensive understanding of the District's finances.

The financial statements included in this report depict the District's financial position and the changes in that financial position as of June 30, 2020. The Statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) and have been audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants. Responsibility for the accuracy of the data presented, as well as the completeness and fairness of the presentation, including disclosures, rests with the El Toro Water District. The District believes the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and changes in financial position of the District. Incorporated into the financial statements are all disclosures necessary to enable the reader to gain a maximum understanding of the District's financial affairs.

The District's financial statements have been audited by White Nelson Diel Evans LLP, a firm of licensed certified public accountants experienced in auditing special purpose governments in California. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District are free of material misstatements. The independent audit consisted of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based on these audit procedures, the independent auditor concluded there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2020 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Governmental Accounting Standards Board Statement Number 34 requires the District to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A is found immediately following the report of the independent auditors.

Profile of the El Toro Water District

El Toro Water District was formed in 1960 and serves nearly 50,000 residents of five municipalities located in southern Orange County. The District is a fully integrated water, sewer, and recycled water retail operation with a service area that includes all of the City of Laguna Woods and portions of the Cities of Aliso Viejo, Laguna Hills, Lake Forest, and Mission Viejo. The District's service area includes 5,430 acres or approximately 8.48 square miles and includes an estimated population of 48,821 residents.

The District is governed by a Board of Directors consisting of five board members who are elected by the registered voters within 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 staggered terms to ensure continuity.

The Board takes its responsibilities as sound fiscal stewards seriously. Every quarter the District has an Agreed Upon Procedure (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 very proud to have been awarded the District of Distinction Award by the Special District Leadership Foundation in each accreditation cycle since 2007, a testament to the responsible leadership that has been a long-standing tradition at the District.

Significant Accomplishments during Fiscal Year 2020

During the budget process, the District Board participates in a goal setting discussion for the purpose of establishing or redefining key goals and objectives for the forthcoming budget year. District Staff utilizes these budget goals and objectives to guide operations and spending during the budget year. The achievements in the 2020 fiscal year were a result of the goals and objectives established by the Board during the annual budget process and are described below:

Productivity & Communications Enhancements

- During fiscal year 2020, the District successfully transitioned to a new General Manager following the retirement of Bob Hill after 45 years of service.
- The District Board of Directors also engaged in a detailed strategic planning process that will chart the course of the District for the next five years.
- Like all of its peer agencies, the District was required to rapidly adapt to the operational and safety protocols necessary to maintain the integrity and reliability of the water, wastewater and recycled water service amidst the COVID-19 pandemic.

Financial Management

- Continued the District's commitment to excellent financial management practices as demonstrated by the receipt of the Certificate of Achievement for Excellence in Financial Reporting for the FY 2019 Comprehensive Annual Financial Report, a national recognition of the District's financial reporting by the Government Finance Officers Association (GFOA) of the United States.
- The District also continued its commitment to fiscal discipline by approving a budget for the FY 2021 Budget that is balanced but includes funding for several significant capital projects.

Infrastructure Improvements

- During fiscal year 2020 the District engineering staff successfully acquired the necessary permits to facilitate the commencement of the Phase II Recycled Water Project on-site retrofits.
- The District also successfully completed several facility renovation projects including the acquisition of new emergency pumps, the replacement of network storage facilities and the award of the Oso Lift Station Improvement Project construction contract.

Significant Future Initiatives

The District is committed to providing high quality services to its customers while also maintaining the infrastructure in its service area. The challenge the District faces in the future is setting rates that are acceptable to its residents but provide sufficient resources to maintain current service levels and complete critical capital projects that are necessary to provide high quality services. The District's initiatives and significant projects in the forthcoming fiscal year are detailed below:

- One significant project that will be occurring during the fiscal year from July 1, 2020 to June 30, 2021 is the commencement of the engineering design of the replacement of the R-6 Reservoir floating cover.
- The District will also continue the construction of the Oso Lift Station Improvement Project as well as the effort to complete the Phase II Recycled Water Project retrofits.

Financial Management

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 reviews the existing adopted investment policy that conforms to state law, District ordinances and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield in that order. 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.

Service 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

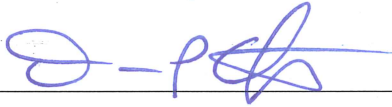
State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of White Nelson Diehl Evans, LLP has conducted the audit of the District's financial statements. Their unqualified Independent Auditor's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

Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the El Toro Water District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious award recognizing conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards, Generally Accepted Accounting Principles (GAAP), and applicable legal requirements. A Certificate of Achievement is valid for one year only. The El Toro Water District has received a Certificate of Achievement for three consecutive years.

Acknowledgements. 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,



Dennis Cafferty
General Manager



Jason Hayden
Chief Financial Officer

THIS PAGE INTENTIONALLY LEFT BLANK



DISTRICT OFFICIALS

Board of Directors

Mark Monin, President

Mike Gaskins, Vice President

Jose Vergara, Director

Kathryn Freshley, Director

Kay Havens, Director

District Management

Dennis P. Cafferty, General Manager

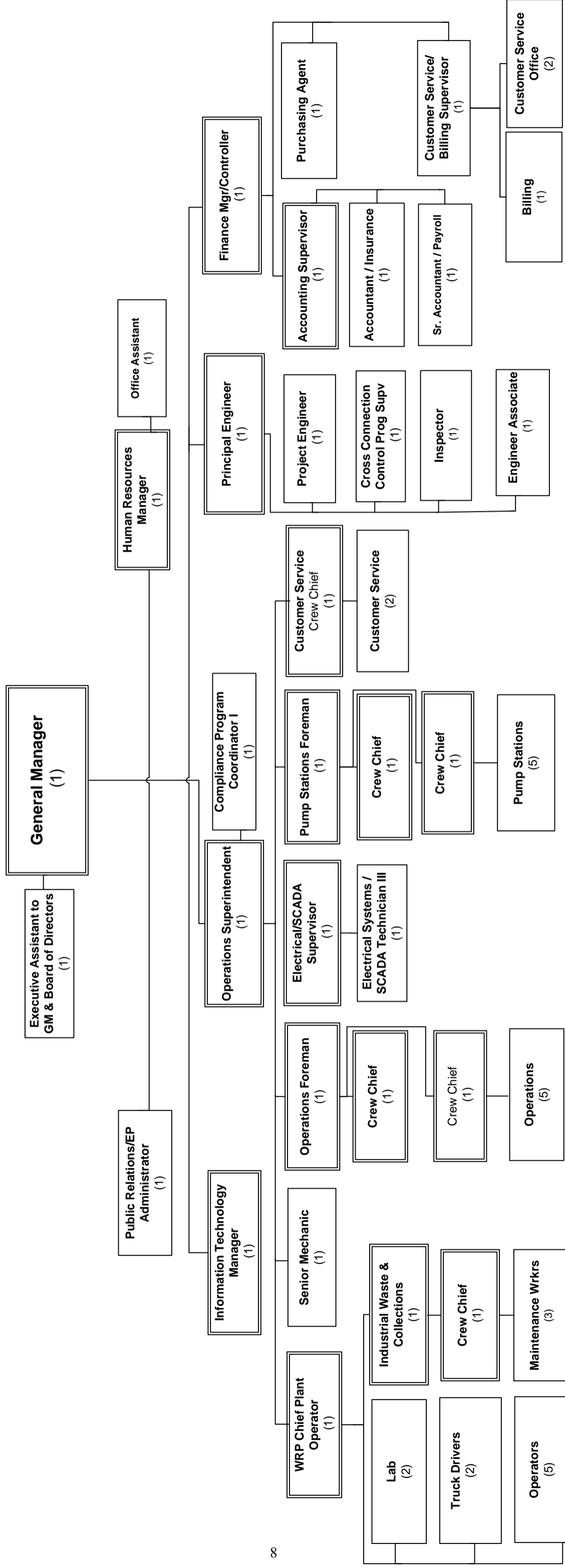
Jason Hayden, Chief Financial Officer

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, 2019

Christopher P. Morrill

Executive Director/CEO

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

Board of Directors
El Toro Water District
Lake Forest, California

Report on the Financial Statements

We have audited the accompanying financial statements of the El Toro Water District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the District'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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Audited Financial Statements

The financial statements of the District as of and for the year ended June 30, 2019, were audited by other auditors whose report dated November 13, 2019, expressed an unmodified opinion on those statements.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in the total other post-employment benefit (OPEB) liability and related ratios identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no 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 October 27, 2020, 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 the 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.

White Nelson Nick Evans LLP

Irvine, California
October 27, 2020

El Toro Water District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

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 year ended June 30, 2020 (FY 2020). We encourage readers to consider the information presented in this document in conjunction with the basic financial statements and related notes, which follow the MD&A.

Financial Highlights

- In FY 2020, the District's net position decreased \$1,813,768 or (-2.81%), from \$64,553,048 as of June 30, 2019 to \$62,739,280 as of June 30, 2020, primarily due to depreciation expense.
- In FY 2020, the District's operating revenues increased \$533,873 or (2.16%), from \$24,663,457 for the year ended June 30, 2019 to \$25,197,330 for the year ended June 30, 2020. The increase in Operating Revenues resulted from increases in Water Consumption Charges, Water Service Charges, and Sewer Service Charges offset to some extent by decreases in Reimbursements from Others and Other Charges for Services.
- In FY 2020, the District's operating expenses before depreciation increased \$1,035,019 or 4.61%, primarily due to increases in Source of Supply, Transmission & Distribution, and General & Administrative offset to some extent by decreases in Pumping and Customer Service.
- In FY 2020, the District's Non-operating Revenues decreased significantly due to a decrease in Other Non-operating Revenue of \$869,434. This was primarily caused by a decrease in Other Non-operating Revenue as the refund from the South Orange County Wastewater Association (SOCWA) was significant in 2019 but declined in 2020.

Required Financial Statements

This annual report consists of a series of financial statements, including the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These Statements provide information about the activities and performance of the District and are prepared in accordance with the accrual basis of accounting, similar to the accounting methods used by private sector companies. Incorporated into the Statements are the Notes to the Financial Statements which provide detailed information about the accounting methods and estimates used to prepare the Statements. The report also includes other supplementary information that provides additional details about the El Toro Water District.

- The Statement of Net Position depicts the District's financial position as of June 30, 2020 and includes all of the assets and liabilities of the District. The Net Position of the District is the difference between its assets plus deferred outflows of resources and its liabilities. The Net Position of the District is classified into three components, net investment in capital assets, restricted, and unrestricted. The Statement of Net Position can be used to evaluate the District's capital structure and assess the liquidity and financial flexibility of the District.
- The Statement of Revenues, Expenses and Changes in Net Position accounts for all of the revenues and expenses of the District during the fiscal year ended June 30, 2020. The statement measures the financial result of the District's operations during the fiscal year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges.
- The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement 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 illustrates the sources of cash, the uses of cash, and the change in the cash balance during the reporting period.
- The Notes to the Financial Statements provide additional information that is essential to achieving a full understanding of the data provide in the financial statements.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

- The required supplementary information provides information about the District's progress in funding its obligations to provide Other Post-Employment Benefits to employees.

Financial Analysis of the District

The following pages of this Management's Discussion and Analysis presents financial information in condensed schedules from the Statement of Net Position and the Statement of Changes in Revenues, Expenses, and Changes in Net Position.

These two statements report the District's Net Position and changes in the Net Position. The District's net position, the difference between its assets and liabilities is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. However, 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 also need to be considered when assessing the District's financial position.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

Condensed Statement of Net Position

Net Position is the primary indicator of the District's financial position. The Condensed Schedule of Net Position below provides an overview of the District's Net Position for fiscal years 2020, 2019, and 2018 and illustrates the changes in the Net Position between the fiscal years. The District's total Net Position equaled \$62,739,280 at the end of FY 2020 and \$64,553,048 at the end of FY 2019. In FY 2020, total assets and deferred outflows of resources decreased by \$2,091,969 (-1.72%), total liabilities decreased \$278,201 (-0.49%), and as a result, net position decreased \$1,813,768 (-2.81%).

Condensed Statement of Net Position							
	June 30, 2020	June 30, 2019	2020 - 2019		June 30, 2018	2019 - 2018	
			\$	%		\$	%
			Change	Change		Change	Change
Assets							
Current Assets	\$ 22,412,049	\$ 21,703,841	\$ 708,208	3.26%	\$ 16,550,066	\$ 5,153,775	31.14%
Restricted Assets	2,273,045	2,334,664	(61,619)	-2.64%	1,648,811	685,853	41.60%
Capital Assets, Net	91,437,536	94,473,600	(3,036,064)	-3.21%	96,109,953	(1,636,353)	-1.70%
Total Assets	116,122,630	118,512,105	(2,389,475)	-2.02%	114,308,830	4,203,275	3.68%
Deferred Outflows of Resources							
Deferred OPEB Outflow	3,634,674	3,337,168	297,506	8.91%	237,713	3,099,455	1303.86%
Total Deferred Outflows of Resources	3,634,674	3,337,168	297,506	8.91%	237,713	3,099,455	1303.86%
Total Assets & Deferred Outflows	119,757,304	121,849,273	(2,091,969)	-1.72%	114,546,543	7,302,730	6.38%
Liabilities							
Current Liabilities	5,141,973	5,058,237	83,736	1.66%	5,491,773	(433,536)	-7.89%
Non-current Liabilities	51,876,051	52,237,988	(361,937)	-0.69%	46,096,326	6,141,662	13.32%
Total Liabilities	57,018,024	57,296,225	(278,201)	-0.49%	51,588,099	5,708,126	11.06%
Net Position							
Net Investment in Capital Assets	55,486,027	56,355,138	(869,111)	-1.54%	60,300,968	(3,945,830)	-6.54%
Restricted	2,273,045	2,334,664	(61,619)	-2.64%	1,648,811	685,853	41.60%
Unrestricted	4,980,208	5,863,246	(883,038)	-15.06%	1,008,665	4,854,581	481.29%
Total Net Position	62,739,280	64,553,048	(1,813,768)	-2.81%	62,958,444	1,594,604	2.53%
Total Liabilities & Net Position	\$119,757,304	\$121,849,273	\$ (2,091,969)	-1.72%	\$114,546,543	\$ 7,302,730	6.38%

In FY 2020, the decrease in total assets was primarily caused by a significant decrease in Capital Assets, Net primarily caused by depreciation expense. The District engaged in fewer capital projects in FY 2020 and therefore capital assets depreciated more than the investments that were made into them during the year. One positive aspect of this negative change in Capital Assets, Net is that the Current Assets of the District increased in FYE 2020.

The largest portion of the District's net position (88% as of June 30, 2020) 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 FY 2020 and FY 2019, the District's restricted net position equaled \$2,273,045 and \$2,334,664, respectively. The restricted net position is legally obligated for debt service and capital projects.

At the end of FY 2020 and FY 2019, the District's unrestricted net position equaled \$4,980,208 and \$5,863,246, respectively. This portion of Net Position is available to fund current operations in future years. The decrease in

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

unrestricted net position was caused by the reduction in long term liabilities as the District utilized a portion of its Unrestricted Net Position to retire debt in 2020.

Condensed Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position depicts how the District's net position changed during the fiscal year. The District's Net Position decreased \$1,813,768 in FY 2020, from \$64,553,048 at the beginning of the year to \$62,739,280 at the end of the year. In contrast, for FY 2019, the District's net position increased \$1,594,604.

Condensed Statement of Revenues, Expenses, and Changes in Net Position							
	June 30, 2020	June 30, 2019	2020 - 2019		June 30, 2019	2019 - 2018	
			\$	%		\$	%
			Change	Change		Change	Change
Revenues							
Operating Revenues	\$ 25,197,330	\$ 24,663,457	\$ 533,873	2.16%	\$ 25,445,261	\$ (781,804)	-3.07%
Non-operating Revenues	1,744,549	2,627,873	(883,324)	-33.61%	1,299,509	1,328,364	102.22%
Total Revenues	26,941,879	27,291,330	(349,451)	-1.28%	26,744,770	546,560	2.04%
Expenses							
Operating Expenses	23,497,423	22,462,404	1,035,019	4.61%	22,508,987	(46,583)	-0.21%
Depreciation	4,483,607	4,466,431	17,176	0.38%	4,350,053	116,378	2.68%
Non-operating Expenses	777,511	753,794	23,717	3.15%	790,753	(36,959)	-4.67%
Total Expenses	28,758,541	27,682,629	1,075,912	3.89%	27,649,793	32,836	0.12%
Net Loss prior to Capital Contributions	(1,816,662)	(391,299)	(1,425,363)	364.26%	(905,023)	513,724	-56.76%
Capital Contributions	2,894	1,985,903	(1,983,009)	-99.85%	45,853	1,940,050	4231.02%
Change in Net Position	(1,813,768)	1,594,604	(3,408,372)	-213.74%	(859,170)	2,453,774	-285.60%
Net Position							
Beginning of year	64,553,048	62,958,444	1,594,604	2.53%	63,817,614	(859,170)	-1.35%
End of Year	\$ 62,739,280	\$ 64,553,048	\$ (1,813,768)	-2.81%	\$ 62,958,444	\$ 1,594,604	2.53%

As shown in the chart above, total revenues for the fiscal year ended June 30, 2020 declined \$349,451 (-1.28%) when compared to revenues received during the fiscal year ended June 20, 2019. This decrease in total revenue was caused by a reduction in Non-operating revenue. As shown in the table on the next page, the District's investment earnings and Other non-operating revenue both decreased during FY 2020. The decrease in Other non-operating revenue was significant and resulted from a reduction in a refund from the South Orange County Wastewater Authority. The refund was a significant amount in the fiscal year ended June 30, 2019 (\$823,179) but declined to only \$28,035 for FY 2020. This decrease in Non-operating revenues in FY 2020 was offset to some extent by an increase in Operating Revenues as services charges for Water, Wastewater Treatment, and Recycled Water all increased during FYE 2020.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

	Total Revenues							
			2020 - 2019				2019 - 2018	
	June 30, 2020	June 30, 2019	\$	%	June 30, 2018	\$	%	
			Change	Change		Change	Change	
Operating Revenues								
Water consumption sales	\$ 8,705,986	\$ 8,474,791	\$ 231,195	2.73%	\$ 9,459,453	\$ (984,662)	-10.41%	
Water service charges	4,977,611	4,623,068	354,543	7.67%	4,325,454	297,614	6.88%	
Sewer service charges	11,044,342	10,955,238	89,104	0.81%	11,085,710	(130,472)	-1.18%	
Standby charges	63	247	(184)	-74.49%	418	(171)	-40.91%	
Reimbursements from others	328,310	383,810	(55,500)	-14.46%	403,445	(19,635)	-4.87%	
Other charges for services	141,018	226,303	(85,285)	-37.69%	170,781	55,522	32.51%	
Total Operating Revenues	25,197,330	24,663,457	533,873	2.16%	25,445,261	(781,804)	-3.07%	
Non-operating Revenues								
Property taxes	1,037,335	1,012,576	24,759	2.45%	927,672	84,904	9.15%	
Rental revenue	242,187	204,160	38,027	18.63%	188,183	15,977	8.49%	
Investment earnings	424,110	500,786	(76,676)	-15.31%	124,001	376,785	303.86%	
Other non-operating revenue	40,917	910,351	(869,434)	-95.51%	59,653	850,698	1426.08%	
	1,744,549	2,627,873	(883,324)	-33.61%	1,299,509	1,328,364	102.22%	
Total Revenue	\$ 26,941,879	\$ 27,291,330	\$ (349,451)	-1.28%	\$ 26,744,770	546,560	2.04%	

During FY 2020, the District's operating expenses before depreciation increased 4.61%, from \$22,462,404 during FY 2019 to \$23,497,423 in FY 2020, primarily due to increases in Source of Supply, Transmission & Distribution, and General & Administrative. These increases were offset to some extent by decreases in Pumping and Customer Service. Depreciation expense increased by \$17,176 to \$4,483,607 and Interest Expense increased \$23,717 to \$777,511.

	Total Expenses							
			2020 - 2019				2019 - 2018	
	June 30, 2020	June 30, 2019	\$	%	June 30, 2018	\$	%	
			Change	Change		Change	Change	
Operating Expenses								
Source of Supply	\$ 8,085,299	\$ 7,650,468	\$ 434,831	5.68%	\$ 8,294,019	\$ (643,551)	-7.76%	
Pumping	1,371,076	1,480,556	(109,480)	-7.39%	1,491,273	(10,717)	-0.72%	
Water Treatment	3,751,703	3,744,102	7,601	0.20%	3,567,648	176,454	4.95%	
Transmission & Distribution	5,147,914	4,561,123	586,791	12.87%	5,035,094	(473,971)	-9.41%	
Customer Service	602,925	720,714	(117,789)	-16.34%	686,217	34,497	5.03%	
General & Administrative	4,538,506	4,305,441	233,065	5.41%	4,350,053	(44,612)	-1.03%	
Total Operating Expenses	23,497,423	22,462,404	1,035,019	4.61%	23,424,304	(961,900)	-4.11%	
Depreciation & Amortization	4,483,607	4,466,431	17,176	0.38%	4,350,053	116,378	2.68%	
Non-operating Expenses								
Interest Expense	777,511	753,794	23,717	3.15%	790,753	(36,959)	-4.67%	
	777,511	753,794	23,717	3.15%	790,753	(36,959)	-4.67%	
Total Expenses	\$ 28,758,541	\$ 27,682,629	\$ 1,075,912	3.89%	\$ 28,565,110	(882,481)	-3.09%	

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

Capital Assets

Capital asset balances were as follows:

Capital Assets	June 30, 2020	June 30, 2019	2020 - 2019		June 30, 2018	2019 - 2018	
			\$	%		\$	%
			Change	Change		Change	Change
Capital Assets							
Non-depreciable Assets	\$ 8,244,889	\$ 14,290,118	\$ (6,045,229)	-42.30%	\$ 12,888,375	\$ 1,401,743	10.88%
Depreciable Assets	163,024,703	155,531,931	7,492,772	4.82%	154,242,110	1,289,821	0.84%
Accumulated Depreciation	(79,832,056)	(75,348,449)	(4,483,607)	5.95%	(71,020,532)	(4,327,917)	6.09%
Total Capital Assets	\$ 91,437,536	\$ 94,473,600	\$ (3,036,064)	-3.21%	\$ 96,109,953	\$ (1,636,353)	-1.70%

At the end of fiscal years 2020 and 2019, the District's investment in capital assets amounted to \$91,437,536 and \$94,473,600 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process (See Note 3 for further information). The decrease in FY 2020 was caused by depreciation expense as the amount invested by the District in Capital Assets in 2020 was reduced compared to prior years as the District had completed the very significant Recycled Water Plant project in 2019.

Debt Administration

Long-term debt balances were as follows:

Summary of Outstanding Debt	June 30, 2020	June 30, 2019	2020 - 2019		June 30, 2018	2019 - 2018	
			\$	%		\$	%
			Change	Change		Change	Change
Loans Payable							
Main Extension Contract	\$ 6,180	\$ 6,180	\$ -	0.00%	\$ 6,180	\$ -	0.00%
SRF Loan - 2010	2,616,216	2,798,794	(182,578)	-6.52%	2,976,572	(177,778)	-5.97%
SRF Loan - 2013	21,066,724	22,290,739	(1,224,015)	-5.49%	23,494,294	(1,203,555)	-5.12%
Baker Water Treatment Plant	8,529,750	8,936,967	(407,217)	-4.56%	9,331,939	(394,972)	-4.23%
SRF Loan - 2018	3,732,639	4,085,782	(353,143)	-8.64%	-	4,085,782	N/A
Total Expenses	\$ 35,951,509	\$ 38,118,462	\$ (2,166,953)	-5.68%	\$ 35,808,985	\$ 2,309,477	6.45%

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

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

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.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

EL TORO WATER DISTRICT
STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 15,069,523	\$ 10,016,186
Investments (Note 2)	3,762,975	7,613,631
Receivables, net:		
Water sales and sewer services	2,603,631	3,092,800
Grants	43,807	146,157
Interest	46,909	89,721
Taxes	12,576	9,297
Other	17,880	7,609
Materials and supply inventory	698,778	625,472
Prepaid expenses	155,970	102,968
Restricted - cash and cash equivalents (Note 2)	2,273,045	2,334,664
TOTAL CURRENT ASSETS	24,685,094	24,038,505
NONCURRENT ASSETS		
Capital assets (Note 3)		
Nondepreciable	8,244,889	14,290,118
Depreciable, net of accumulated depreciation	83,192,647	80,183,482
TOTAL NONCURRENT ASSETS	91,437,536	94,473,600
TOTAL ASSETS	116,122,630	118,512,105
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related deferred outflows of resources	3,634,674	3,337,168
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,634,674	3,337,168
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	2,115,283	1,975,697
Accrued salaries and related payables	301,818	246,798
Customer deposits	52,753	54,541
Accrued interest payable	270,321	280,268
Long-term liabilities - due with in one year		
Compensated absences (Note 4)	197,855	327,800
Loans payable (Note 5)	2,203,943	2,173,133
TOTAL CURRENT LIABILITIES	5,141,973	5,058,237
NONCURRENT LIABILITIES		
Long-term liabilities - due in more than one year		
Compensated absences (Note 4)	1,284,606	1,088,189
Total other post-employment benefits liability (Note 7)	16,843,879	15,204,470
Loans payable (Note 5)	33,747,566	35,945,329
TOTAL NONCURRENT LIABILITIES	51,876,051	52,237,988
TOTAL LIABILITIES	57,018,024	57,296,225
NET POSITION		
Net investment in capital assets (Note 8)	55,486,027	56,355,138
Restricted - capital projects	2,895	64,514
Restricted - debt service	2,270,150	2,270,150
Unrestricted	4,980,208	5,863,246
TOTAL NET POSITION	\$ 62,739,280	\$ 64,553,048

See accompanying notes to basic financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

EL TORO WATER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION

For the years ended June 30, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Water consumption sales	\$ 8,705,986	\$ 8,474,791
Water service charges	4,977,611	4,623,068
Sewer service charges	11,044,342	10,955,238
Standby charges	63	247
Reimbursements from others	328,310	383,810
Other charges for service	141,018	226,303
TOTAL OPERATING REVENUES	25,197,330	24,663,457
OPERATING EXPENSES		
Source of supply	8,085,299	7,650,468
Pumping	1,371,076	1,480,556
Treatment	3,751,703	3,744,102
Transmission and distribution	5,147,914	4,561,123
Customer service	602,925	720,714
General and administrative	4,538,506	4,305,441
Depreciation and amortization	4,483,607	4,466,431
TOTAL OPERATING EXPENSES	27,981,030	26,928,835
OPERATING LOSS	(2,783,700)	(2,265,378)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	1,037,335	1,012,576
Rental revenue	242,187	204,160
Investment earnings	424,110	500,786
Interest expense	(777,511)	(753,794)
Other nonoperating revenue	40,917	910,351
TOTAL NONOPERATING REVENUES (EXPENSES)	967,038	1,874,079
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,816,662)	(391,299)
CAPITAL CONTRIBUTIONS	2,894	1,985,903
CHANGES IN NET POSITION	(1,813,768)	1,594,604
NET POSITION - BEGINNING OF YEAR	64,553,048	62,958,444
NET POSITION - END OF YEAR	\$ 62,739,280	\$ 64,553,048

See accompanying notes to basic financial statements.

EL TORO WATER DISTRICT
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers for water sales and services	\$ 25,664,143	\$ 25,599,543
Payments to suppliers for operations	(18,894,425)	(8,253,510)
Payments to employees for salaries and wages	(3,075,111)	(13,756,945)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,694,607	3,589,088
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from property taxes	1,034,056	1,011,692
Other revenue	102,350	-
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	1,136,406	1,011,692
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets, net	(1,447,543)	(2,830,078)
Proceeds from long-term debt	-	4,085,782
Repayment of long-term debt	(2,166,953)	(1,776,305)
Interest payments	(787,458)	(769,061)
Capital contributions	2,894	1,924,288
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(4,399,060)	634,626
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	7,748,552	55,683
Purchases of investments	(3,897,896)	(7,669,314)
Proceeds from investment earnings	466,922	475,295
Proceeds from rental income	242,187	204,160
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,559,765	(6,934,176)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,991,718	(1,698,770)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,350,850	14,049,620
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,342,568	\$ 12,350,850
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 15,069,523	\$ 10,016,186
Restricted - cash and cash equivalents	2,273,045	2,334,664
TOTAL CASH AND INVESTMENTS	\$ 17,342,568	\$ 12,350,850

(Continued)

See accompanying notes to basic financial statements.

EL TORO WATER DISTRICT

STATEMENTS OF CASH FLOWS
(CONTINUED)

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (2,783,700)	\$ (2,265,378)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation	4,483,607	4,466,431
Other nonoperating revenue	40,917	910,351
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable - sales and services	489,169	32,585
(Increase) decrease in accounts receivable - other	(10,271)	(5,108)
(Increase) decrease in inventories	(73,306)	33,706
(Increase) decrease in prepaid expenses	(53,002)	102,040
(Increase) decrease in deferred outflow - OPEB	(297,506)	(3,099,455)
Increase (decrease) in accounts payable	139,586	(703,702)
Increase (decrease) in accrued payroll liabilities	55,020	9,283
Increase (decrease) in deposits	(1,788)	(1,742)
Increase (decrease) in compensated absences	66,472	97,370
Increase (decrease) in total OPEB liability	<u>1,639,409</u>	<u>4,012,707</u>
Total adjustments	<u>6,478,307</u>	<u>5,854,466</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,694,607</u>	<u>\$ 3,589,088</u>

See accompanying notes to basic financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

NOTES TO BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Operations of the Reporting Entity

El Toro Water District (the 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 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 criteria used in determining the scope of the financial reporting entity is based on the provisions of accounting principles generally accepted in the United States of America (U.S. GAAP). 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 for a component that has substantively the same governing body as the District's governing body, and additionally, the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government has operational responsibility for the activities of the component unit.

The El Toro Water District Public Facilities Corporation (the 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.

b. Basic Financial Statements

The basic financial statements are composed of the statements of net position, the statements of revenues, expenses, and changes in net position, the statements of cash flows, and the notes to the basic financial statements.

c. Basis of Presentation

The accounts of the District are that of an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

e. New Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Current-Year Standards

In May 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authority Guidance, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In June 2020, GASB issued Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

The requirements of these paragraphs did not impact the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. New Accounting Pronouncements (Continued)

Pending Accounting Standards

In June 2017, GASB issued Statement No. 87 – Leases. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, early application is encouraged.

In June 2018, GASB issued Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, early application is encouraged. The requirements of this Statement should be applied prospectively.

In January 2020, GASB issued Statement No. 92 – Omnibus 2020. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. New Accounting Pronouncements (Continued)

Pending Accounting Standards

In March 2020, GASB issued Statement No. 93 – Replacement of Interbank Offered Rates. This Statement was issued to assist state and local governments in the transition away from existing interbank offered rates (IBORs), including the London Interbank Offered Rate (LIBOR) to other reference rate. LIBOR is expected to cease to exist in its current form at the end of 2021. It addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, early application is encouraged.

f. Cash and Cash Equivalents

Substantially all 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 and cash equivalents.

g. Investments and Investment Policy

The District has adopted an investment policy directing the District’s General Manager or Controller to invest, reinvest, sell, or exchange securities.

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

h. 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.

i. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Management evaluates all accounts receivable and if it is determined that they are uncollectible, they are written off as bad debt expense. A charge of \$6,216 and \$20,996 were made to bad debt expense for the years ended June 30, 2020 and 2019, respectively.

j. Prepaid Items

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

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Materials and Supplies Inventory

Materials and supplies inventory consist of expendable supplies and are valued at cost using first-in, first-out basis.

l. 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 office 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 1% of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the County of Orange that 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	First Installment - November 10 Second Installment - February 10
Collection Dates	First Installment - December 11 Second Installment - April 11

m. 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 value 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:

Building	25 - 40 years
Vehicles	5 - 25 years
Office furniture and equipment	5 - 10 years
Computer software	5 - 10 years
Land improvements	12 - 50 years
Water Facilities:	
Reservoir	100 years
Transmission and distribution	20 - 60 years
Filtration plant	30 - 40 years
Other plant and equipment	5 - 15 years
Sanitation Facilities:	
Collection and transmission	15 - 50 years
Treatment and disposal plant	15 - 30 years
Other plant and equipment	5 - 15 years

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to other post-employment benefit (OPEB) for an amount equal to employer contributions made after the measurement date of the total OPEB liability.
- Deferred outflows related to OPEB for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan.
- Deferred outflows related to OPEB for changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with benefits through the plan.

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

o. Compensated Absences

The District's policy is to permit employees hired prior to July 1, 1997, to accumulate earned vacation for up to a total of 160 hours and employees hired after July 1, 1997, to accumulate earned vacation for up to a total of 240 hours. The District requires employees to take a minimum of 50% of the total hours accrued of vacation each calendar year. If the employee is still not able to reduce the total accrued vacation hours below the maximum, then the amounts exceeding the limit are paid out as part of the employee's current regular compensation at the calendar year end.

The District's sick leave policy is to permit employees to accumulate sick leave for 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, using a factor of 5% times the number of complete years and capped at 100%. All hours over the maximum will be paid out at 50% to those hired after July 1, 1997, at the employee's current regular compensation rate.

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Net Position

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

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - 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 net position - This amount is all net position that does not meet the definition of net investment in capital assets or restricted net position.

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

q. Water Sales and Sewer Services

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

r. 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.

s. Reclassifications

Certain amounts in the June 30, 2019, financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2020, financial statements. There was no change in reported net income or net position related to these reclassifications.

t. 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.

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 2 – CASH AND INVESTMENTS

Cash and Investments

At June 30, 2020 and 2019, cash and investments were classified in the accompanying financial statements as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 15,069,523	\$ 10,016,186
Investments	3,762,975	7,613,631
Restricted - cash and cash equivalents	2,273,045	2,334,664
Total	<u>\$ 21,105,543</u>	<u>\$ 19,964,481</u>

At June 30, 2020 and 2019, cash and investments consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 700	\$ 700
Demand deposits held with financial institutions	2,718,072	1,793,933
Investments	18,386,771	18,169,848
Total	<u>\$ 21,105,543</u>	<u>\$ 19,964,481</u>

Investments Authorized by the California Government Code and the District's Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
State or local agency bonds	5 years	10%	None
U.S. Treasury obligations	5 years	None	None
Government-sponsored agency securities	5 years	None	None
Banker's acceptances	180 days	15%	None
Corporate medium-term notes	5 years	30%	None
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Mortgage pass-through securities	5 years	20%	None
Money market mutual funds	5 years	10%	None
Collateralized bank deposits	N/A	20%	None
California Local Agency Investment Fund (LAIF)	N/A	30 million	None
California Asset Management Program (CAMP)	N/A	60%	None
Supranationals	5 years	30%	None
Placement Service Deposit	5 years	30%	None

N/A Not applicable

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the California Government 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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2020 and 2019.

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
U.S. Treasury obligations	\$ 1,568,256	\$ -	\$ -	\$ 1,568,256
Government-sponsored entities securities	-	36,020	-	36,020
Supranationals	616,537	-	-	616,537
Municipal bonds	101,867	-	-	101,867
Corporate medium-term notes	743,967	90,363	-	834,330
Negotiable certificates of deposit	389,008	-	-	389,008
Asset-backed securities	-	143,521	73,435	216,956
LAIF	8,847,529	-	-	8,847,529
CAMP - money market	5,776,268	-	-	5,776,268
Total	\$ 18,043,432	\$ 269,904	\$ 73,435	\$ 18,386,771

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
U.S. Treasury obligations	\$ -	\$ 861,450	\$ 690,061	\$ 1,551,511
Government-sponsored entities securities	698,282	-	49,003	747,285
Supranationals	348,755	611,734	-	960,489
Municipal bonds	-	101,561	-	101,561
Corporate medium-term notes	1,522,892	739,475	89,891	2,352,258
Negotiable certificates of deposit	571,174	386,369	-	957,543
Asset-backed securities	-	38,993	903,991	942,984
LAIF	8,853,635	-	-	8,853,635
CAMP - money market	1,702,582	-	-	1,702,582
Total	\$ 13,697,320	\$ 2,739,582	\$ 1,732,946	\$ 18,169,848

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the minimum ratings required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements and the actual Moody’s credit rating as of June 30, 2020 and 2019, for each investment type.

June 30, 2020	Minimum Legal Rating	Total as of June 30, 2020	Not Rated	Aaa	Aa2	Aa3	Other
U.S. Treasury obligations	N/A	\$ 1,568,256	\$ -	\$ 1,568,256	\$ -	\$ -	\$ -
Government-sponsored entities securities	AA	36,020	-	36,020	-	-	-
Supranationals	AA	616,537	-	616,537	-	-	-
Municipal bonds	A	101,867	-	-	101,867	-	-
Corporate medium-term notes	A	834,330	-	-	90,684	20,114	723,532
Negotiable certificates of deposit	AA	389,008	-	-	-	-	389,008
Asset-backed securities	AA	216,956	40,484	176,472	-	-	-
LAIF	N/A	8,847,529	8,847,529	-	-	-	-
CAMP - money market	N/A	5,776,268	5,776,268	-	-	-	-
Total		<u>\$ 18,386,771</u>	<u>\$ 14,664,281</u>	<u>\$ 2,397,285</u>	<u>\$ 192,551</u>	<u>\$ 20,114</u>	<u>\$ 1,112,540</u>

Other Rating Category	Total as of June 30, 2020	A1	A2	A3	P1
Corporate medium-term notes	\$ 723,532	\$ 293,756	\$ 273,310	\$ 156,466	\$ -
Negotiable certificates of deposit	389,008	-	-	-	389,008
Total	<u>\$ 1,112,540</u>	<u>\$ 293,756</u>	<u>\$ 273,310</u>	<u>\$ 156,466</u>	<u>\$ 389,008</u>

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk (Continued)

June 30, 2019	Minimum Legal Rating	Total as of June 30, 2019	Not Rated	Aaa	Aa1	Aa2	Other
U.S. Treasury obligations	N/A	\$ 1,551,511	\$ -	\$ 1,551,511	\$ -	\$ -	\$ -
Government-sponsored entities securities	AA	747,285	-	747,285	-	-	-
Supranationals	AA	960,489	-	960,489	-	-	-
Municipal bonds	A	101,561	-	-	-	-	101,561
Corporate medium-term notes	A	2,352,258	-	179,655	139,686	159,748	1,873,169
Negotiable certificates of deposit	AA	957,543	-	-	-	236,578	720,965
Asset-backed securities	AA	942,984	336,181	606,803	-	-	-
LAIF	N/A	8,853,635	8,853,635	-	-	-	-
CAMP - money market	N/A	1,702,582	1,702,582	-	-	-	-
Total		<u>\$ 18,169,848</u>	<u>\$ 10,892,398</u>	<u>\$ 4,045,743</u>	<u>\$ 139,686</u>	<u>\$ 396,326</u>	<u>\$ 2,695,695</u>

Other Rating Category	Total as of June 30, 2020	Aa3	A1	A2	A3	P1
Municipal bonds	\$ 101,561	\$ 101,561				
Corporate medium-term notes	1,873,169	111,270	700,051	795,761	266,087	-
Negotiable certificates of deposit	720,965	149,790	-	-	-	571,175
Total	<u>\$ 2,695,695</u>	<u>\$ 362,621</u>	<u>\$ 700,051</u>	<u>\$ 795,761</u>	<u>\$ 266,087</u>	<u>\$ 571,175</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code with the exception of banker's acceptances, commercial paper, and money market funds, which are limited to an investment in any one issuer of 5%, 5%, and 10%, respectively.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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 the Local Agency Investment Fund (LAIF)).

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2020 and 2019, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Investment in State Investment Pool

The District is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the California State Treasurer. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

Investment in California Asset Management Program

The California Asset Management Program (CAMP) is a public joint powers authority that 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. CAMP currently offers the cash reserve portfolio, a short-term investment portfolio, as a means for public agencies to invest these funds. Public agencies 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 an investment advisor.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

June 30, 2020	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury obligations	\$ -	\$ 1,568,256	\$ -	\$ 1,568,256
Government-sponsored entities securities	-	36,020	-	36,020
Supranationals	-	616,537	-	616,537
Municipal bonds	-	101,867	-	101,867
Corporate medium-term notes	-	834,330	-	834,330
Negotiable certificates of deposit	-	389,008	-	389,008
Asset-backed securities	-	216,956	-	216,956
Total Levelled Investments	<u>\$ -</u>	<u>\$ 3,762,974</u>	<u>\$ -</u>	<u>3,762,974</u>
LAIF*				8,847,529
CAMP - money market*				5,776,268
Total Investments				<u>\$ 18,386,771</u>

June 30, 2019	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury obligations	\$ -	\$ 1,551,511	\$ -	\$ 1,551,511
Government-sponsored entities securities	-	747,285	-	747,285
Supranationals	-	960,489	-	960,489
Municipal bonds	-	101,561	-	101,561
Corporate medium-term notes	-	2,352,258	-	2,352,258
Negotiable certificates of deposit	-	957,543	-	957,543
Asset-backed securities	-	942,984	-	942,984
Total Levelled Investments	<u>\$ -</u>	<u>\$ 942,984</u>	<u>\$ -</u>	<u>7,613,631</u>
LAIF*				8,853,635
CAMP - money market*				1,702,582
Total Investments				<u>\$ 18,169,848</u>

* Not subject to fair value measurement hierarchy.

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 3 – CAPITAL ASSETS

Major capital asset 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.

A summary of changes in capital assets for the year ended June 30, 2020, is as follows:

	Balance at June 30, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Capital assets, not depreciated:				
Land, mineral, and water rights	\$ 7,451,586	\$ -	\$ -	\$ 7,451,586
Construction in progress	6,838,532	596,005	(6,641,234)	793,303
Total capital assets, not depreciated	<u>14,290,118</u>	<u>596,005</u>	<u>(6,641,234)</u>	<u>8,244,889</u>
Capital assets, being depreciated:				
Capacity rights	342,382	-	-	342,382
Source of supply	19,968,006	17,650	-	19,985,656
Pumping	21,966,187	246,598	-	22,212,785
Treatment	39,850,631	557,024	157,820	40,565,475
Transmission and collection	59,115,126	57,348	6,198,144	65,370,618
General plant facilities	14,289,599	253,020	5,168	14,547,787
Total capital assets, being depreciated	<u>155,531,931</u>	<u>1,131,640</u>	<u>6,361,132</u>	<u>163,024,703</u>
Less accumulated depreciation for:				
Capacity rights	(239,695)	(6,846)	-	(246,541)
Source of supply	(11,148,241)	(385,051)	-	(11,533,292)
Pumping	(12,407,661)	(915,136)	-	(13,322,797)
Treatment	(27,242,054)	(1,319,036)	-	(28,561,090)
Transmission and collection	(12,803,983)	(1,266,417)	-	(14,070,400)
General plant facilities	(11,506,815)	(591,121)	-	(12,097,936)
Total accumulated depreciation	<u>(75,348,449)</u>	<u>(4,483,607)</u>	<u>-</u>	<u>(79,832,056)</u>
Total capital assets, being depreciated, net	<u>80,183,482</u>	<u>(3,351,967)</u>	<u>6,361,132</u>	<u>83,192,647</u>
Total capital assets, net	<u>\$ 94,473,600</u>	<u>\$ (2,755,962)</u>	<u>\$ (280,102)</u>	<u>\$ 91,437,536</u>

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

	Balance at June 30, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Capital assets, not depreciated:				
Land	\$ 7,451,586	\$ -	\$ -	\$ 7,451,586
Construction in progress	5,436,789	1,401,743	-	6,838,532
Total capital assets, not depreciated	<u>12,888,375</u>	<u>1,401,743</u>	<u>-</u>	<u>14,290,118</u>
Capital assets, being depreciated:				
Capacity rights	342,382	-	-	342,382
Source of supply	19,968,006	-	-	19,968,006
Pumping	21,767,754	198,433	-	21,966,187
Treatment	39,122,399	728,232	-	39,850,631
Transmission and collection	59,051,266	63,860	-	59,115,126
General plant facilities	13,990,303	437,810	(138,514)	14,289,599
Total capital assets, being depreciated	<u>154,242,110</u>	<u>1,428,335</u>	<u>(138,514)</u>	<u>155,531,931</u>
Less accumulated depreciation for:				
Capacity rights	(232,849)	(6,846)	-	(239,695)
Source of supply	(10,777,622)	(370,619)	-	(11,148,241)
Pumping	(11,447,001)	(960,660)	-	(12,407,661)
Treatment	(25,896,727)	(1,345,327)	-	(27,242,054)
Transmission and collection	(11,589,280)	(1,214,703)	-	(12,803,983)
General plant facilities	(11,077,053)	(568,276)	138,514	(11,506,815)
Total accumulated depreciation	<u>(71,020,532)</u>	<u>(4,466,431)</u>	<u>138,514</u>	<u>(75,348,449)</u>
Total capital assets, being depreciated, net	<u>83,221,578</u>	<u>(3,038,096)</u>	<u>-</u>	<u>80,183,482</u>
Total capital assets, net	<u>\$ 96,109,953</u>	<u>\$ (1,636,353)</u>	<u>\$ -</u>	<u>\$ 94,473,600</u>

Construction in Progress

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 progress was \$793,303 and \$6,838,532 as of June 30, 2020 and 2019, respectively.

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Construction in Progress (Continued)

Construction in progress consisted of the following projects as of June 30, 2020 and 2019:

Project Description	June 30, 2020	June 30, 2019
Oso Lift Station Improvement	\$ 298,414	\$ 264,767
R-6 Sodium Hypochlorite Tanks Replacement	-	225,457
Recycled Water Distribution System Expansion	106,576	6,176,786
Filter Plant Site Use Plan	123,812	-
Various other minor projects <\$100,000	264,501	171,522
Total construction in progress	<u>\$ 793,303</u>	<u>\$ 6,838,532</u>

NOTE 4 – COMPENSATED ABSENCES

A summary of changes to compensated absences for the year ended June 30, 2020, is as follows:

Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Current Portion	Noncurrent Portion
\$ 1,415,989	\$ 580,276	\$ (513,804)	\$ 1,482,461	\$ 197,855	\$ 1,284,606

A summary of changes to compensated absences for the year ended June 30, 2019, is as follows:

Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Current Portion	Noncurrent Portion
\$ 1,318,619	\$ 564,250	\$ (466,880)	\$ 1,415,989	\$ 327,800	\$ 1,088,189

NOTE 5 – LONG-TERM DEBT

The following is a summary of long-term liabilities at June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Direct borrowings:						
Loans payable:						
Main extension contract	\$ 6,180	\$ -	\$ -	\$ 6,180	\$ 6,180	\$ -
SRF Loan - 2010	2,798,794	-	(182,578)	2,616,216	187,508	2,428,708
SRF Loan - 2013	22,290,739	-	(1,224,015)	21,066,724	1,244,824	19,821,900
Baker water treatment plant - refinance loan	8,936,967	-	(407,217)	8,529,750	419,840	8,109,910
SRF Loan - 2018	4,085,782	-	(353,143)	3,732,639	345,591	3,387,048
Total loans payable	<u>\$ 38,118,462</u>	<u>\$ -</u>	<u>\$ (2,166,953)</u>	<u>\$ 35,951,509</u>	<u>\$ 2,203,943</u>	<u>\$ 33,747,566</u>

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 5 – LONG-TERM DEBT (CONTINUED)

The following is a summary of long-term liabilities at June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year	Due in More Than One Year
Direct borrowings:						
Loans payable:						
Main extension contract	\$ 6,180	\$ -	\$ -	\$ 6,180	\$ 6,180	\$ -
SRF Loan - 2010	2,976,572	-	(177,778)	2,798,794	182,578	2,616,216
SRF Loan - 2013	23,494,294	-	(1,203,555)	22,290,739	1,224,015	21,066,724
Baker water treatment plant - refinance loan	9,331,939	-	(394,972)	8,936,967	407,217	8,529,750
SRF Loan - 2018	-	4,085,782	-	4,085,782	353,143	3,732,639
Total loans payable	<u>\$ 35,808,985</u>	<u>\$ 4,085,782</u>	<u>\$ (1,776,305)</u>	<u>\$ 38,118,462</u>	<u>\$ 2,173,133</u>	<u>\$ 35,945,329</u>

Main Extension Contracts

Main extension contracts are payable to 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, 2020 and 2019, was \$6,180, respectively.

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:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 187,508	\$ 70,638	\$ 258,146
2022	192,571	65,575	258,146
2023	197,770	60,376	258,146
2024	203,110	55,036	258,146
2025	208,594	49,552	258,146
2026 - 2030	1,130,554	160,176	1,290,730
2031 - 2032	496,109	20,182	516,291
	<u>\$ 2,616,216</u>	<u>\$ 481,535</u>	<u>\$ 3,097,751</u>

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 5 – LONG-TERM DEBT (CONTINUED)

State Revolving Fund Loan 2013 - Recycled Water Treatment Plan Project

In February 2013, the District entered into an agreement with the California SWRCB for an 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:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,244,824	\$ 358,134	\$ 1,602,958
2022	1,265,986	336,972	1,602,958
2023	1,287,507	315,451	1,602,958
2024	1,309,395	293,563	1,602,958
2025	1,331,655	271,303	1,602,958
2026 - 2030	7,005,642	1,009,148	8,014,790
2031 - 2035	7,621,715	394,685	8,016,400
	<u>\$ 21,066,724</u>	<u>\$ 2,979,256</u>	<u>\$ 24,045,980</u>

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 amount of \$12,500,000.

In 2017, the District refinanced IRWD's installment sale agreement with a loan from a financial institution 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%.

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 419,840	\$ 264,422	\$ 684,262
2022	432,855	251,407	684,262
2023	446,274	237,989	684,263
2024	460,108	224,154	684,262
2025	474,372	209,891	684,263
2026 - 2030	2,601,774	819,539	3,421,313
2031 - 2035	3,030,839	390,474	3,421,313
2036	663,688	20,574	684,262
	<u>\$ 8,529,750</u>	<u>\$ 2,418,450</u>	<u>\$ 10,948,200</u>

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 5 – LONG-TERM DEBT (CONTINUED)

State Revolving Fund Loan 2018 - Phase II Recycled Water Distribution System Expansion Project

In December 2018, the District entered into an agreement with the California SWRCB for an SRF Loan in an amount of \$4,085,782 with an interest rate of 1.70% per annum for the Phase II Recycled Water Distribution System Expansion project. The loan is scheduled to mature in 2030. Principal and interest are payable annually at the interest rate of 1.70%.

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 345,591	\$ 63,455	\$ 409,046
2022	351,466	57,580	409,046
2023	357,441	51,605	409,046
2024	363,518	45,528	409,046
2025	369,698	39,349	409,047
2026 - 2030	1,944,925	100,306	2,045,231
	<u>\$ 3,732,639</u>	<u>\$ 357,823</u>	<u>\$ 4,090,462</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 a qualified defined contribution pension plan under Section 401(k) of the Internal Revenue Code (IRC). 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.

Additionally, the District offers a 457 deferred compensation plan. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting/or Internal Revenue Code Section 457 Deferred Compensation Plans*, the District has little administrative involvement and does not perform the investing function for the Plan, and the assets and related liabilities are not presented in the accompanying financial statements in accordance with GASB Statement No. 32.

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 total contributions to either 401(k) or 457 plans, but no more than 10% of their annual compensation. However, the District’s contributions can be deposited to 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 an 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 their employer contributions. District contributions to the 401(k) plan were \$951,660 and \$920,220 as of June 30, 2020 and 2019, respectively.

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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. The District’s plan is a single employer plan.

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 ACWA/JPIA Health Program. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

Employees Covered

At the June 30, 2019 and 2018, measurement date, the following current and former employees were covered by the benefit terms:

	<u>2019</u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefits	22	22
Active employees	<u>59</u>	<u>61</u>
Total	<u><u>81</u></u>	<u><u>83</u></u>

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2019, was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Assumptions:	
Discount Rate	3.50% net of expenses at June 30, 2018
Projected Salary Increase	3% per year
Inflation	2.75% per year
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study (2% @ 55 rates for Tiers 1-3, modified rates for Tier 4
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2018
Medical Trend	
Non-Medicare	7.5% for 2020, decreasing to 4% in 2076
Medicare	6.5% for 2020, decreasing to 4% in 2076
Healthcare Participation at Retirement	
Actives	95% Tiers 1-3, 90% Tier 4
Retirees	100%
Spouse Healthcare Participation at Retirement	
Spouse currently covered	100% Tiers 1-3, 50% Tier 4
Spouse not currently covered	0%
Medical Plan Election at Retirement	Same as currently elected

The total OPEB liability, measured as of June 30, 2018, was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Assumptions:	
Discount Rate	3.78% net of expenses at June 30, 2018
Projected Salary Increase	3% per year
Inflation	2.75% per year
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study (2% @ 55 rates for Tiers 1-3, modified rates for Tier 4
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2018
Medical Trend	
Non-Medicare	7.5% for 2020, decreasing to 4% in 2076
Medicare	6.5% for 2020, decreasing to 4% in 2076
Healthcare Participation at Retirement	
Actives	95% Tiers 1-3, 90% Tier 4
Retirees	100%
Spouse Healthcare Participation at Retirement	
Spouse currently covered	100% Tiers 1-3, 50% Tier 4
Spouse not currently covered	0%
Medical Plan Election at Retirement	Same as currently elected

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contribution

The obligation of the District to contribute to the plan is established and may be amended by the Board of Directors. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due) and an implied subsidy determined by an actuary. For the measurement period ended June 30, 2019, the District made payments of \$257,650 for premiums and the implied subsidy was \$39,176, thereby resulting in payments of \$296,826. For the measurement period ended June 30, 2018, the District made payments of \$257,229 for premiums and the implied subsidy was \$29,942, thereby resulting in payments of \$287,171.

Discount Rate

The discount rate used to measure the 2019 and 2018 total OPEB liability was 3.50% and 3.87%, respectively. This discount rate is the Bond Buyer 20-Bond GO index.

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

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the measurement periods ended June 30, 2019 and 2018:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability at June 30, 2019	\$ 19,770,758	\$ 16,843,879	\$ 14,513,534
	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability at June 30, 2018	\$ 17,832,722	\$ 15,204,470	\$ 13,106,214

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates for the measurement periods ended June 30, 2019 and 2018:

	1% Decrease	Healthcare Cost Trend Rates (a)	1% Increase
Total OPEB Liability at June 30, 2019	\$ 14,179,529	\$ 16,843,879	\$ 20,246,972
	1% Decrease	Healthcare Cost Trend Rates (a)	1% Increase
Total OPEB Liability at June 30, 2018	\$ 12,909,716	\$ 15,204,470	\$ 18,116,839

- (a) Non-Medicare - 7.5% for 2020, decreasing to 4% in 2076
 Medicare - 6.5% for 2020, decreasing to 4% in 2076

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Change in Total OPEB Liability

A summary of change in total OPEB liability for the measurement date June 30, 2019, is as follows:

Balance at June 30, 2018	
(Measurement Date)	<u>\$ 15,204,470</u>
Changes in the Year:	
Service cost	410,098
Interest on the total OPEB liability	598,626
Changes in assumptions	923,090
Benefit payments	(292,405)
Net Changes	<u>1,639,409</u>
Balance at June 30, 2019	
(Measurement Date)	<u>\$ 16,843,879</u>

A summary of change in total OPEB liability for the measurement date June 30, 2018, is as follows:

Balance at June 30, 2017	
(Measurement Date)	<u>\$ 11,191,763</u>
Changes in the Year:	
Service cost	267,270
Interest on the total OPEB liability	430,926
Differences between actual and expected experience	987,411
Changes in assumptions	2,564,813
Benefit payments	(237,713)
Net Changes	<u>4,012,707</u>
Balance at June 30, 2018	
(Measurement Date)	<u>\$ 15,204,470</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, OPEB expense in the amount of \$1,646,198 is included in the accompanying statement of revenues, expenses and changes in net position. For the year ended June 30, 2020, the District reported deferred outflows or inflows of resources related to OPEB due to the initial valuation of OPEB under GASB Statement No. 75 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 304,295	\$ -
Differences between actual and expected experience	705,293	-
Change in assumptions	2,625,086	-
Total	<u>\$ 3,634,674</u>	<u>\$ -</u>

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

The \$304,295 reported as deferred outflows of resources related to OPEB resulting from the District’s contributions subsequent to the measurement date during the year ended June 30, 2020, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for measurement period June 30, 2019, are recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ 637,474
2022	637,474
2023	637,474
2024	637,474
2025	637,471
Thereafter	143,012

For the year ended June 30, 2019, OPEB expense in the amount of \$1,205,657 is included in the accompanying statement of revenues, expenses and changes in net position. For the year ended June 30, 2019, the District reported deferred outflows or inflows of resources related to OPEB due to the initial valuation of OPEB under GASB Statement No. 75 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 292,405	\$ -
Differences between actual and expected experience	846,352	-
Change in assumptions	2,198,411	-
Total	<u>\$ 3,337,168</u>	<u>\$ -</u>

The \$292,405 reported as deferred outflows of resources related to OPEB resulting from the District’s contributions subsequent to the measurement date during the year ended June 30, 2019, is recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for measurement period June 30, 2018, are recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ 507,461
2021	507,461
2022	507,461
2023	507,461
2024	507,461
Thereafter	507,458

NOTE 8 – NET POSITION

Net investment in capital assets at June 30, 2020 and 2019, consisted of the following:

	2020	2019
Capital assets - not being depreciated	\$ 8,244,889	\$ 14,290,118
Capital assets, net - being depreciated	83,192,647	80,183,482
Loans payable - current	(2,203,943)	(2,173,133)
Loans payable - noncurrent	(33,747,566)	(35,945,329)
Net investment in capital assets	<u>\$ 55,486,027</u>	<u>\$ 56,355,138</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 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, 2020, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability and public officials’ and employees’ errors and omissions: The JPIA pools for the first \$5 million. The JPIA purchases additional excess coverage layers: \$55 million per occurrence for general, auto, and public officials’ liability, which increases the limits on the insurance coverage noted above. Additionally, there are lower limits related to terrorism (\$5 million), subsidence (\$30 million), lead (\$30 million), and mold (\$35 million).

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 9 – RISK MANAGEMENT (CONTINUED)

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

- Employee dishonesty coverage of up to \$3,000,000 with a \$1,000 deductible per loss, includes public employee dishonesty, forgery or alteration, and use of computer to transfer covered property coverage.
- Property loss coverage for boiler and machinery is up to \$100,000,000 with a \$25,000 deductible except for turbine or power generation equipment which is \$50,000. Coverage for earthquakes is up to \$2,500,000 in program aggregate, with a deductible of 5% of the total insurable value which is \$50,874,697. Coverage for floods is up to \$25,000,000, with a deductible of \$100,000. Real property has a deductible of \$1,000; the ACWA/JPIA is self-insured for up to \$100,000; excess insurance has been purchased.
- For underground storage tank pollution liability, the District is insured for up to \$3,000,000 with a \$10,000 deductible; the ACWA/JPIA is self-insured for up to \$500,000; excess insurance coverage has been purchased to cover losses up to \$3,000,000.
- Dam failure liability coverage of up to \$10,000,000 million per occurrence; the ACWA/JPIA is self-insured up to \$50,000; excess insurance coverage has been purchased.
- Workers' compensation insurance for up to California statutory limits for all work-related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured for up to \$2.0 million; excess insurance coverage has been purchased with a \$4,000,000 aggregate limit.
- Cyber security coverage is \$3,000,000 per occurrence and \$5,000,000 in aggregate with a deductible up to \$50,000 per occurrence based on annual revenues.
- Fiduciary liability coverage of up to \$3,000,000 with a deductible of \$5,000 for claims resulting from a breach in fiduciary duty associated with its retirement pension plan.

Settled claims have not exceeded any of the coverage amounts, and there were no reductions in the District's insurance coverage during the year ended June 30, 2020. 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 were no IBNR claims payable as of June 30, 2020 and 2019.

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. As of June 30, 2020, the District had construction commitments of approximately \$185,000.

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.

EI TORO WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of an outbreak of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District’s financial condition, liquidity, operations and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the District’s results of future operations and financial position in fiscal year 2021.

NOTE 11 – SUBSEQUENT EVENTS

Events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosure as of October 27, 2020, which is the date these financial statements were available to be issued.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

EL TORO WATER DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal year	6/30/2020	6/30/2019	6/30/2018
Measurement date	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:			
Service cost	\$ 410,098	\$ 267,270	\$ 260,117
Interest on total OPEB liability	598,626	430,926	409,009
Differences between actual and expected experience	-	987,411	-
Assumption changes	923,090	2,564,813	-
Benefit payments	(292,405)	(237,713)	(228,570)
Net Change in Total OPEB Liability	1,639,409	4,012,707	440,556
Total OPEB Liability - Beginning of Year	15,204,470	11,191,763	10,751,207
Total OPEB Liability - End of Year (a)	<u>\$ 16,843,879</u>	<u>\$ 15,204,470</u>	<u>\$ 11,191,763</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
---	-------	-------	-------

Covered - employee payroll	\$ 5,889,881	\$ 5,709,337	\$ 5,696,461
----------------------------	--------------	--------------	--------------

Net OPEB liability as percentage of covered - employee payroll	285.98%	266.31%	196.47%
--	---------	---------	---------

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

* Fiscal year 2018 was the first year of implementation and therefore only three years are shown.

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

EI TORO WATER DISTRICT
For the Fiscal Years Ended June 30, 2020 and 2019
Index to the Statistical Section

	<u>Page Number</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.	68
REVENUE CAPACITY: These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	70
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.	77
DEMOGRAPHIC INFORMATION: This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	79
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.	82

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 19,483,679	\$ 21,323,356	\$ 22,592,576	\$ 23,188,691	\$ 23,124,200
Operating expenses ^(see Schedule 3)	<u>(21,120,634)</u>	<u>(22,010,956)</u>	<u>(22,785,966)</u>	<u>(24,484,521)</u>	<u>(24,469,909)</u>
Operating income (loss)	<u>(1,636,955)</u>	<u>(687,600)</u>	<u>(193,390)</u>	<u>(1,295,830)</u>	<u>(1,345,709)</u>
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	690,711	691,377	753,865	774,568	815,554
Rental revenue	-	-	-	165,282 ⁽²⁾	246,196
Investment earnings	268,749	208,446	124,439	51,881	76,804
Interest expense	(521,469)	(487,724)	(327,684)	(185,655)	(132,375)
Other non-operating revenues	347,260	527,254	463,981	56,564	218,824
Other non-operating expenses	-	-	(1,571,619) ⁽¹⁾	-	-
Total non-operating revenues(expenses), net	<u>785,251</u>	<u>939,353</u>	<u>(557,018)</u>	<u>862,640</u>	<u>1,225,003</u>
Net income before capital contributions	(851,704)	251,753	(750,408)	(433,190)	(120,706)
Capital contributions	<u>105,199</u>	<u>124,071</u>	<u>3,092,146</u>	<u>1,648,257</u>	<u>-</u>
Changes in net position	<u>\$ (746,505)</u>	<u>\$ 375,824</u>	<u>\$ 2,341,738</u>	<u>\$ 1,215,067</u>	<u>\$ (120,706)</u>
Net position by component:					
Net investment in capital assets	\$ 44,623,580	\$ 45,207,184	\$ 53,386,647	\$ 57,218,606	\$ 52,204,625
Restricted:					
Debt Service	3,646,427	3,888,332	3,326,941	2,772,564	2,285,068
Capital Projects	<u>1,010,945</u>	<u>1,221,358</u>	<u>29,640</u>	<u>83,771</u>	<u>571,268</u>
Total restricted	4,657,372	5,109,690	3,356,581	2,856,335	2,856,336
Unrestricted	<u>16,383,871</u>	<u>15,723,773</u>	<u>11,639,157</u>	<u>9,522,511</u>	<u>14,415,785</u>
Total net position	<u>\$ 65,664,823</u>	<u>\$ 66,040,647</u>	<u>\$ 68,382,385</u>	<u>\$ 69,597,452</u>	<u>\$ 69,476,746</u>

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 22,516,781	\$ 24,032,874	\$ 25,445,261	\$ 24,663,457	\$ 25,197,330
Operating expenses ^(see Schedule 3)	<u>(23,990,984)</u>	<u>(25,287,726)</u>	<u>(26,859,040)</u>	<u>(26,928,835)</u>	<u>(27,981,030)</u>
Operating income (loss)	<u>(1,474,203)</u>	<u>(1,254,852)</u>	<u>(1,413,779)</u>	<u>(2,265,378)</u>	<u>(2,783,700)</u>
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	843,301	888,973	927,672	1,012,576	1,037,335
Rental revenue	172,665	181,491	188,183	204,160	242,187
Investment earnings	147,447	75,113	124,001	500,786 ⁽⁵⁾	424,110
Interest expense	(397,680)	(706,683) ⁽³⁾	(790,753)	(753,794)	(777,511)
Other non-operating revenues	188,701	152,710	59,653	910,351 ⁽⁶⁾	40,917
Other non-operating expenses	-	-	-	-	-
Total non-operating revenues(expenses), net	<u>954,434</u>	<u>591,604</u>	<u>508,756</u>	<u>1,874,079</u>	<u>967,038</u>
Net income before capital contributions	(519,769)	(663,248)	(905,023)	(391,299)	(1,816,662)
Capital contributions	<u>577,471</u>	<u>85,821</u>	<u>45,853</u>	<u>1,985,903</u>	<u>2,894</u>
Changes in net position	<u>\$ 57,702</u>	<u>\$ (577,427)</u>	<u>\$ (859,170)</u>	<u>\$ 1,594,604</u>	<u>\$ (1,813,768)</u>
Net position by component:					
Net investment in capital assets	\$ 57,306,311	\$ 57,194,565	\$ 60,300,968	\$ 56,355,138	\$ 55,486,027
Restricted:					
Debt Service	1,602,958	1,602,958	1,602,958	2,012,004	2,270,150
Capital Projects	<u>577,471</u>	<u>23,081</u>	<u>45,853</u>	<u>64,514</u>	<u>2,895</u>
Total restricted	2,180,429	1,626,039	1,648,811	2,076,518	2,273,045
Unrestricted	<u>10,047,708</u>	<u>10,136,417</u>	<u>1,008,665</u> ⁽⁴⁾	<u>6,121,392</u> ⁽⁴⁾	<u>4,980,208</u>
Total net position	<u>\$ 69,534,448</u>	<u>\$ 68,957,021</u>	<u>\$ 62,958,444</u>	<u>\$ 64,553,048</u>	<u>\$ 62,739,280</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) Starting with FY 16/17 expenses included the Baker Water Treatment Plant loan interests with Texas Capital.

(4) The decrease/increase in Unrestricted due to the implementation of GASB Statement No. 75 in recording OPEB liability.

(5) Investment Earnings increase was resulted from higher interests rate earned on short-term LAIF and CAMP investments.

(6) The increase was attributed to a refund from South Orange County Waste Water Authority (SOCWA).

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

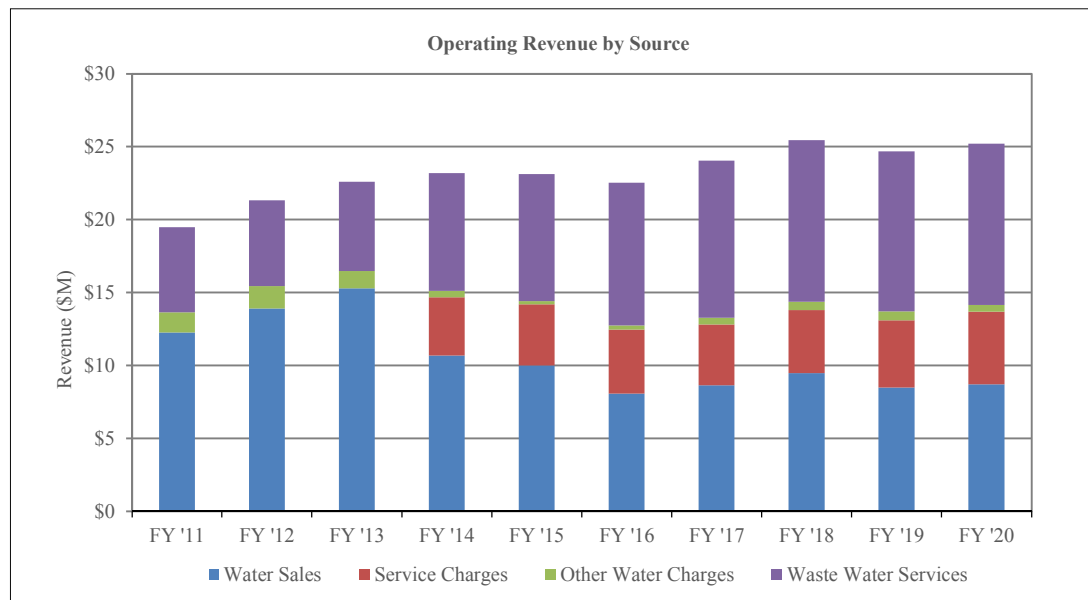
Fiscal Year	Water Sales	Service Charges	Other Water Charges	Waste Water Services	Total Operating Revenue
2011	12,247,255	-	1,387,466	5,848,958	19,483,679
2012	13,902,298	-	1,538,758	5,882,300	21,323,356
2013	15,293,372	-	1,169,883	6,129,321	22,592,576
2014	10,687,396	3,979,752 (1)	443,673 (2)	8,077,870	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
2018	9,459,453	4,325,454	574,644	11,085,710	25,445,261
2019	8,474,791	4,623,068	610,360	10,955,238	24,663,457
2020	8,705,986	4,977,611	469,391	11,044,342	25,197,330

Other Water Charges - by Category

Fiscal Year	Standby Charge	Reimbursement	Other	Total Other Water Charges
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	124,353	308,697	443,673
2015	4,818 (2)	116,957	94,333	216,108
2016	3,292	233,000	58,037	294,329
2017	1,525	331,179	127,222	459,926
2018	418	403,445	170,781	574,644
2019	247	383,810	226,303	610,360
2020	63	328,310	141,018	469,391

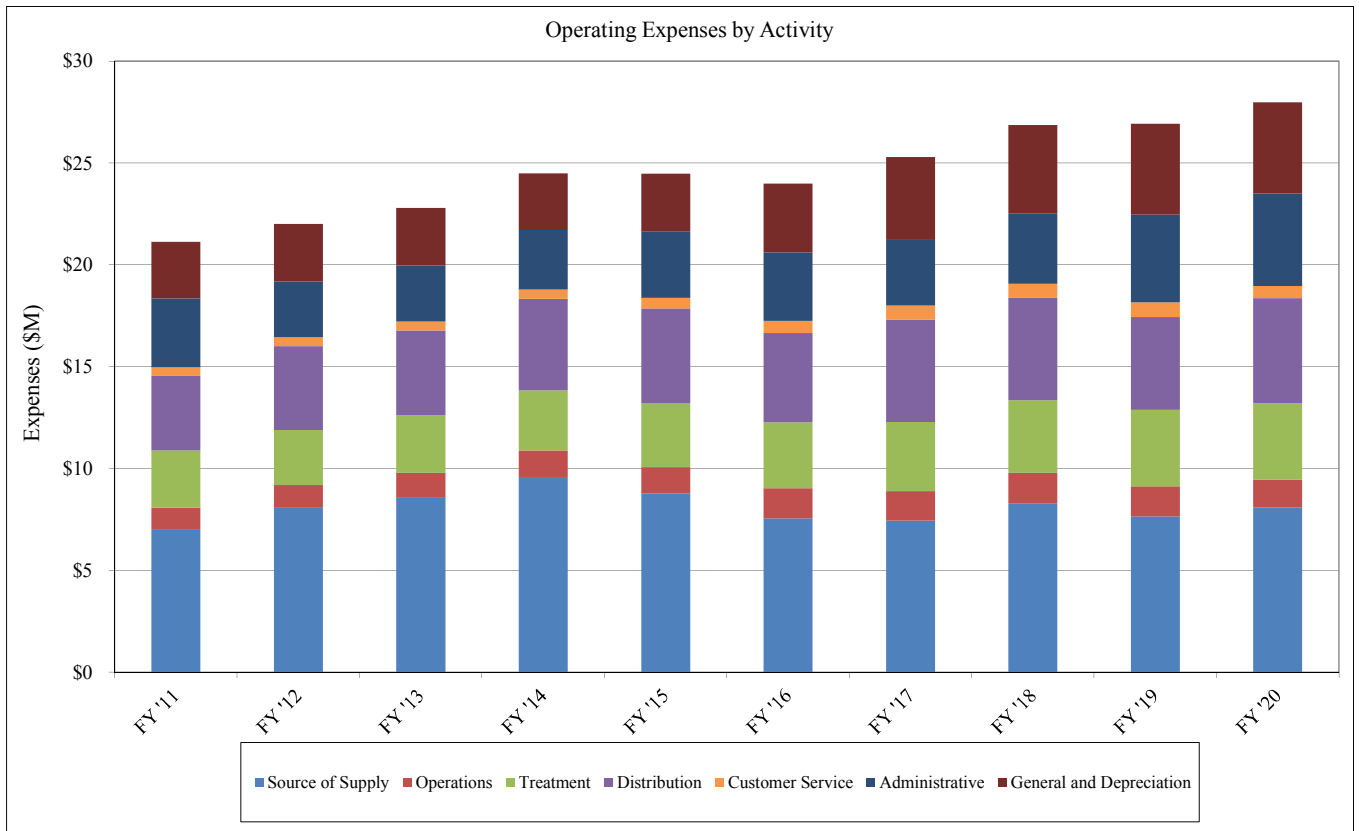
(1) Starting in 2014, Service Charge Revenues was separated from Water Sales Revenues.

(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**

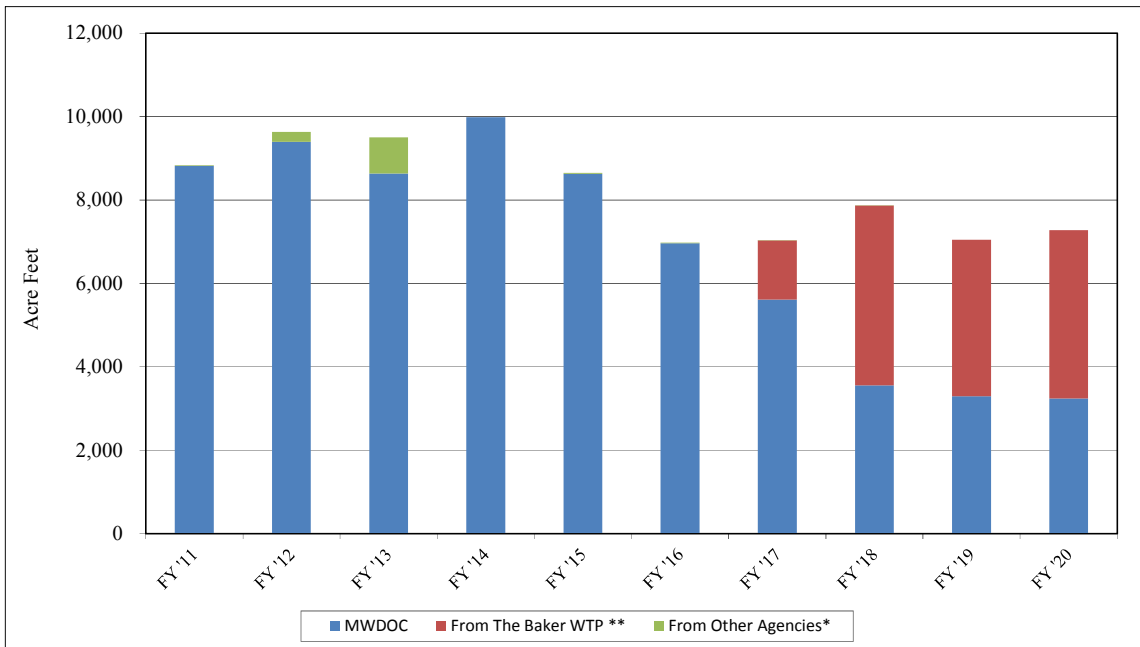
<u>Fiscal Year</u>	<u>Source of Supply</u>	<u>Pumping Operations</u>	<u>Water Treatment</u>	<u>Water Distribution</u>	<u>Customer Service</u>	<u>General and Administrative</u>	<u>Depreciation</u>	<u>Operating Expenses</u>
2011	6,993,701	1,076,206	2,813,771	3,658,325	423,521	3,381,145	2,773,965	21,120,634
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
2018	8,294,019	1,491,273	3,567,648	5,035,094	686,217	3,434,736	4,350,053	26,859,040
2019	7,650,468	1,480,556	3,744,102	4,561,123	720,714	4,305,441	4,466,431	26,928,835
2020	8,085,299	1,371,076	3,751,703	5,147,914	602,925	4,538,506	4,483,607	27,981,030



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

Source of Water for Sales (AF)

Fiscal Year	MWDOC	From The Baker WTP **	From Other Agencies*	Total Production
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
2018	3,559	4,312	3	7,874
2019	3,297	3,754	-	7,051
2020	3,245	4,032	-	7,277



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
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
2018	2.52	2.91	6.08	7.82	2.89
2019	2.52	2.91	6.08	7.82	2.89
2020	2.58	2.97	6.14	7.88	2.95

Monthly Water Service Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter
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
2018	11.80	15.82	23.85	43.92	84.07
2019	12.96	17.37	26.20	48.25	92.36
2020	14.14	18.99	28.70	52.98	101.52

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
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
2018	4.66	4.66	7.78	18.91	47.47
2019	4.66	4.66	7.78	18.91	47.47
2020	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
Sewer Operation Rates and Charges
Last Ten Fiscal Years**

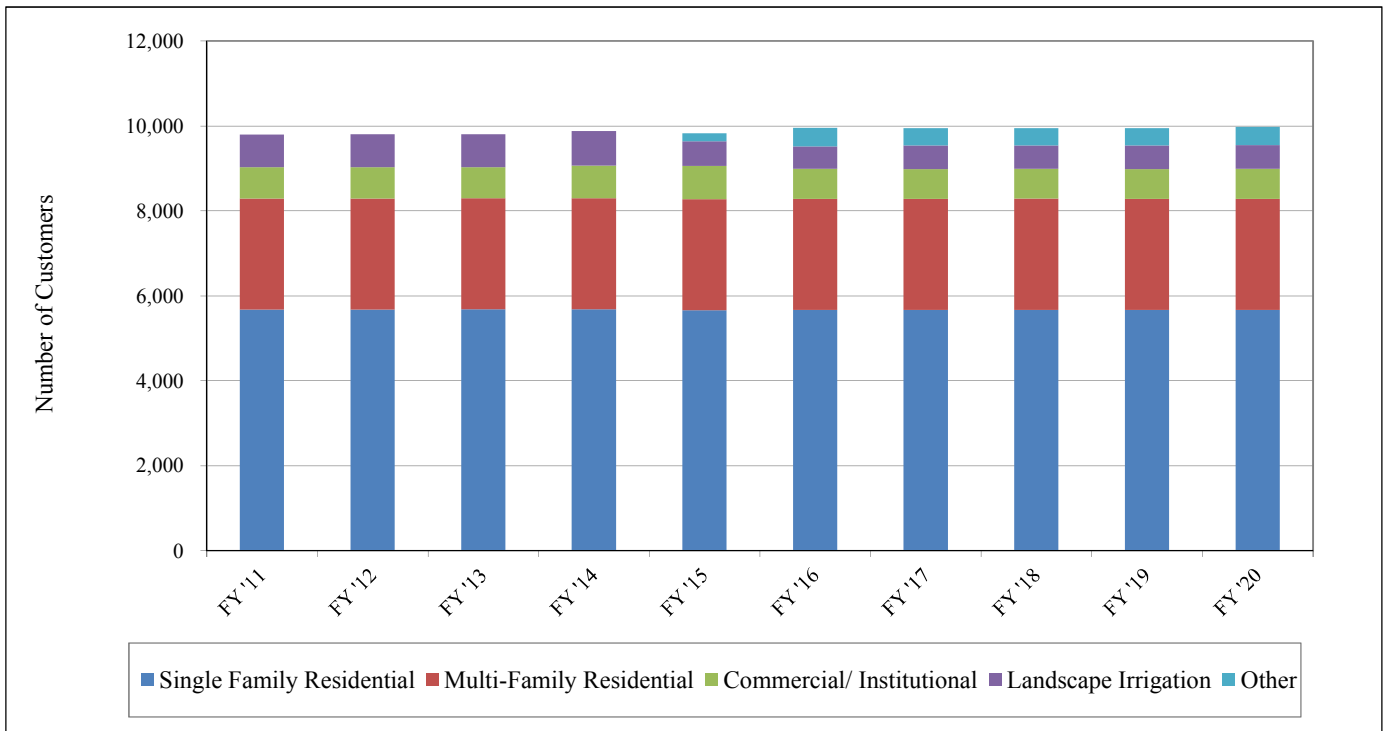
Sewer Rates by Customer Class										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential Rates (monthly charge per EDU)										
Residential Unrestricted	\$ 17.49	\$ 17.49	\$ 17.77	\$ 18.99	\$ 20.50	\$ 22.02	\$ 23.11	\$ 23.63	\$ 24.30	\$ 24.30
Multi-Family Restricted	13.87	13.87	14.09	15.06	16.26	17.46	18.33	18.74	19.28	19.28
Multi-Family Unrestricted	16.49	16.49	16.75	17.90	19.33	20.76	21.79	22.28	22.92	22.92
Commercial Rates (per ccf of water used)										
Animal Kennel / Hospital	\$ 2.86	\$ 2.86	\$ 2.91	\$ 3.11	\$ 3.36	\$ 3.61	\$ 3.79	\$ 3.88	\$ 3.99	\$ 3.99
Car Wash	2.84	2.84	2.89	3.09	3.34	3.59	3.77	3.86	3.97	3.97
Department / Retail Store	2.86	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99
Dry Cleaners	2.50	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50
Golf Course / Camp / Park	2.49	2.49	2.53	2.71	2.93	3.15	3.31	3.39	3.49	3.49
Health Spa	2.85	2.85	2.90	3.10	3.35	3.60	3.78	3.87	3.98	3.98
Hospital / Convalescent Home	2.50	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50
Hotel	4.33	4.33	4.40	4.71	5.09	5.47	5.74	5.87	6.04	6.04
Market	5.68	5.68	5.77	6.17	6.67	7.17	7.53	7.70	7.92	7.92
Mortuary	5.66	5.66	5.75	6.15	6.64	7.14	7.50	7.67	7.89	7.89
Nursery / Greenhouse	2.54	2.54	2.58	2.76	2.98	3.20	3.36	3.44	3.54	3.54
Professional / Financial Office	2.86	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99
Public Institution	2.80	2.80	2.85	3.05	3.30	3.55	3.73	3.82	3.93	3.93
Repair / Service Station	2.85	2.85	2.90	3.10	3.35	3.60	3.78	3.87	3.98	3.98
Restaurant	2.69	2.69	2.74	2.93	3.17	3.41	3.58	3.66	3.77	3.77
Schools	2.95	2.95	3.00	3.21	3.47	3.73	3.92	4.01	4.13	4.13
Theater	2.86	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99
Warehouse / Storage	2.25	2.25	2.29	2.45	2.65	2.85	3.00	3.07	3.16	3.16
Basic Commercial	2.50	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50

Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential Charge (Per EDU)										
Single Family	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
Multi-Family Restricted	3.61	3.95	3.95	3.95	3.95	3.95	3.91	3.91	3.91	3.91
Multi-Family Unrestricted	4.29	4.69	4.69	4.69	4.69	4.69	4.65	4.65	4.65	4.65
Commercial (per Meter)										
5/8" Meter	\$ 6.42	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34
3/4" Meter	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34
1" Meter	12.38	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55
1 1/2" Meter	25.60	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07
2" Meter	68.77	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96
Public Authority (per Meter)										
1" Meter	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
1 1/2" Meter	20.48	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65
2" Meter	35.20	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71

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

Number of Customers by Type

As of June 30	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Landscape Irrigation	Other	Total
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	9,827
2016	5,667	2,612	709	526	439	9,953
2017	5,668	2,616	694	559	406 ⁽¹⁾	9,943
2018	5,668	2,618	700	555	407	9,948
2019	5,665	2,614	706	556	408	9,949
2020	5,667	2,615	707	554	434	9,977



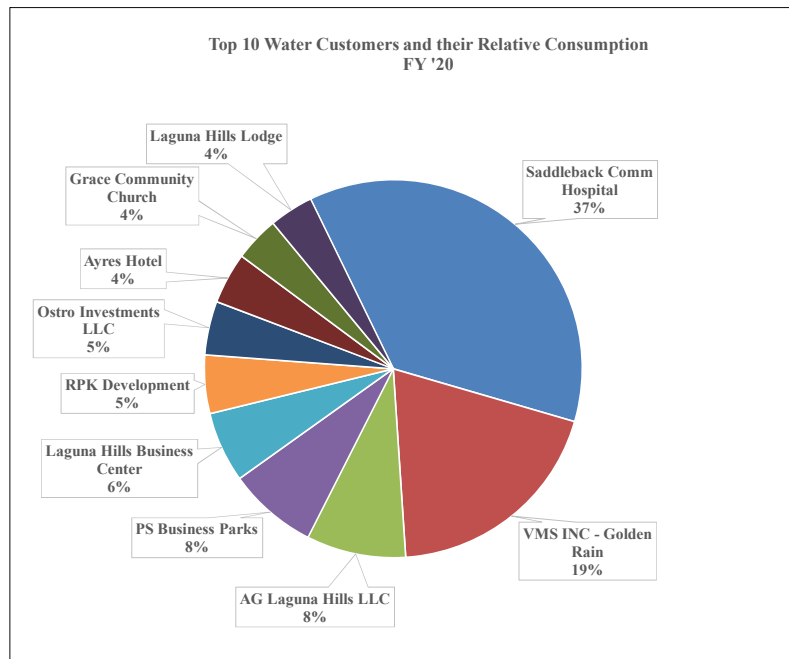
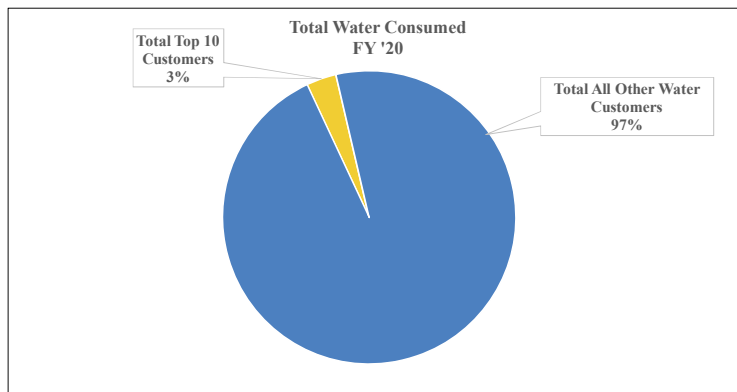
(1) The District did not track "Other" connections in total prior to FY 14/15.

*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**

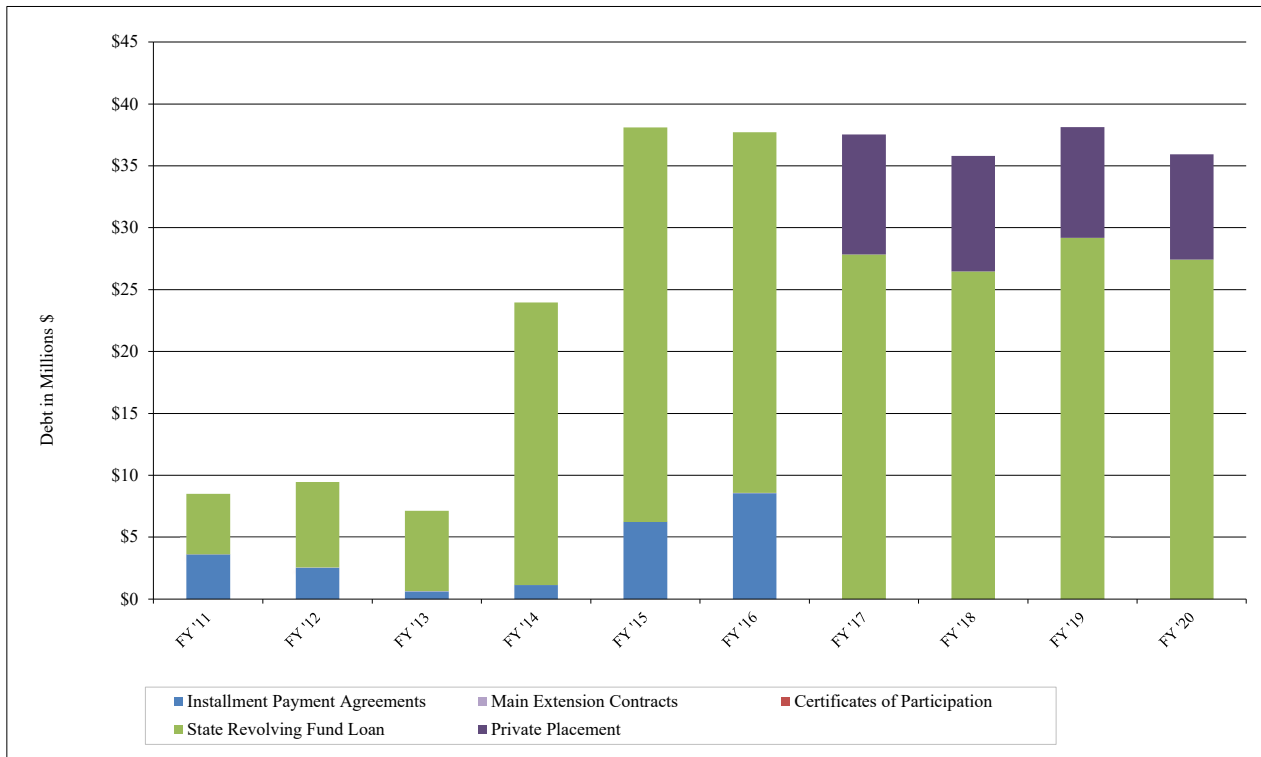
Customer	FY '11		Customer	FY '20	
	Annual Usage (HCF)	Percent of Total		Annual Usage (HCF)	Percent of Total
Saddleback Comm Hospital	52,134	1.45%	Saddleback Comm Hospital	40,100	1.21%
VMS INC - Golden Rain	18,691	0.52%	VMS INC - Golden Rain	21,198	0.64%
Country Villa Laguna Hills	10,876	0.30%	AG Laguna Hills LLC	9,279	0.28%
PS Business Parks	9,792	0.27%	PS Business Parks	8,385	0.25%
Simon Properties #4665	9,068	0.25%	Laguna Hills Business Center	6,590	0.20%
RPK Development	6,060	0.17%	RPK Development	5,453	0.16%
Ayres Hotel	5,873	0.16%	Ostro Investments LLC	5,028	0.15%
Laguna Hills Business Center	5,834	0.16%	Ayres Hotel	4,768	0.14%
BJ'S Restaurant Brewhouse Site#438	5,655	0.16%	Grace Community Church	4,198	0.13%
Marriott CFRST Site #211JB	5,064	0.14%	Laguna Hills Lodge	4,121	0.12%
Total Top 10 Customers	129,047	3.60%	Total Top 10 Customers	109,120	3.30%
Total All Other Water Customers	3,459,513	96.40%	Total All Other Water Customers	3,201,911	96.70%
Total Water Consumed	3,588,560	100.00%	Total Water Consumed	3,311,031	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
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	0.27%
2014	-	1,123,184 ⁽¹⁾	22,823,592 ⁽²⁾	6,180	-	23,952,956	502	0.88%
2015	-	6,215,863 ⁽¹⁾	31,873,740 ⁽²⁾	6,180	-	38,095,783	795	1.30%
2016	-	8,562,088 ⁽¹⁾	29,159,616 ⁽²⁾	6,180	-	37,727,884	779	1.24%
2017	-	-	27,827,408	6,180	9,715,035	37,548,623	764	1.17%
2018	-	-	26,470,867	6,180	9,331,939 ⁽¹⁾	35,808,986	730	1.05%
2019	-	-	29,175,315	6,180	8,936,967	38,118,462	781	1.13% ⁽³⁾
2020	-	-	27,415,579	6,180	8,529,750	35,951,509	750	N/A ⁽³⁾



Notes:

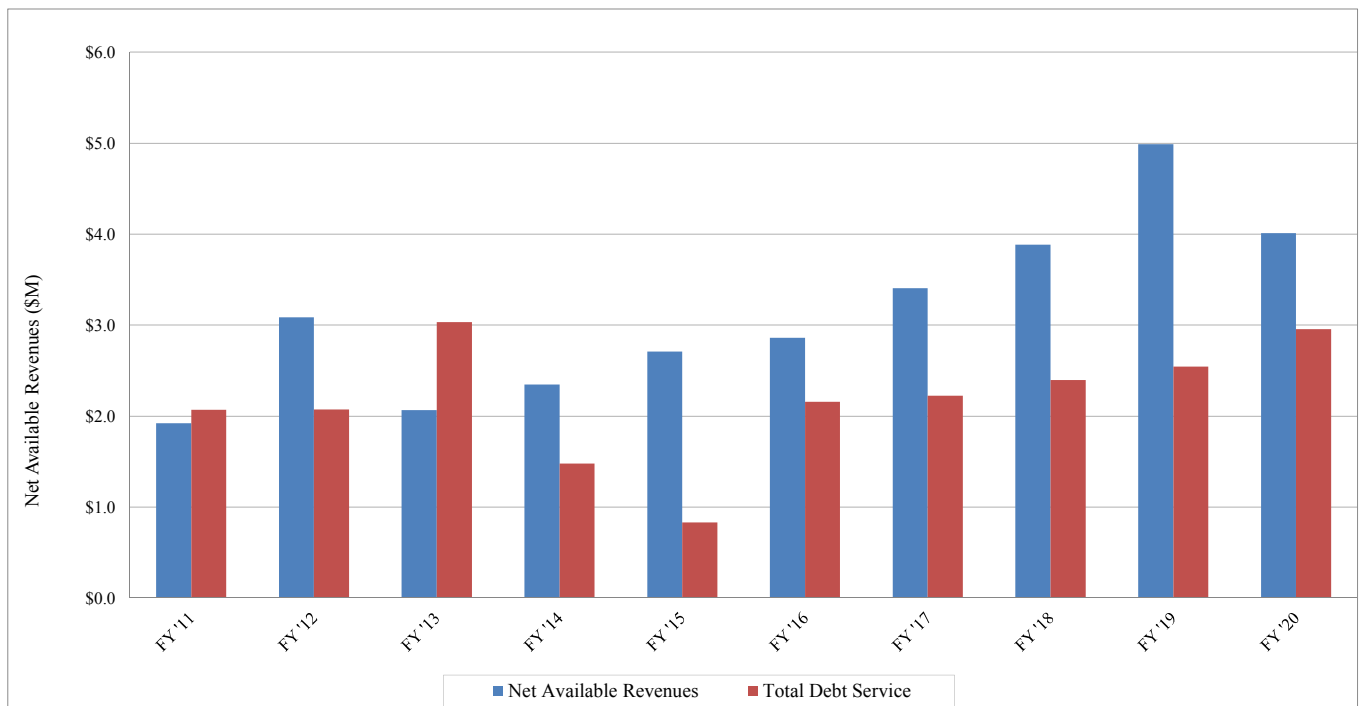
(1) In Dec 2013 the District entered into an agreement for the Baker Water Treatment Plant with five other entities. Additions in 2013 and 2014 were \$1,123,184 and \$5,092,679 respectively. This project was completed and refinanced in December 2016 with Texas Capital Bank for a lower interest rate.

(2) In 2013 the District entered into a loan agreement with the State Water Resources Control Board for the Recycled Water Treatment Plant 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 2020. The Bureau of Economic Analysis typically releases this information in late November of the following year.

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

Fiscal Year	Net Revenue			Debt Service			
	Total Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Principal	Interest	Total Debt Service	Coverage Ratio
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
2018	26,744,770	22,859,184	3,885,586	1,739,638	655,145	2,394,783	1.62
2019	27,291,330	22,302,946	4,988,384	1,776,305	769,061	2,545,366	1.96
2020	26,941,879	22,933,031	4,008,848	2,166,953	787,460	2,954,413	1.36

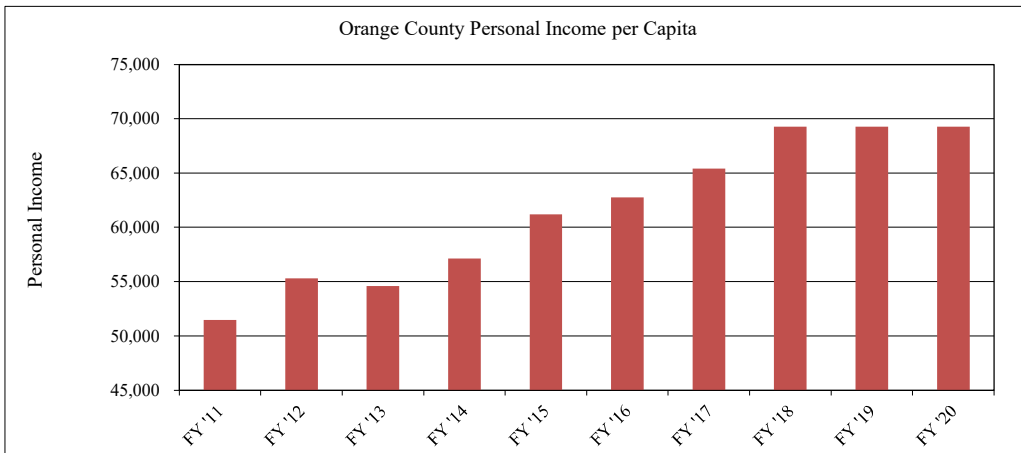
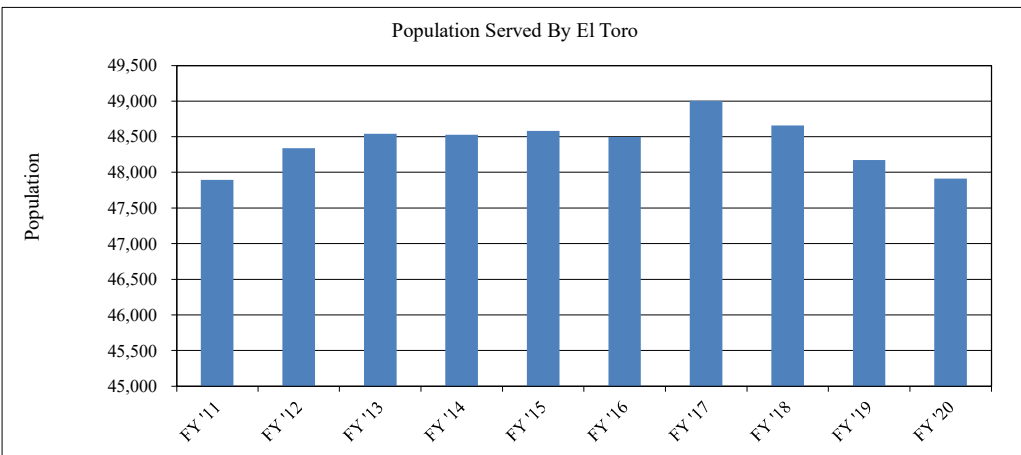


Notes:

(1) Operating expenses less depreciation, amortization, and OPEB Accounting Charges.

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

Calendar Year	Population Served by El Toro ¹	Orange County		
		Personal Income ² (thousands \$)	Personal Income per Capita	Unemployment Rate at 6/30
2011	47,894	157,160,243	51,469	9.4%
2012	48,339	170,609,148	55,296	8.3%
2013	48,541	169,986,956	54,594	6.9%
2014	48,529	179,141,029	57,110	5.5%
2015	48,579	193,358,936	61,178	4.5%
2016	48,498	199,441,555	62,763	4.3%
2017	49,003	208,653,019	65,400	3.8%
2018	48,657	220,684,684	69,268	3.3%
2019 ⁽³⁾	48,174	220,684,684	69,268	3.0%
2020 ⁽³⁾	47,911	220,684,684	69,268	13.6%



Source: State of California, Employment Development Department, <http://www.edd.ca.gov>
Source: Municipal Water District of Orange County (MWDOC)

N/A - Data not available for time period

1 The district population data is estimated by the Center for Demographic Research (CDR) at California State University Fullerton.

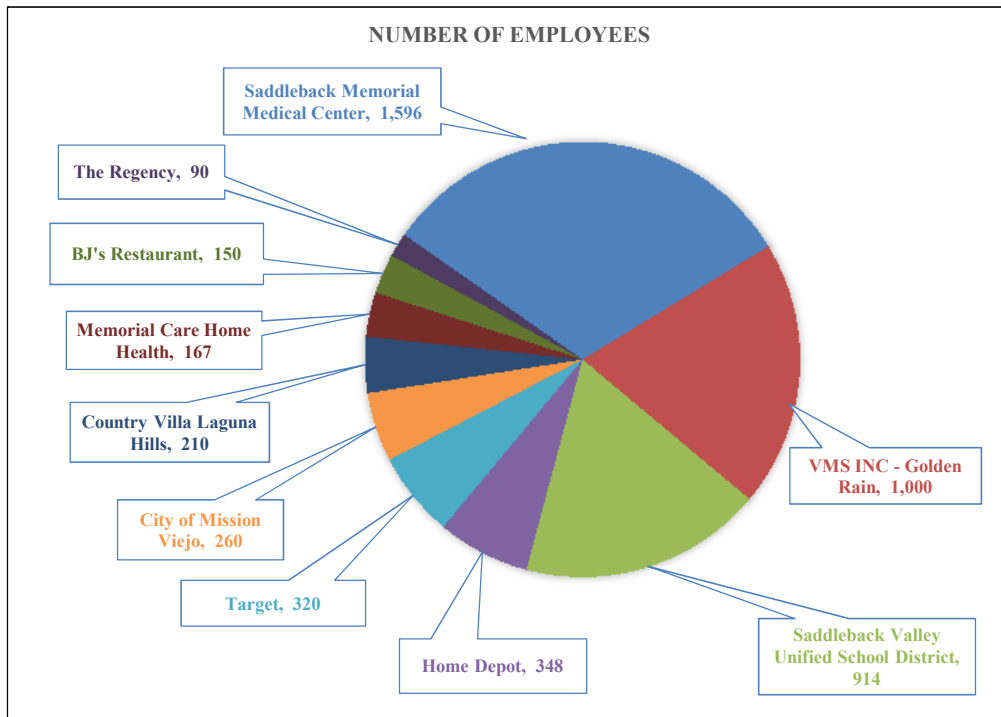
2 Data from the Bureau of Economic Analysis, <http://www.bea.gov>

3 The income data for 2019 and 2020 was not available at the time this report was published

El Toro Water District Principal Employers Current Fiscal Year

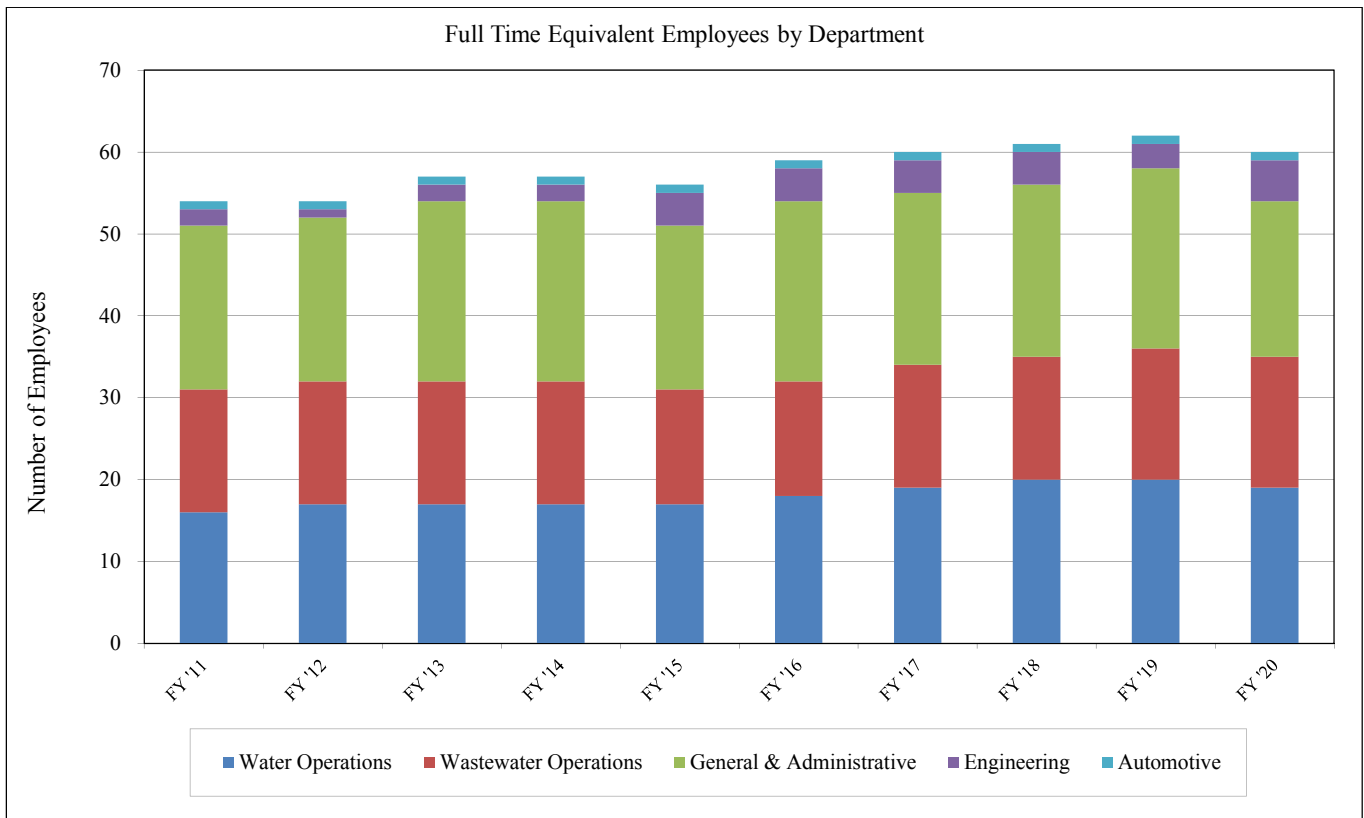
<u>Employer</u>	<u>Number of Employees at 06/30/20</u>	<u>Percent of Total</u>
Saddleback Memorial Medical Center	1,596	31.57%
VMS INC - Golden Rain	1,000	19.78%
Saddleback Valley Unified School District	914	18.08%
Home Depot	348	6.88%
Target	320	6.33%
City of Mission Viejo	260	5.14%
Country Villa Laguna Hills	210	4.15%
Memorial Care Home Health	167	3.30%
BJ's Restaurant	150	2.97%
The Regency	90	1.78%
Total Principal Employers	5,055	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%). The district used data from the fiscal year end 2019 CAFRs for the service area cities listed. Nine years prior information comparison is not available since the district started filing for the CAFR from fiscal year end 2016.



**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
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
2018	20	15	21	4	1	61
2019	20	16	22	3	1	62
2020	19	16	19	5	1	60



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

Fiscal Year	Water System			
	Miles of	Service	Annual	Average Daily
	Water Mains	Connections	Potable Import (MG)	Potable Import (MGD)
2011	170	9,797	2,879	7.89
2012	170	9,802	3,138	8.60
2013	170	9,803	3,138	8.60
2014	170	9,880	3,254	8.91
2015	170	9,828	2,819	7.72
2016	170	9,953	2,273	6.23
2017	170	9,943	2,292	6.28
2018	170	9,948	2,566	7.03
2019	170	9,949	2,298	6.29
2020	170	9,977	2,371	6.50

Fiscal Year	Sewer System			
	Miles of	Service	Annual	Daily
	Sewers Lines	Connections	Sewerage (MG)	Sewerage (MGD)
2011	114	9,797	1,502	4.11
2012	114	9,802	1,442	3.95
2013	114	9,803	1,396	3.82
2014	114	9,880	1,262	3.46
2015	114	9,828	1,242	3.40
2016	114	9,953	1,096	3.00
2017	114	9,943	1,146	3.14
2018	114	9,948	1,105	3.03
2019	114	9,949	1,122	3.07
2020	114	9,977	1,140	3.12

Fiscal Year	Recycled Water			
	Miles of	Service	Annual	Daily
	Recycled Pipe	Connections	Production (MG)	Production (MGD)
2011	19	1	185.16	0.51
2012	19	1	244.39	0.67
2013	19	1	190.26	0.52
2014	19	1	142.58	0.39
2015	19	70 (1)	159.56	0.44
2016	19	138 (1)	337.87	0.93
2017	19	210 (1)	462.49	1.27
2018	26 (2)	210	502.12	1.38
2019	26	210	418.89	1.15
2020	26	229	447.32	1.23

Notes:

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.

(2) The increase in Miles of Recycled Pipe was due to the completion of The Phase II Recycled Water Distribution System Expansion Project.

Board of Directors
El Toro Water District
Lake Forest, California

We have audited the financial statements of the El Toro Water District (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated October 27, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our planning communication letter to you dated July 9, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The most sensitive estimates affecting the financial statements were as follows:

- a. Management's estimate of the fair value of investments is based on quoted prices in active markets. When quoted prices in active markets are not available, fair values are based on evaluated prices received by the District's asset manager from a third-party service provider.
- b. Management's estimate of useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- c. The actuarially determined contribution, OPEB expense, total OPEB liability, and corresponding deferred outflows of resources and deferred inflows of resources for the District's OPEB plan are based on actuarial valuation provided by a third party.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

We evaluated key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was reported in Note 7 to the financial statements regarding the District's Other Post-Employment Benefits Plan.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2020.

Management Consultations with Other Independent Accountants

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

Significant Audit Findings (Continued)

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the schedule of changes in the total OPEB liability and related ratios which are Required Supplementary Information (RSI) that supplement the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

White Nelson Dick Evans LLP

Irvine, California
October 27, 2020

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

Board of Directors
El Toro Water District
Lake Forest, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the El Toro Water District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

White Nelson Dill Evans LLP

Irvine, California
October 27, 2020

EL TORO WATER DISTRICT
FINANCIAL REPORT
November 23, 2020

I.	Balance Sheet	2 - 3
	A. Cash & Investments	
	1) Mix and Liquidity	4
	2) Reserve Analysis	5
	3) Change in Reserves	6
	4) Bills for consideration	7
	5) 401K Plan	8
	B. Other balance sheet items	
	1) A/R aging	9
	2) A/P aging	10
II	Revenue & Expense	11
	A. Analysis of Revenue & Expenses	12
	B. Revenues	
	1) Where the money comes from	13
	2) Who the money comes from	13
	3) Revenue budget comparison	14
	4) Miscellaneous Revenue	15
	C. Expenses	
	1) Where the money goes	16
	2) Expense budget comparison	17 - 18
	3) Capital expenditures – equipment	19
	4) Capital expenditures – projects	19

**EL TORO WATER DISTRICT
BALANCE SHEET**

	10/31/20 (Unaudited)	June 30, 2020 (Unaudited)
ASSETS		
Current Assets		
Cash	\$1,233,143	\$2,717,028
Investments:		
Investments Cash	7,808,920	7,724,881
Investments FMV Adjustment	81,437	122,443
Receivables:		
Accounts Receivable	4,671,609	2,666,116
Inventories	732,891	629,459
Prepaid Expenses	735,127	166,971
Total Current Assets	\$15,263,127	14,026,898
Restricted Assets		
Cash & Investments	10,459,138	10,562,058
Total Restricted Assets	10,459,138	10,562,058
Non-Current Assets		
Utility Plant:		
Land & Easements	7,451,585	7,451,585
Long Term Leases	342,382	342,382
Equipment	121,993,887	115,192,376
Collection & Impound Reservoirs	6,243,706	6,243,706
Structure & Improvements	34,889,919	34,871,067
Total Utility Plant	170,921,480	164,101,118
Less Accumulated Depreciation & Amortization	(81,267,477)	(79,719,396)
Net Utility Plant	89,654,004	84,381,722
Construction Work in Progress	1,663,124	7,259,007
Deffered Outflow OPEB	3,634,674	3,337,168
Total Non-current Assets	94,951,801	94,977,897
TOTAL ASSETS	\$120,674,066	\$119,566,853

**EL TORO WATER DISTRICT
BALANCE SHEET**

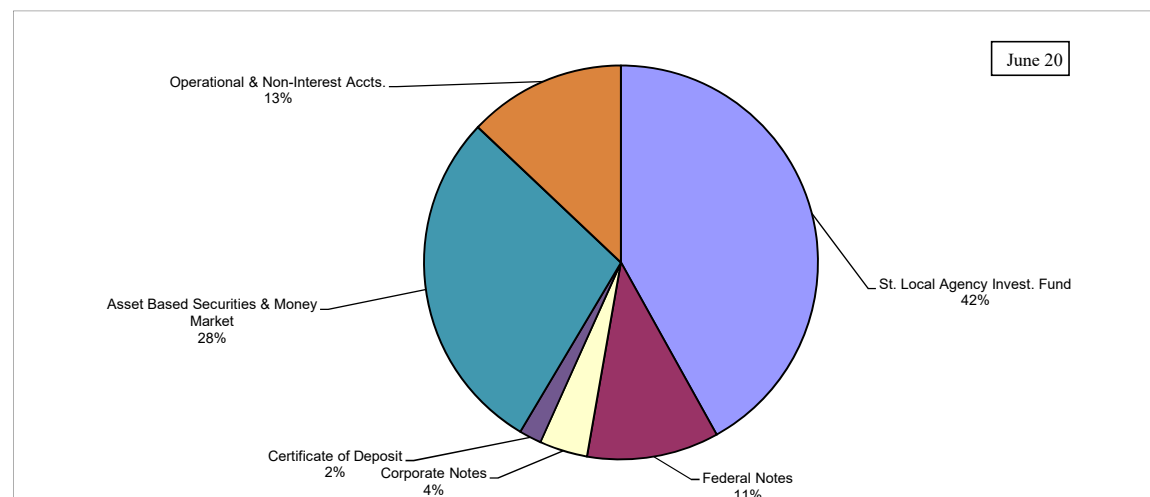
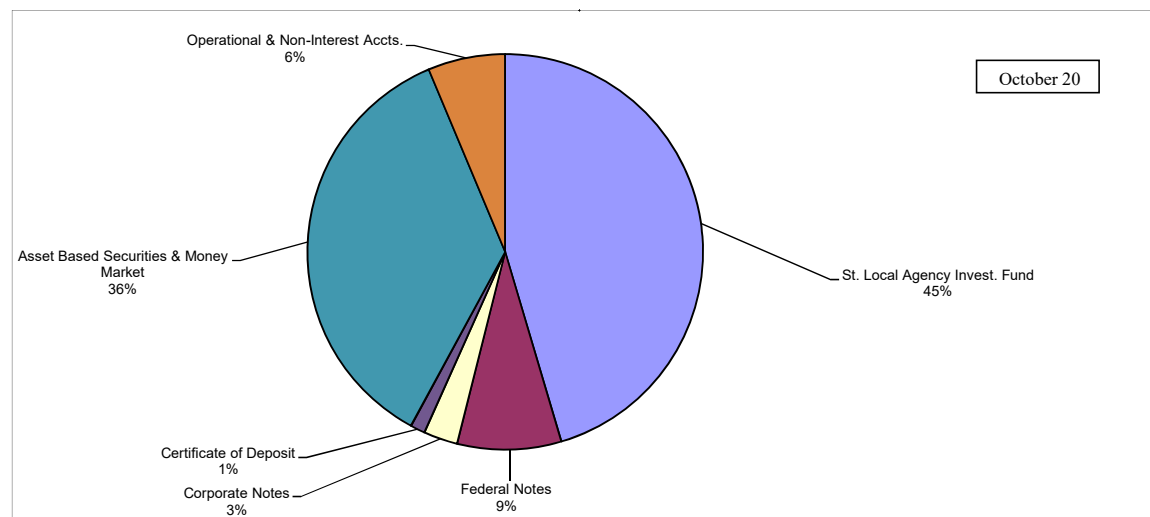
	10/31/20 (Unaudited)	June 30, 2020 (Unaudited)
LIABILITIES and EQUITY		
Liabilities		
Current Liabilities Payable		
Accounts Payable	\$1,865,434	\$1,855,614
Current Portion of Long-Term Debt	1,858,352	6,180
Other Current Liabilities	2,905,541	1,770,803
Total Current Liabilities Payable		
From Current Assets	6,629,327	3,632,597
Long Term Debt		
Long Term Debt	50,591,444	51,149,798
Total Long Term Debt	50,591,444	51,149,798
Total Liabilities	57,220,771	54,782,395
Fund Equity		
Retained Earnings - Reserved	17,034,893	17,034,893
Contributed Capital	8,744,767	8,744,767
Retained Earnings - Unreserved	36,959,626	38,773,389
Net Income	714,008	231,408
Total Fund Equity	63,453,295	64,784,457
Total Liabilities & Fund Equity	\$120,674,066	\$119,566,853

CASH & INVESTMENTS (General Fund)
SUMMARY OF INVESTMENTS BY TYPE

	Maturity Dates	Par	Market Value 10/31/20	Financial Institution	YTM 10/31/20	Original Cost 10/31/20
State Local Agency Investment Fund	NA	NA	\$8,855,163	LAIF	0.62%	\$8,855,163
US Treasury N/B - Coupon Rate 1.750%	12/31/2020	340,000	340,903	US Bank/CAMP	1.90%	338,513
US Treasury N/B - Coupon Rate 1.375%	1/31/2021	50,000	50,156	US Bank/CAMP	2.05%	49,006
US Treasury N/B - Coupon Rate 1.125%	2/28/2021	150,000	150,492	US Bank/CAMP	2.41%	144,428
US Treasury N/B - Coupon Rate 2.000%	5/31/2021	490,000	495,283	US Bank/CAMP	2.62%	481,272
Inter-American Development Bank - Coupon Rate 2.125%	11/9/2020	90,000	90,022	US Bank/CAMP	1.81%	90,834
Intl Finance Note - Coupon Rate 2.250%	1/25/2021	70,000	70,223	US Bank/CAMP	2.35%	69,794
Intl Finance Corporation Note - Coupon Rate 2.635%	3/9/2021	90,000	90,748	US Bank/CAMP	2.66%	89,933
Inter-American Dev Bank Note - Coupon Rate 1.875%	3/15/2021	200,000	201,200	US Bank/CAMP	2.56%	196,046
Inter-American Dev Bank Note - Coupon Rate 2.625%	4/19/2021	70,000	70,770	US Bank/CAMP	2.70%	69,846
CA ST TXBL GO Bonds- Coupon Rate 2.800%	4/1/2021	100,000	100,982	US Bank/CAMP	2.80%	100,004
FNA 2018-M5 A2- Coupon Rate 3.560%	9/1/2021	26,557	26,668	US Bank/CAMP	2.93%	27,085
Federal Notes		1,676,557	1,687,447			1,656,760
Paccar Financial Corp Notes - Coupon Rate 2.050%	11/13/2020	20,000	20,010	US Bank/CAMP	2.05%	19,998
VISA Inc. (Callable) Corp Notes - Coupon Rate 2.200%	12/14/2020	20,000	20,029	US Bank/CAMP	1.85%	20,220
Wal-Mart Stores Inc. Corp. Note - Coupon Rate 1.900%	12/15/2020	90,000	90,179	US Bank/CAMP	1.95%	89,870
Paccar Financial Corp Notes - Coupon Rate 2.800%	3/1/2021	30,000	30,244	US Bank/CAMP	2.82%	29,985
National Rural Util Coop - Coupon Rate 2.900%	3/15/2021	35,000	35,344	US Bank/CAMP	2.94%	34,961
United Parcel Service Corporate Bond - Coupon Rate 2.050%	4/1/2021	90,000	90,683	US Bank/CAMP	2.10%	89,858
Toyota Motor Credit Corp Notes - Coupon Rate 2.950%	4/13/2021	90,000	91,057	US Bank/CAMP	2.96%	89,964
Pepsico Inc. Corp. Note - Coupon Rate 2.000%	4/15/2021	30,000	30,202	US Bank/CAMP	2.01%	29,994
Hershey Company Corp. Note - Coupon Rate 3.100%	5/15/2021	40,000	40,588	US Bank/CAMP	3.12%	39,972
American Express Co. - Coupon Rate 3.375%	5/17/2021	45,000	45,626	US Bank/CAMP	3.38%	44,992
Charles Schwab Corp. Corp. Notes - Coupon Rate 3.250%	5/21/2021	55,000	55,753	US Bank/CAMP	3.25%	54,998
Corporate Notes		545,000	549,716			544,813
Swedbank (NewYork) CD- Coupon Rate 2.270%	11/16/2020	135,000	135,102	US Bank/CAMP	2.27%	135,000
Royal Bank of Canada NY CD- Coupon Rate 3.240%	6/7/2021	100,000	101,861	US Bank/CAMP	3.24%	100,000
Certificate of Deposit		235,000	236,963			235,000
Honda ABS 2017-2 A3 - Coupon Rate 1.680%	8/15/2021	2,852	2,853	US Bank/CAMP	1.68%	2,851
John Deere ABS 2017-B A3 - Coupon Rate 1.820%	10/15/2021	51	51	US Bank/CAMP	1.82%	51
Ford ABS 2017-B A3 - Coupon Rate 1.690%	11/15/2021	889	890	US Bank/CAMP	1.69%	889
Hyundai ABS 2017-B A3 - Coupon Rate 1.770%	1/18/2022	5,249	5,254	US Bank/CAMP	1.77%	5,248
Ally 2017-5 A3 - Coupon Rate 1.990%	3/15/2022	6,705	6,716	US Bank/CAMP	1.99%	6,705
Fordo 2017-C A3 - Coupon Rate 2.010%	3/15/2022	16,156	16,194	US Bank/CAMP	2.01%	16,153
JDOT 2018-A A3 - Coupon Rate 2.660%	4/15/2022	4,848	4,871	US Bank/CAMP	2.66%	4,848
Hart 2018-A A3 - Coupon Rate 2.790%	7/15/2022	16,959	17,090	US Bank/CAMP	2.79%	16,957
MBart 2018-1 A3 - Coupon Rate 3.030%	1/15/2023	31,814	32,227	US Bank/CAMP	3.03%	31,813
CAMP Money Market Fund	NA	NA	6,890,806	US Bank/CAMP	0.19%	6,890,806
Asset Based Securities & Money Market		85,525	6,976,953			6,976,322
Total Camp Investments		2,542,081	9,451,078			9,412,895

Operational & Non-Interest Bearing Accounts

ETWD General Cash Account	NA	NA	1,229,548	Union Bank of Cal.	0.00%	1,229,548
ETWD Capital Facilities Reserve Account	NA	NA	2,895	Union Bank of Cal.	0.00%	2,895
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.			1,233,143			1,233,143
			\$19,539,384	Total Investments & Cash	\$19,501,200	



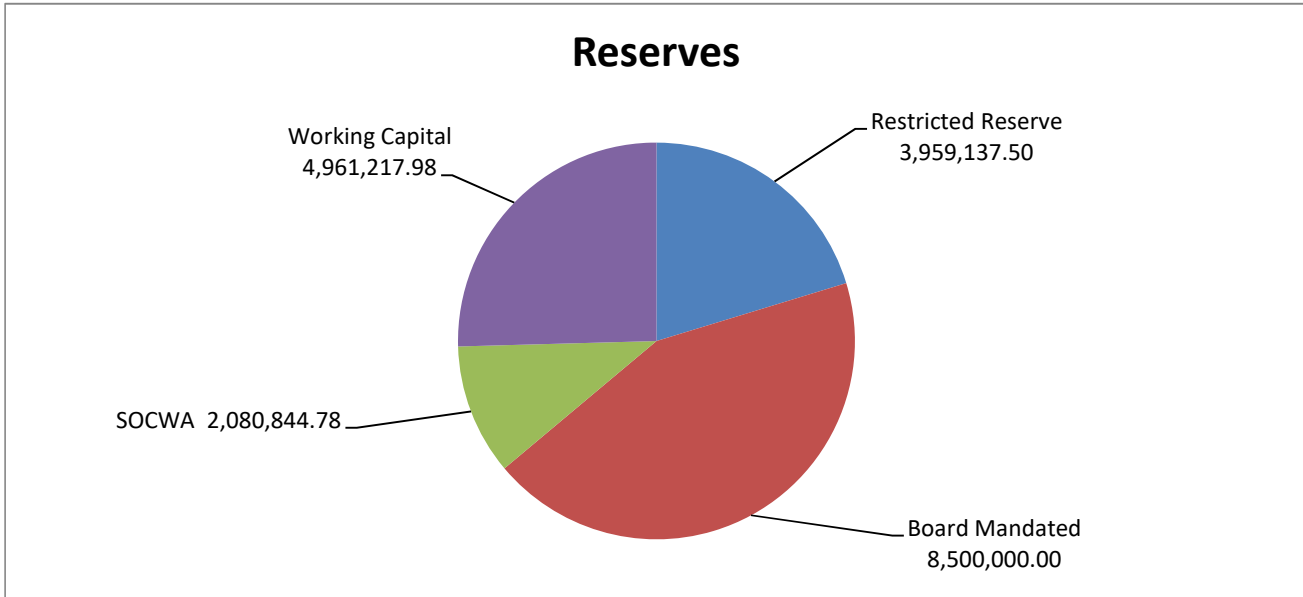
LIQUIDITY

	October 31, 2020		June 30, 2020	
	\$	%	\$	%
DEMAND	\$ 16,979,111	87.07%	\$ 17,297,570	82.35%
30 Days	\$ 245,832	1.26%	\$ -	0.00%
31-180 Days	\$ 1,442,421	7.40%	\$ 1,310,976	6.24%
181 - 360	\$ 751,222	3.85%	\$ 2,053,566	9.78%
361-1800 Days	\$ 82,614	0.42%	\$ 341,855	1.63%
TOTAL	\$ 19,501,200	100.00%	\$ 21,003,967	100.00%

* The portfolio is in compliance with the investment policy.

** PFM Investment Advisory Services (10bp on first \$25 mm, 8bp over) \$ 480.91 for January 2020

**EL TORO WATER DISTRICT
RESERVE ANALYSIS
31-Oct-20**



Restricted Reserve	\$	3,959,138
Board Mandated	\$	8,500,000
SOCWA	\$	2,080,845
Capital Cash Flow / Compliance	\$	4,961,218
Total	\$	19,501,200

Restricted Reserve

SRFL-Recycled Phase I	\$	1,602,958
SRFL-Recycled Phase II	\$	409,046
Capital Facilities Reserve	\$	2,895
Tiered Cons Fund	\$	1,050,874
Baker Funding	\$	893,365
Total	\$	3,959,138

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: \$12,800,791

Cash less restricted reserve on hand: \$15,542,063

ETWD has the ability to meet its expenditure requirements for the next six months.

EL TORO WATER DISTRICT CHANGE IN RESERVES

	October 31, 2020	Year to Date	June 30, 2020
Operating Revenue	2,408,503	9,649,942	24,886,981
Non-operating Revenue	151,383	588,295	2,057,794
Total Revenue	2,559,885	10,238,237	26,944,775
Operating Expenses	1,897,745	7,836,591	22,155,519
Depreciation & Amortization	358,855	1,435,422	4,483,605
Non-operating Expenses	63,054	252,216	777,511
Total Expenses	2,319,654	9,524,229	27,416,636
NET INCOME	240,231	714,008	(471,860)
Add Depreciation & Amortization	358,855	1,435,422	4,483,605
Net Cash Provided by Operating Activities	(717,191)	(2,393,003)	2,476,850
Net Cash Provided by Investing Activities	(812,376)	(1,315,011)	(1,447,543)
Net Cash Provided by Financing Activities	-	-	(2,197,763)
Net Increase/(Decrease) Cash for the Period	(930,480)	(1,558,584)	2,843,288
Cash at End of Period from Balance Sheet		9,123,500	
Restricted Cash		10,459,138	
Unrealized (Gains)/Losses Fair Market Value		(81,437)	
Cash at End of Period		19,501,200	
Net (Increase)/Decrease Cash for the Period		930,480	
Net (Increase)/Decrease in Restricted Cash for the Period		(124,837)	
Net Increase/(Decrease) in Unrealized Gains/(Losses) Fair Market Value		(4,879)	
Void Checks in Prior Period		(239)	
Cash at Beginning of Period		20,301,725	

EL TORO WATER DISTRICT
Cash Sheet
For the month ending October 31, 2020

CHECK NUMBER	PAYMENT DATE	VENDOR NAME	PAYMENT AMOUNT
89569	10/15/2020	MUNICIPAL WATER DISTRICT OF ORANGE CO.	658,450.29
89582	10/15/2020	SOUTH ORANGE COUNTY WASTEWATER AUTHORITY	297,601.00
89546	10/15/2020	ACWA/JOINT POWERS INS. AUTH	226,938.80
89573	10/15/2020	PAULUS ENGINEERING, INC.	214,928.00
89634	10/29/2020	EVOLUTION LANDSCAPING & PLUMBING	205,082.80
89545	10/14/2020	VELOCITY TRUCK CENTERS	162,256.68
89593	10/22/2020	ACWA HEALTH BENEFITS AUTHORITY	124,705.51
89618	10/22/2020	SO. CALIFORNIA EDISON CO.	120,349.44
89515	10/08/2020	MOULTON NIGUEL WATER DISTRICT	88,396.00
89541	10/08/2020	MUNICIPAL WATER DISTRICT OF ORANGE CO.	83,855.00
TOTAL CHECKS OVER \$50,000			\$ 2,182,563.52
TOTAL CHECKS IN REGISTER			\$ 2,597,744.00

DEBIT TRANSFERS

10/09/2020	PAYROLL DIRECT DEPOSIT	139,699.56
10/09/2020	FEDERAL DEPOSIT LIABILITY	29,921.78
10/09/2020	SDI & STATE TAX	11,471.77
10/09/2020	WAGE GARNISHMENTS	585.00
10/09/2020	PRUDENTIAL (401K)	52,077.15
10/09/2020	PRUDENTIAL (457)	16,675.58
10/15/2020	PAYROLL BOARD OF DIRECTOR	6,282.63
10/15/2020	SS, MEDICARE, SDI & STATE TAX	1,810.62
10/15/2020	PRUDENTIAL (457)	2,793.35
10/23/2020	PAYROLL DIRECT DEPOSIT	139,111.46
10/23/2020	FEDERAL DEPOSIT LIABILITY	32,213.18
10/23/2020	SDI & STATE TAX	13,042.42
10/23/2020	WAGE GARNISHMENTS	585.00
10/23/2020	PRUDENTIAL (401K)	54,570.54
10/23/2020	PRUDENTIAL (457)	18,761.93
10/31/2020	ADP AND BANK FEES	5,992.34
TOTAL INTERBANK WIRES / DEBIT TRANSFERS		\$ 525,594.31

TOTAL DISBURSEMENTS \$ 3,123,338.31

ETWD EMPLOYEES

CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
89523	10/08/2020	RAYMUND LLADA	295.75
89607	10/22/2020	JUDY CIMORELL	223.17
TOTAL CHECKS TO EMPLOYEES			\$ 518.92

ETWD DIRECTORS

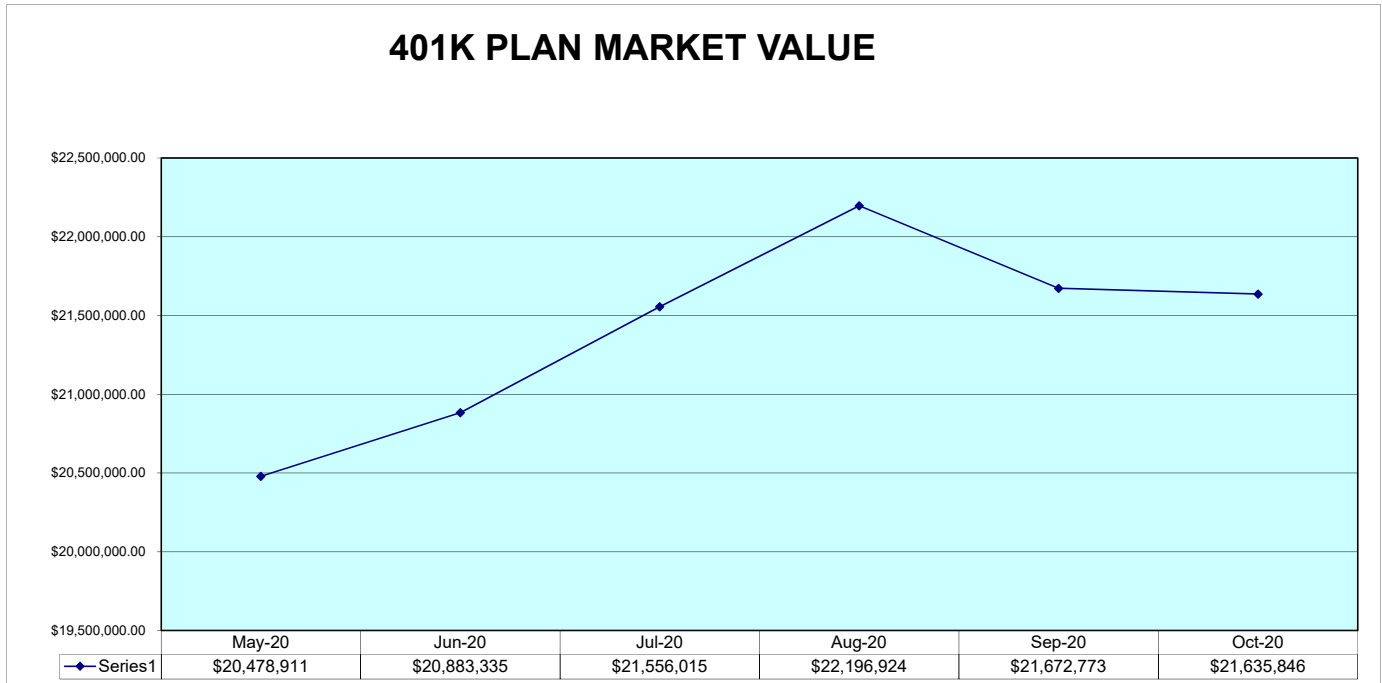
CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
-------------------------	-------------------------	----------------------------	---------------------------

No Activity

TOTAL CHECKS TO DIRECTORS \$ -

**EL TORO WATER DISTRICT
401K PLAN SUMMARY**

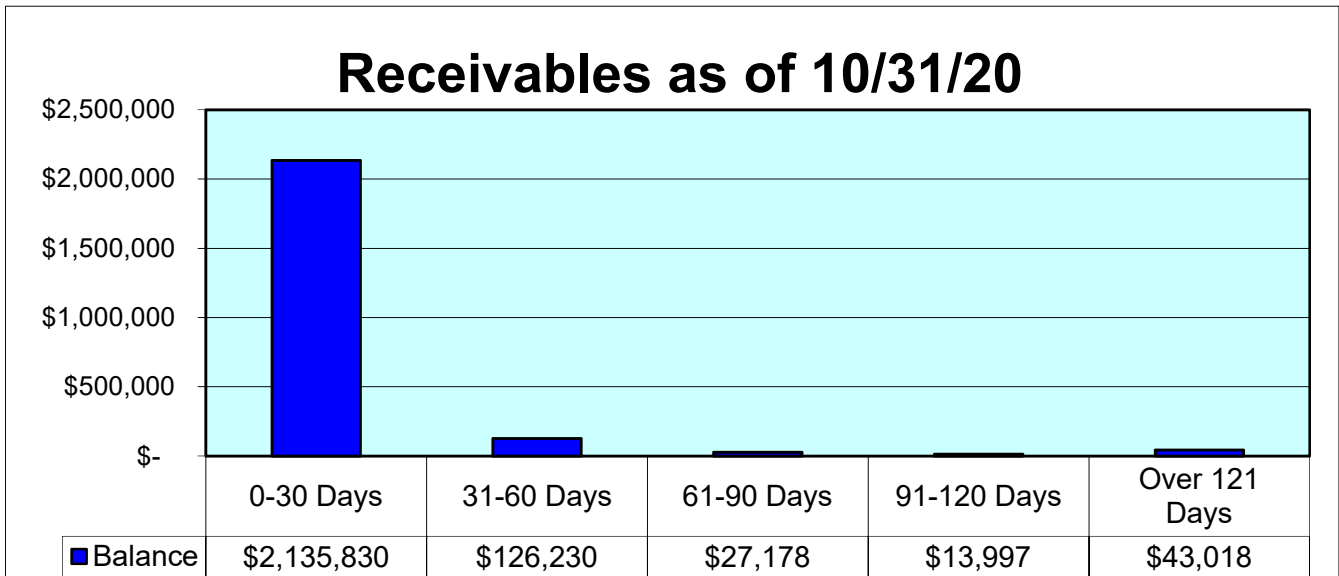
401K PLAN MARKET VALUE



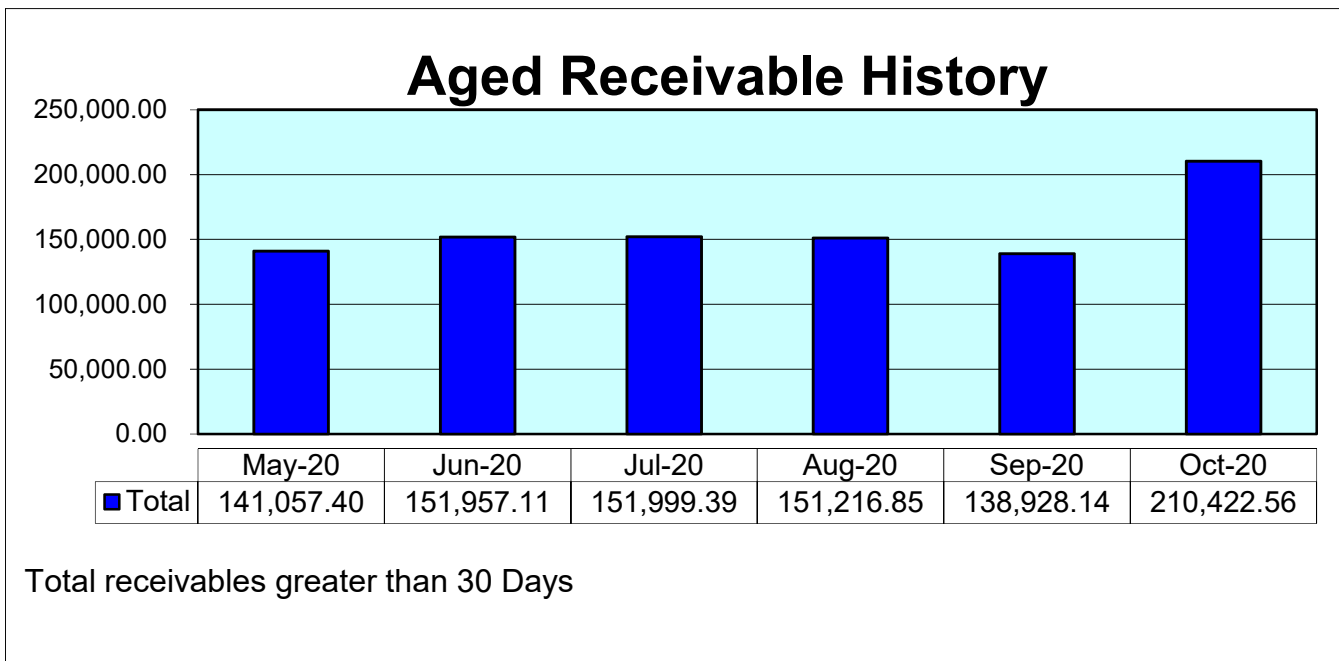
MARKET VALUE SUMMARY							
	Growth Under 40 yrs. Old	Capital Appreciation 40 to 44 yrs. Old	Balanced 45 to 49 yrs. Old	Balanced Income 50 to 54 yrs. Old	Income & Growth 55 to 59 yrs. Old	Income 60 to 64 yrs. Old	Capital Pres. Port Over 65 yrs. Old
Balance at July 1, 2020	\$ 1,792,144.51	\$515,185.81	\$1,342,947.76	\$5,031,746.61	\$7,076,815.63	\$4,137,005.60	\$987,489.23
Contributions	109,927.24	19,819.98	30,552.02	68,629.53	85,440.87	134,078.82	37,755.14
Withdrawals	0.00	0.00	0.00	0.00	(204,244.03)	(153,858.73)	(332,051.29)
Transfers	(233,311.03)	121,616.52	(791,692.87)	(307,035.64)	(242,151.66)	763,611.10	688,963.58
Interest, dividends and appreciation net of fees and charges	111,597.23	37,597.95	51,299.06	251,906.09	314,686.60	158,375.71	30,998.55
Balance at October 31, 2020	\$ 1,780,357.95	\$694,220.26	\$633,105.97	\$5,045,246.59	\$7,030,547.41	\$5,039,212.50	\$1,413,155.21
Average return YTD October 31, 2020	6.23%	7.30%	3.82%	5.01%	4.45%	3.83%	3.14%

Average return is calculated by dividing the interest, dividends and appreciation, net of fees by beginning fiscal year fund balance.

RECEIVABLES AGEING

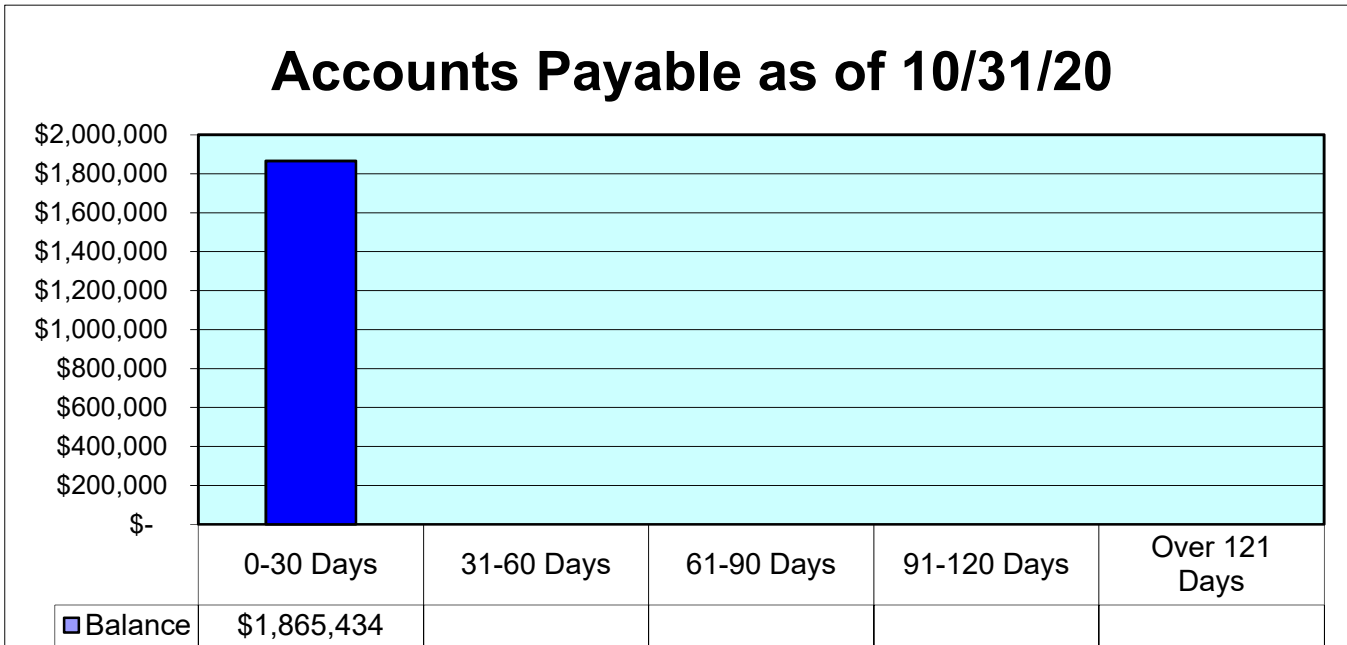


Bad Debts Year to Date: -252.66



	31-60 Days	61-90 Days	91-120 Days	Over 121 Days	Total
May-20	81,514.14	28,539.19	12,645.73	18,358.34	141,057.40
Jun-20	89,567.35	22,697.27	13,295.37	26,397.12	151,957.11
Jul-20	89,673.98	20,626.01	11,946.76	29,752.64	151,999.39
Aug-20	88,494.50	19,594.80	11,174.89	31,952.66	151,216.85
Sep-20	78,337.29	22,581.64	10,542.33	27,466.88	138,928.14
Oct-20	126,229.71	27,177.91	13,996.61	43,018.33	210,422.56

PAYABLES AGEING



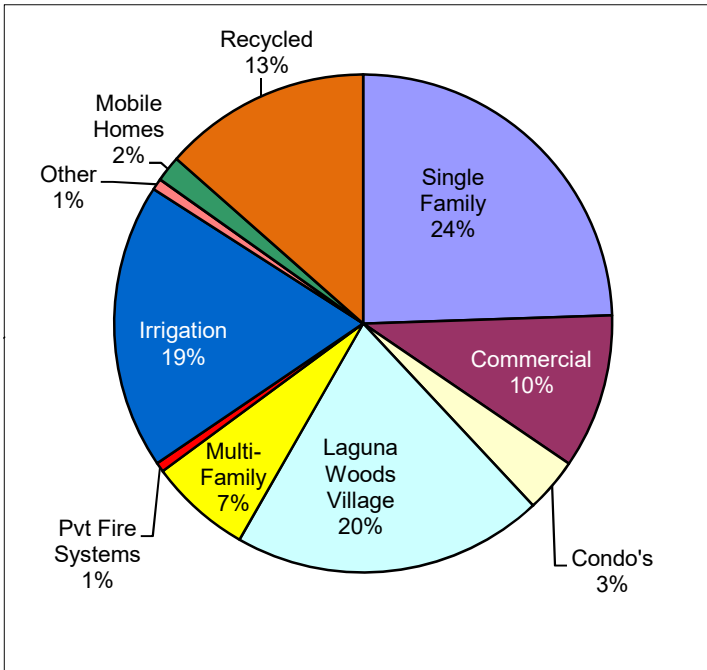
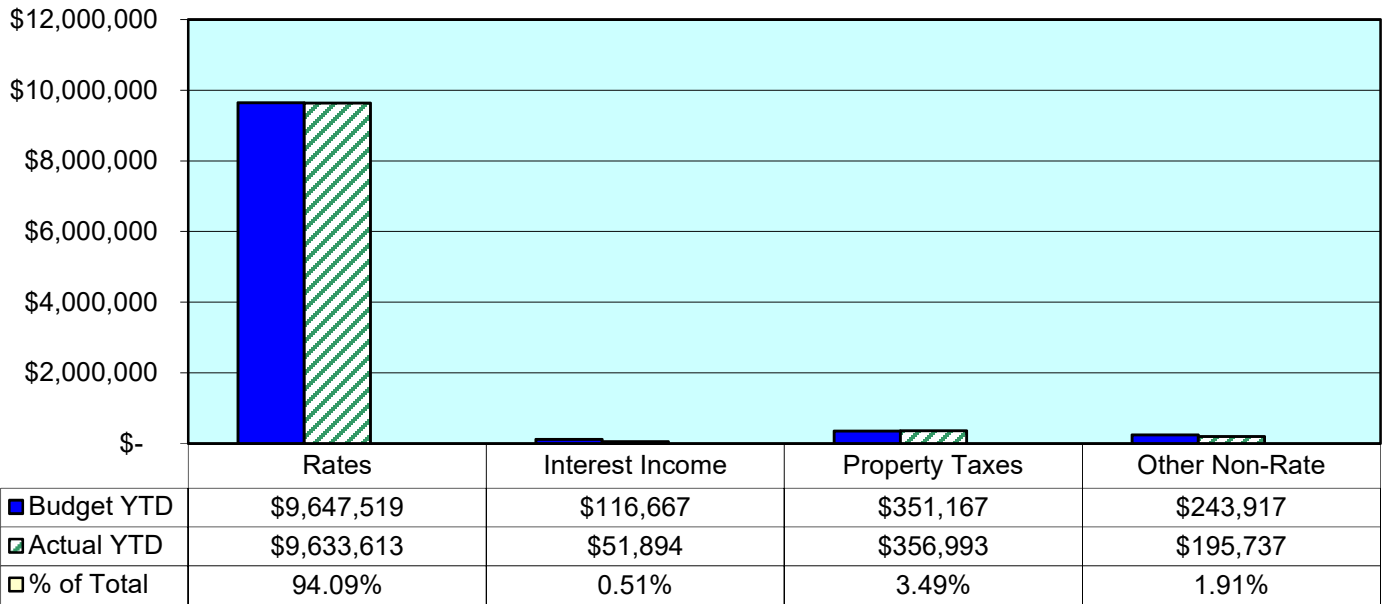
Year to Date Discounts Taken: **\$264**

Page 11
EI Toro Water District
Income Statement
October 2020

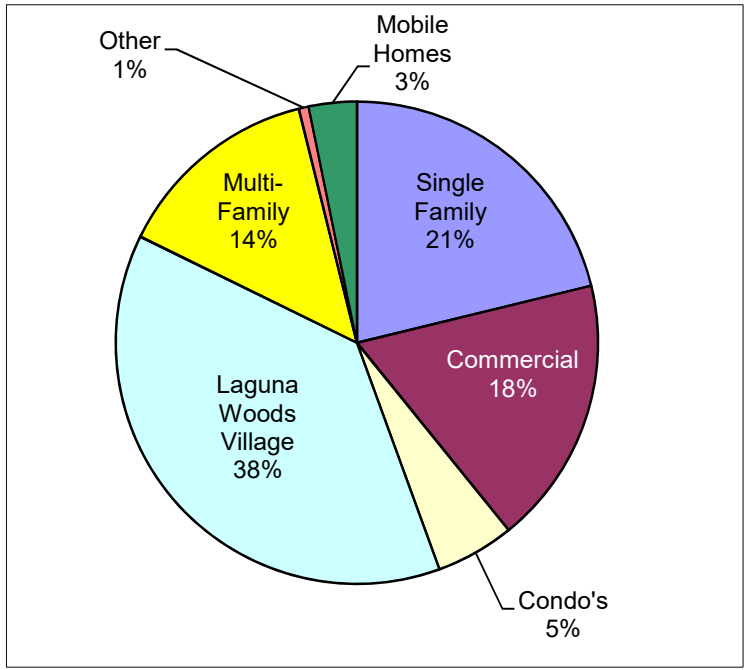
	Oct 20	Budget	% of Budget	Jul - Oct 19	Jul - Oct 20	YTD Budget	% of Budget	Annual Budget
Income								
4600 · Water Service Charge	302,548.15	318,682.25	94.94%	1,199,534.86	1,218,068.99	1,274,729.00	95.56%	3,824,187.00
4700 · Sanitary Service	647,306.95	647,916.67	99.91%	2,610,118.16	2,579,738.89	2,591,666.64	99.54%	7,775,000.00
4722 · Recycled Water Tertiary Sales	200,615.41	171,265.09	117.14%	744,306.00	869,514.14	887,366.18	97.99%	1,663,847.00
4724 · Service Charge - Recycled Water	24,422.41	28,017.25	87.17%	81,455.90	91,249.90	112,069.00	81.42%	336,207.00
4750 · Capital Facilities Charge	250,387.80	251,250.00	99.66%	1,002,315.06	1,002,029.45	1,005,000.00	99.7%	3,015,000.00
4800 · Commodity Charge	981,830.80	942,927.20	104.13%	3,749,536.07	3,873,011.64	3,776,688.30	102.55%	8,904,396.00
4950 · Other Operating Income	1,391.36	4,583.33	30.36%	20,685.38	5,329.44	18,333.36	29.07%	55,000.00
4960 · Other Income	52,632.14	45,104.17	116.69%	179,181.01	197,417.09	180,416.64	109.42%	541,250.00
4967 · SMWD	0.00	9,333.33	0.0%	0.00	0.00	37,333.36	0.0%	112,000.00
4970 · MNWD	0.00	1,958.34	0.0%	11,000.00	11,000.00	7,833.28	140.43%	23,500.00
4980 · Interest Income	13,052.23	29,166.67	44.75%	138,209.54	51,893.86	116,666.64	44.48%	350,000.00
4985 · Changes FMV CAMP	-4,493.59			14,712.13	-18,009.34			
4986 · Changes FMV LAIF				1,953.79				
4990 · Property Taxes	90,191.81	87,791.67	102.73%	314,333.34	356,993.30	351,166.64	101.66%	1,053,500.00
Total Income	2,559,885.47	2,537,995.97	100.86%	10,067,341.24	10,238,237.36	10,359,269.04	98.83%	27,653,887.00
Gross Profit	2,559,885.47	2,537,995.97	100.86%	10,067,341.24	10,238,237.36	10,359,269.04	98.83%	27,653,887.00
Expense								
5100 · Personnel Cost	684,728.67	715,783.08	95.66%	2,638,000.33	2,665,353.78	2,863,132.36	93.09%	8,589,397.00
5405 · Water Purchases	726,511.55	819,457.74	88.66%	2,945,009.31	3,083,463.13	3,281,868.61	93.95%	7,878,746.00
5410 · Electrical Power	105,347.51	93,616.65	112.53%	424,183.30	501,213.13	374,466.80	133.85%	1,123,400.00
5415 · Repair Parts & Materials	22,300.34	33,823.74	65.93%	128,268.77	102,887.74	135,295.08	76.05%	405,885.00
5420 · Equipment Maintenance & Repair	3,225.82	10,285.82	31.36%	46,581.77	40,320.58	41,143.44	98.0%	123,430.00
5425 · Pump Maintenance & Repair	14,190.50	8,291.67	171.14%	35,152.73	30,891.56	33,166.64	93.14%	99,500.00
5430 · Motor Maintenance & Repair	1,184.95	2,791.66	42.45%	6,849.77	1,184.95	11,166.72	10.61%	33,500.00
5440 · Electrical/Contl Maint & Repair	2,169.23	6,633.34	32.7%	12,919.24	8,974.18	26,533.28	33.82%	79,600.00
5445 · Meter Maintenance & Repair	0.00	487.50	0.0%	460.00	1,672.52	1,950.00	85.77%	5,850.00
5455 · Chemicals	19,415.49	18,225.01	106.53%	92,196.18	75,621.17	72,899.92	103.73%	218,700.00
5460 · Structure Maint & Repair	5,269.13	2,694.25	195.57%	6,117.77	15,241.36	10,777.00	141.43%	32,331.00
5465 · Asphalt Maintenance & Repair	6,160.00	6,916.67	89.06%	36,473.00	6,160.00	27,666.64	22.27%	83,000.00
5470 · Consultants	2,718.90	4,695.83	57.9%	23,389.42	3,811.40	18,783.36	20.29%	56,350.00
5475 · Contractors	108,077.13	98,705.49	109.5%	350,250.08	422,792.26	394,822.08	107.08%	1,184,466.00
5480 · Engineers	676.40	11,583.33	5.84%	33,609.15	92,668.40	46,333.36	200.0%	139,000.00
5482 · Dump Fees	815.42	1,500.00	54.36%	3,630.49	7,497.82	6,000.00	124.96%	18,000.00
5485 · Laboratory	1,004.95	2,408.33	41.73%	13,539.35	8,482.65	9,633.36	88.06%	28,900.00
5490 · License & Permits	333.68	15,025.50	2.22%	18,259.31	22,621.50	60,102.00	37.64%	180,306.00
5495 · Gas & Oil	8,336.75	8,750.00	95.28%	38,261.02	32,623.10	35,000.00	93.21%	105,000.00
5500 · Equipment Rental	1,736.39	1,675.00	103.67%	3,631.74	6,673.07	6,700.00	99.6%	20,100.00
5505 · Landscaping	9,333.82	13,669.85	68.28%	27,405.64	23,999.46	54,679.20	43.89%	164,038.00
5510 · Small Tools & Equipment	12,048.48	5,583.35	215.79%	22,967.28	22,558.93	22,333.20	101.01%	67,000.00
5515 · Security	1,599.38	1,587.94	100.72%	4,792.69	6,397.52	6,351.48	100.73%	19,055.00
5520 · Operating Supplies	2,715.00	4,688.33	57.91%	15,905.22	26,002.19	18,753.36	138.65%	56,260.00
5525 · Safety Equipment	215.34	2,999.99	7.18%	6,034.17	8,485.22	12,000.08	70.71%	36,000.00
5530 · Temporary Help	0.00	2,291.67	0.0%	0.00	0.00	9,166.64	0.0%	27,500.00
5535 · Other Employee Cost	11,317.51	9,250.00	122.35%	48,316.26	76,678.61	37,000.00	207.24%	111,000.00
5540 · Depreciation	358,285.00	408,333.33	87.74%	1,454,700.00	1,433,140.00	1,633,333.36	87.74%	4,900,000.00
5545 · Insurance	27,410.69	25,981.08	105.5%	175,153.17	103,799.62	103,924.36	99.88%	311,773.00
5548 · Retiree Medical Insurance	26,367.39	24,553.75	107.39%	0.00	88,429.24	98,215.00	90.04%	294,645.00
5555 · Advertising & Publicity	0.00	166.67	0.0%	560.00	6,200.00	666.64	930.04%	2,000.00
5560 · Amortization	570.49	570.83	99.94%	2,281.96	2,281.96	2,283.36	99.94%	6,850.00
5570 · Annual Event	0.00	500.00	0.0%	0.00	0.00	2,000.00	0.0%	6,000.00
5575 · Audit	6,780.00	2,141.67	316.58%	16,500.00	20,700.00	8,566.64	241.64%	25,700.00
5580 · Bad Debts	-201.40	1,666.67	-12.08%	1,698.14	-252.66	6,666.64	-3.79%	20,000.00
5585 · Bank Charges	5,992.34	5,250.00	114.14%	19,258.53	20,293.13	21,000.00	96.63%	63,000.00
5590 · Data Processing Supply & Access	518.86	2,083.34	24.91%	4,872.77	8,129.90	8,333.28	97.56%	25,000.00
5595 · Data Processing Equipment	3,610.98	2,500.00	144.44%	8,425.56	8,765.05	10,000.00	87.65%	30,000.00
5600 · Data Processing Consultants	0.00	3,333.33	0.0%	17,957.75	1,800.00	13,333.36	13.5%	40,000.00
5605 · Directors Fees	10,731.00	10,000.00	107.31%	36,692.00	42,486.00	40,000.00	106.22%	120,000.00
5610 · Dues & Memberships	6,901.38	7,278.33	94.82%	24,973.76	25,278.40	29,113.36	86.83%	87,340.00
5615 · Education & Training	210.00	2,833.33	7.41%	15,589.79	3,268.60	11,333.36	28.84%	34,000.00
5620 · Election Expense	0.00	2,916.67	0.0%	0.00	0.00	11,666.64	0.0%	35,000.00
5625 · Employee Service Awards	400.00	341.67	117.07%	1,628.93	2,550.00	1,366.64	186.59%	4,100.00
5630 · Software Maintenance & Licenses	8,559.27	13,416.67	63.8%	41,811.78	43,713.73	53,666.64	81.45%	161,000.00
5640 · Interest Expense	63,054.00	63,054.08	100.0%	262,486.48	252,216.00	252,216.36	100.0%	756,649.00
5645 · Janitorial	6,624.75	3,133.33	211.43%	12,202.00	26,499.00	12,533.36	211.43%	37,600.00
5650 · Legal	9,637.01	8,941.66	107.78%	37,930.44	44,840.57	35,766.72	125.37%	107,300.00
5655 · Meets, Conventions & Travel	125.29	3,250.00	3.86%	15,851.62	844.07	13,000.00	6.49%	39,000.00
5657 · Meets, Con & Travel - Directors	0.00	3,541.65	0.0%	8,861.78	1,173.00	14,166.80	8.28%	42,500.00
5660 · Office Supplies	5,541.24	1,650.00	335.83%	8,566.67	8,123.49	6,600.00	123.08%	19,800.00
5670 · Postage	3,123.01	1,708.33	182.81%	459.08	3,550.97	6,833.36	51.97%	20,500.00
5675 · Printing & Reproduction	253.44	1,550.00	16.35%	2,259.94	3,994.84	6,200.00	64.43%	18,600.00
5680 · Property Tax	3.11	716.67	0.43%	47.13	44.55	2,866.64	1.55%	8,600.00
5685 · Public Education & Outreach	12,680.89	15,391.67	82.39%	26,866.24	38,211.74	61,566.64	62.07%	184,700.00
5690 · Publications & Subscriptions	0.00	250.00	0.0%	0.00	0.00	1,000.00	0.0%	3,000.00
5695 · Communications	9,956.87	9,583.33	103.9%	34,441.63	35,095.10	38,333.36	91.55%	115,000.00
5700 · Utilities	1,086.43	2,275.84	47.74%	5,358.15	4,776.35	9,103.28	52.47%	27,310.00
Total Expense	2,319,654.38	2,532,335.64	91.6%	9,219,639.29	9,524,228.88	10,133,380.41	93.99%	28,433,281.00
Net Income	240,231.09	5,660.33	4,244.12%	847,701.95	714,008.48	225,888.63	316.09%	-779,394.00

EL TORO WATER DISTRICT REVENUES FROM WATER & WASTE WATER SALES AS OF 10/31/20

Where the Money Comes From



WATER REVENUE YTD 2020/2021



WASTE WATER REVENUE YTD 2020/2021

**EL TORO WATER DISTRICT
REVENUE COMPARISON
For the Month Ended October 31, 2020**

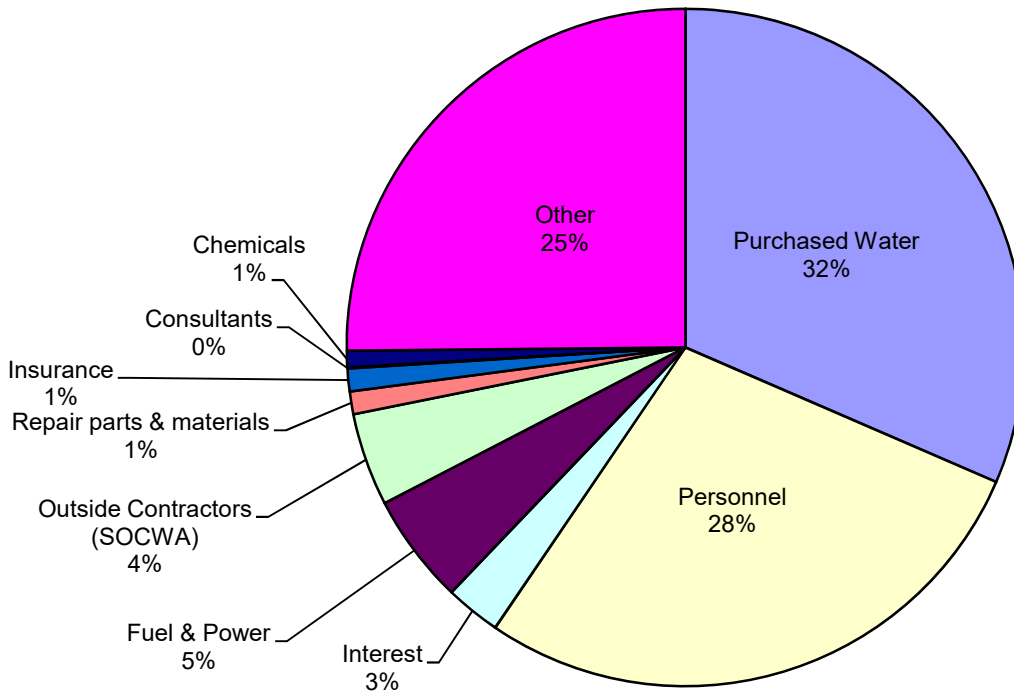
	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	BUDGET	REMAINING BUDGET
<u>From Rates</u>										
Capital Facilities Charge	\$ 250,388	\$ 251,250	\$ (862)	0%	\$ 1,002,029	\$ 1,005,000	\$ (2,971)	0%	\$ 3,015,000	\$ 2,012,971
Water sales - Commodity	981,831	942,927	38,904	4%	3,873,012	3,776,688	96,323	3%	8,904,396	5,031,384
Water sales - Fixed Meter	302,548	318,682	(16,134)	-5%	1,218,069	1,274,729	(56,660)	-4%	3,824,187	2,606,118
Waste water sales	647,307	647,917	(610)	0%	2,579,739	2,591,667	(11,928)	0%	7,775,000	5,195,261
Recycled water tertiary sales	200,615	171,265	29,350	17%	869,514	887,366	(17,852)	-2%	1,663,847	794,333
Service charge - Recycled water	24,422	28,017	(3,595)	-13%	91,250	112,069	(20,819)	-19%	336,207	244,957
TOTAL FROM RATES	2,407,112	2,360,058	47,053	2%	9,633,613	9,647,519	(13,906)	0%	25,518,637	15,885,024
<u>Non-rate Revenue</u>										
Admin fee	1,301	1,600	(299)	-19%	5,059	6,400	(1,341)	-21%	19,200	14,141
48 Hour notice fee	-	2,451	(2,451)	-100%	-	9,805	(9,805)	-100%	29,416.44	29,416
Restoration fee	-	370	(370)	-100%	-	1,480	(1,480)	-100%	4,440	4,440
Unpaid check fee	90	150	(60)	-40%	270	600	(330)	-55%	1,800	1,530
Cut lock fee	-	12	(12)	-100%	-	48	(48)	-100%	144	144
TOTAL NON-RATE	1,391	4,583	(3,192)	-70%	5,329	18,333	(13,004)	-71%	55,000	49,671
<u>Other Revenue</u>										
Interest	13,052	29,167	(16,114)	-55%	51,894	116,667	(64,773)	-56%	350,000	298,106
Change FMV Investment	(4,494)	-	(4,494)	0%	(18,009)	-	(18,009)	0%	-	18,009
Property taxes	90,192	87,792	2,400	3%	356,993	351,167	5,827	2%	1,053,500	696,507
Other	52,632	45,104	7,527	17%	197,417	180,417	17,000	9%	541,250	343,833
TOTAL OTHER REVENUE	151,383	162,063	(10,680)	-7%	588,295	648,250	(59,955)	-9%	1,944,750	1,356,455
<u>Contract Service</u>										
Santa Margarita W. D.	-	9,333	(9,333)	-100%	-	37,333	(37,333)	-100%	112,000	112,000
Moulton Niguel W. D.	-	1,958	(1,958)	-100%	11,000	7,833	3,167	40%	23,500	12,500
TOTAL CONTRACT SERVICES	-	11,292	(11,292)	-100%	11,000	45,167	(34,167)	-76%	135,500	124,500
TOTAL REVENUE	\$ 2,559,885	\$ 2,537,996	\$ 21,889	1%	\$ 10,238,237	\$ 10,359,269	\$ (121,032)	-1%	\$ 27,653,887	\$ 17,415,650

**EL TORO WATER DISTRICT
NON-RATE REVENUE ANALYSIS
FOR THE MONTH ENDING October 31, 2020**

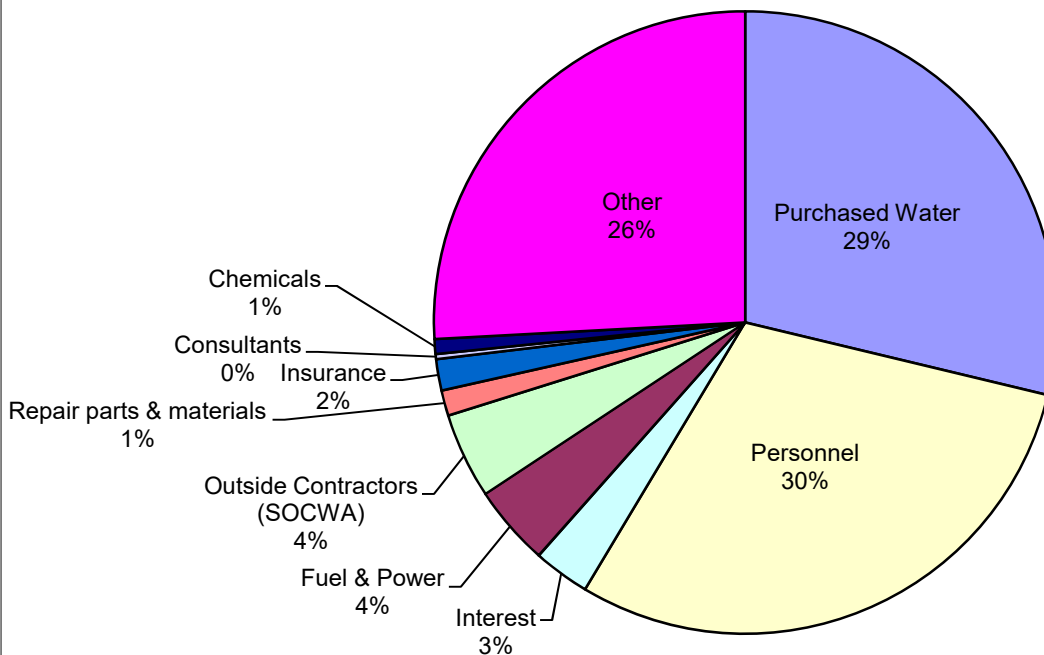
	Oct-20 Actual	Oct-20 Budget	Jul 20- Oct 20 YTD Actual	Jul 20- Oct 20 YTD Budget
Site Leases	15,613	19,583	66,739	78,332
MWD Recycled Water LRP Rebate	35,750	23,854	128,375	95,416
JPIA Refund		-	-	-
SOCWA Refund		-	-	-
Recycled Metal		-	928	-
Diesel Fuel Tax Refund	740	-	740	-
Sale of District Trucks		-	-	-
Misc Work for Customers	530	1,667	636	6,668
	<u>\$ 52,632</u>	<u>\$ 45,104</u>	<u>\$ 197,417</u>	<u>\$ 180,416</u>
Other Operating Income				
Sales to Santa Margarita	-		-	
Sales to Moulton Niguel	-		-	
	<u>-</u>		<u>-</u>	
Total	<u><u>52,632</u></u>		<u><u>197,417</u></u>	

WHERE THE MONEY GOES

YTD EXPENSES AT 10/31/20



EXPENSES YEAR ENDING 6/30/20



EL TORO WATER DISTRICT
Expense Comparison
For the Month Ended October 31, 2020

	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	\$684,729	\$715,783	\$31,054	4%	\$2,665,354	\$2,863,132	\$197,779	7%	\$8,589,397	5,924,043
Purchased water	726,512	819,458	92,946	11%	3,083,463	3,281,869	198,405	6%	7,878,746	4,795,283
Electrical power	105,348	93,617	(11,731)	-13%	501,213	374,467	(126,746)	-34%	1,123,400	622,187
Repair parts & materials	22,300	33,824	11,523	34%	102,888	135,295	32,407	24%	405,885	302,997
Equipment repairs & maintenance	3,226	10,286	7,060	69%	40,321	41,143	823	2%	123,430	83,109
Pump repairs & maintenance	14,191	8,292	(5,899)	-71%	30,892	33,167	2,275	7%	99,500	68,608
Motor repairs & maintenance	1,185	2,792	1,607	58%	1,185	11,167	9,982	89%	33,500	32,315
Electrical repairs & maintenance	2,169	6,633	4,464	67%	8,974	26,533	17,559	66%	79,600	70,626
Meter repairs & maintenance	0	488	488	100%	1,673	1,950	277	14%	5,850	4,177
Chemicals	19,415	18,225	(1,190)	-7%	75,621	72,900	(2,721)	-4%	218,700	143,079
Structure repairs & maintenance	5,269	2,694	(2,575)	-96%	15,241	10,777	(4,464)	-41%	32,331	17,090
Asphalt repairs & maintenance	6,160	6,917	757	11%	6,160	27,667	21,507	78%	83,000	76,840
Consultants - outside	2,719	4,696	1,977	42%	3,811	18,783	14,972	80%	56,350	52,539
Contractors - outside	108,077	98,705	(9,372)	-9%	422,792	394,822	(27,970)	-7%	1,184,466	761,674
Engineers - outside	676	11,583	10,907	94%	92,668	46,333	(46,335)	-100%	139,000	46,332
Dump fees	815	1,500	685	46%	7,498	6,000	(1,498)	-25%	18,000	10,502
Laboratories	1,005	2,408	1,403	58%	8,483	9,633	1,151	12%	28,900	20,417
License & permits	334	15,026	14,692	98%	22,622	60,102	37,481	62%	180,306	157,685
Automotive fuel & oil	8,337	8,750	413	5%	32,623	35,000	2,377	7%	105,000	72,377
Equipment rental	1,736	1,675	(61)	-4%	6,673	6,700	27	0%	20,100	13,427
Landscaping	9,334	13,670	4,336	32%	23,999	54,679	30,680	56%	164,038	140,039
Small tools & equipment	12,048	5,583	(6,465)	-116%	22,559	22,333	(226)	-1%	67,000	44,441
Security	1,599	1,588	(11)	-1%	6,398	6,351	(46)	-1%	19,055	12,657
Operating supplies	2,715	4,688	1,973	42%	26,002	18,753	(7,249)	-39%	56,260	30,258
Safety equipment	215	3,000	2,785	93%	8,485	12,000	3,515	29%	36,000	27,515
Temporary help	0	2,292	2,292	100%	0	9,167	9,167	100%	27,500	27,500
Other employee cost	11,318	9,250	(2,068)	-22%	76,679	37,000	(39,679)	-107%	111,000	34,321
Employee service awards	400	342	(58)	-17%	2,550	1,367	(1,183)	-87%	4,100	1,550
Education & training	210	2,833	2,623	93%	3,269	11,333	8,065	71%	34,000	30,731
Total Operating Expenses	1,752,042	1,906,597	154,554	8%	7,300,095	7,630,425	330,330	4%	20,924,414	13,624,319

EL TORO WATER DISTRICT
Expense Comparison
For the Month Ended October 31, 2020

	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	358,285	408,333	50,048	12%	1,433,140	1,633,333	200,193	12%	4,900,000	3,466,860
Amortization	570	571	0	0%	2,282	2,283	1	0%	6,850	4,568
Insurance	27,411	25,981	(1,430)	-6%	103,800	103,924	125	0%	311,773	207,973
Retiree Medical Insurance	26,367	24,554	(1,814)	-7%	88,429	98,215	9,786	10%	294,645	206,216
Data processing supplies & assoc.	519	2,083	1,564	75%	8,130	8,333	203	2%	25,000	16,870
Data processing equipment	3,611	2,500	(1,111)	-44%	8,765	10,000	1,235	12%	30,000	21,235
Data processing consultants	-	3,333	3,333	100%	1,800	13,333	11,533	87%	40,000	38,200
Software maintenance & licenses	8,559	13,417	4,857	36%	43,714	53,667	9,953	19%	161,000	117,286
Janitorial	6,625	3,133	(3,491)	-111%	26,499	12,533	(13,966)	-111%	37,600	11,101
Printing & reproduction	253	1,550	1,297	84%	3,995	6,200	2,205	36%	18,600	14,605
Publications & subscriptions	0	250	250	100%	0	1,000	1,000	100%	3,000	3,000
Communications - voice	1,529	1,833	305	17%	3,690	7,333	3,644	50%	22,000	18,310
Communications - data	4,963	4,750	(213)	-4%	18,750	19,000	250	1%	57,000	38,250
Communications - mobile	3,466	3,000	(466)	-16%	12,655	12,000	(655)	-5%	36,000	23,345
Utilities	1,086	2,276	1,189	52%	4,776	9,103	4,327	48%	27,310	22,534
Total Indirect Cost	443,244	497,565	54,321	11%	1,760,425	1,990,259	229,835	12%	5,970,778	4,210,353
<u>Overhead Cost</u>										
Annual events	0	500	500	100%	0	2,000	2,000	100%	6,000	6,000
Audit	6,780	2,142	(4,638)	-217%	20,700	8,567	(12,133)	-142%	25,700	5,000
Bad debts	(201)	1,667	1,868	112%	(253)	6,667	6,919	104%	20,000	20,253
Bank charges	5,992	5,250	(742)	-14%	20,293	21,000	707	3%	63,000	42,707
Directors fees	10,731	10,000	(731)	-7%	42,486	40,000	(2,486)	-6%	120,000	77,514
Dues & memberships	6,901	7,278	377	5%	25,278	29,113	3,835	13%	87,340	62,062
Election Expense	0	2,917	2,917	100%	0	11,667	11,667	100%	35,000	35,000
Interest	63,054	63,054	0	0%	252,216	252,216	0	0%	756,649	504,433
Legal	9,637	8,942	(695)	-8%	44,841	35,767	(9,074)	-25%	107,300	62,459
Meetings, conventions & travel	125	3,250	3,125	96%	844	13,000	12,156	94%	39,000	38,156
Meets, con & travel - Directors	-	3,542	3,542	100%	1,173	14,167	12,994	92%	42,500	41,327
Office supplies	5,541	1,650	(3,891)	-236%	8,123	6,600	(1,523)	-23%	19,800	11,677
Postage	3,123	1,708	(1,415)	-83%	3,551	6,833	3,282	48%	20,500	16,949
Property taxes	3	717	714	100%	45	2,867	2,822	98%	8,600	8,555
Advertising & Publicity	0	167	167	100%	6,200	667	(5,533)	-830%	2,000	(4,200)
Public education & outreach	12,681	15,392	2,711	18%	38,212	61,567	23,355	38%	184,700	146,488
Total Overhead Cost	124,368	128,174	3,806	3%	463,709	512,696	48,987	10%	1,538,089	1,074,380
TOTAL EXPENSES	\$2,319,654	\$2,532,336	\$212,681	8%	\$9,524,229	\$10,133,380	\$609,152	6%	\$28,433,281	\$18,909,052



STAFF REPORT

TO: BOARD OF DIRECTORS

MEETING DATE: November 23, 2020

FROM: Dennis Cafferty, General Manager

**SUBJECT: Amendments to the El Toro Water District Retirement Savings Plan
and Deferred Compensation Plan**

The El Toro Water District retirement plan options consist of two separate plans. The terms and conditions defining each plan are described in two separate plan documents. The two plans are:

- ETWD Retirement Savings Plan (401k Plan)
- ETWD Deferred Compensation Plan (457 Plan)

Proposed Amendments

Match Investment

The primary difference between the two retirement plan options is the management of the investments. The 401k plan is professionally managed by an investment advisor (HighMark) under contract with the District and guided by the Investment Policy Statement adopted by the District in 2018. The 457 Plan is “self-directed”, allowing each participating employee to manage their own investments and risk/return objectives by selecting from a suite of investments offered by Prudential and determining how to allocate their deferred compensation to the various investments.

The employee may direct their elective deferred compensation to either or both of the 401k and 457 plans. The District contributes a flat 9% to each employee’s retirement and matches each employee’s contribution (up to 10%) at 75%. The District’s 9% contribution and the District match component are currently invested only in the 401k Plan.

The current plans maintain District control over the majority of the employees' retirement investments. Each employee has unique and personal preferences about the management of their investments. Some have chosen to put all their deferred compensation into the 401k Plan, relying on the professional management of the investments. Others divert most or all of their deferred compensation to the 457 Plan where they can exercise greater control of the investments and seek greater returns while also accepting greater risk.

Staff is proposing the Board consider amending the Plans to allow employees to decide whether to direct the District's match for their deferred compensation to the 457 Plan or continue directing the District's match to the 401k Plan. This amendment would allow those employees who desire more discretion in their personal retirement planning to direct the District's match to the 457 plan while retaining the security of the District managed 401k Plan for the District contribution and allowing employees who choose to direct the District match to the 401k Plan to also participate in the professionally managed plan. This amendment would preserve the ability of Employees to rely on the 401k Plan for the current professional management option but also allow employees that are otherwise inclined to self-direct a greater portion of their investment.

CARES Act

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Among other relief, this law allows retirement plans similar to that provided by the District to provide a new form of distribution to eligible individuals affected by the coronavirus to alleviate financial burdens caused by the outbreak of the virus. Eligibility requires employees self-certify they suffer from one of several adverse financial consequences of the coronavirus pandemic.

Specifically, the CARES Act allows coronavirus-related distributions to eligible employees up to an amount of \$100,000 with no early withdrawal penalties. The CARES Act also provides for an increase in the Plan loan limits, for eligible employees, from \$50,000 to \$100,000 and reduces certain loan limitations and repayment period requirements.

Material from Prudential defining the CARES Act opportunities is attached. In order to make these opportunities available to the District's employees, the District is required to notify Prudential of the District's intent to amend the Plans to incorporate the coronavirus-related distributions.

Recommendation

Staff recommends the District amend the Plans as described above and make further various amendments to make the Plans consistent with current practices and law. Should the Board concur with Staff's recommendation, staff will work with the District's ERISA Counsel and with Prudential to develop redline documents defining the amended language for each of the two Plans. Staff proposes to bring the amended documents to the Board for approval in December.

Recommended Action:

Staff recommends that the Board of Directors direct staff to prepare amendments, for approval by the Board, to the ETWD Retirement Savings Plan and ETWD Deferred Compensation Plan to 1) Allow employees the discretion to direct the District's matching funds from salary deferrals to the Retirement Savings Plan (401k) or to the Deferred Compensation Plan (457); 2) Offer employees the option of Coronavirus-related distributions per the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) and 3) make further amendments to align the Plans with current practice and law.

Prudential Retirement® Directive Coronavirus Aid, Relief, and Economic Security Act of 2020 [HR 748, “CARES ACT”] Directive Authorization

The Coronavirus Aid, Relief, and Economic Security Act of 2020 (the “CARES Act”), which was signed into law on March 27, 2020, contains several provisions affecting retirement plans in the area of distributions and loans due to the impact and effects of the Coronavirus. For a detailed summary of the CARES Act of 2020 see our March 2020 issue of [Pension Analyst](#).

TEMPORARY WAIVER OF REQUIRED MINIMUM DISTRIBUTIONS (“RMD”)

A participant or beneficiary who would have been required to receive required minimum distributions (RMD) under prior law but did not receive those distributions before January 1, 2020 from an Eligible Retirement Planⁱ is not required to receive those distributions for 2020.

For participants and beneficiaries that have not had an RMD distributed as of April 10, 2020, Prudential Retirement (“Prudential”) will not process an RMD distribution. This includes 2020 RMD payments for participants and beneficiaries who began receiving them earlier (e.g., attained 70-1/2 before 2019), and participants and beneficiaries who under prior law have a required beginning date in 2020 (both the 2020 RMD payment and the 2019 RMD payment to the extent it was not previously made). For post-death RMDs, the one-year period is disregarded for purposes of the five-year payout requirement for deaths occurring before January 1, 2020. If the 2020 RMD payment is made, it is not treated as an eligible rollover distribution for certain purposes, but some amounts may be rolled over.

Participants and beneficiaries described above will be given the opportunity to elect to receive an RMD described above.

CORONAVIRUS-RELATED DISTRIBUTIONS (“CRD”)

A Coronavirus-Related Distribution (“CRD”) is a distribution from an Eligible Retirement Plan made on or after January 1, 2020 and before December 31, 2020, to an individual:

- who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention
- whose spouse or dependent (as defined in Code section 152) is diagnosed with such virus or disease
- who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

The maximum CRD for an individual from all Eligible Retirement Plans and IRAs is \$100,000. The Plan Sponsor should monitor related Eligible Retirement Plans for this limitation.

The following special tax provisions apply to a CRD:

- The 10% early withdrawal penalty under IRC section 72(t) does not apply to any CRD. Prudential will report the entire distribution amount on Form 1099-R for the year of distribution. Prudential, however, will not report the distribution as exempt from the 10% penalty. If future IRS guidance permits it, a participant may claim exemption from the penalty when filing his/her individual tax return.
- An individual who receives a CRD may repay the distribution during the 3-year period beginning on the day after the date on which such distribution was received. The repayment is treated as an eligible rollover distribution that has been transferred to the Eligible Retirement Plan in a direct trustee to trustee transfer within 60 days of the distribution.
- Any amount required to be included in gross income (such as any portion of a CRD that a participant does not repay within 3 years) may be included in gross income over the 3-taxable-year period beginning with the year of distribution. Prudential, however, will tax report the entire amount on Form 1099-R for the year of distribution. If future IRS guidance permits, a participant may claim the 3-year (or shorter period) when filing his/her tax return.
- CRDs are not subject to the mandatory 20% withholding rules that apply to eligible rollover distributions.
- CRDs are allowed from 401(k) and 403(b) and governmental 457(b) plans without regard to whether the employee separated from service, attained aged 59½, or any of the other plan distribution requirements.

Participants cannot obtain favorable tax treatment on the CRD by rolling it to a qualified retirement plan or an IRA. Prudential will treat any repayments of CRDs as pre-tax rollover contributions.

If you intend to amend your Plan to offer CRDs under the CARES Act, please make your elections below

- The Plan will be amended to permit CRDs as permitted under the CARES Act up to \$100,000 unless elected below:
 - The Plan will limit CRDs to \$50,000.
 - The Plan will limit CRDs to \$25,000.

The CARES Act allows all contribution source types, except for sources attributable to Money Purchase dollars to be eligible for a distribution. If the Plan has any existing restrictions on in-service withdrawals (e.g., minimum amount or maximum number of withdrawals), those restrictions will be applied to the CRD. Amounts invested in Employer Securities are not available for a CRD.

LOANS

If you intend to amend your Plan to offer participants loan relief available under the CARES Act, please complete below, otherwise skip this section.

In general, if a retirement plan allows for loans, the loan is not treated as a taxable distribution to a participant if it is used to purchase a main home, or the loan is repaid within five years. The maximum amount of the loan cannot exceed the lesser of \$50,000 or one-half of the present value (but not less than \$10,000) of the taxpayer's vested benefit under the plan. This amount is then reduced by the highest outstanding balance of all loans during the past 12 months. Under the CARES Act, there is loan relief for a "qualified individual." A qualified individual is an individual who would be eligible to receive a CRD, as described on the preceding page.

For a qualified individual who requests a new loan between March 27 and December 31, 2020, (1) the \$50,000 limit is increased to \$100,000, (2) the one-half of the vested benefit limit is increased to 100% of the vested account balance, (the amount is still reduced by the highest outstanding loan balance during the past 12 months), and (3) the repayment period for any loan may be delayed by 1 year if the payment due date of the loan occurs sometime between March 27, 2020 and December 31, 2020. The remaining payments should be appropriately adjusted to reflect the delay and any interest accruing during the delay. The delay is disregarded in determining the term of the loan (for purposes of determining the statutory maximum loan term). The CARES Act does not override any existing loan restrictions under a plan (e.g., number of outstanding loans, restrictions after a loan default).

Please note that Prudential will not automatically delay loan repayments. Any requests for a delay for up to one year must be in writing to Prudential by either an authorized representative of the employer or a participant who certifies the participant's eligibility for the delay. This documentation will be retained at Prudential for audit purposes. Additional administrative details will be forthcoming.

If you intend to amend your Plan to offer loan relief available under the CARES Act, please select one or both of the elections below:

- The Plan will Increase the Plan loan dollar limit to the lesser of \$100,000 or 100% of the participant's vested account balance.
- The Plan will allow for the delayed payments of outstanding loans for up to 1 year. Please see the cover communication for additional details.



CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT OF 2020 [HR 748, “CARES ACT”] AUTHORIZATION FORM

Plan Sponsor Authorization

Prudential will update its recordkeeping system as soon as administratively practicable after receipt of this Directive in good order to allow participants to take CRDs and loans under the relief offered by the CARES Act. Plan Sponsors must amend plan documents to reflect the new terms. The deadline for amending plans to include this relief is the last day of the first plan year beginning on or after January 1, 2022 (governmental plans get an additional 2 years), or such later date as provided by the Secretary of the Treasury. Plans are not required to offer this relief. These are optional plan provisions.

As an authorized signer for the Plan Sponsor, I direct Prudential to rely on this Directive to update its recordkeeping system (and, if Prudential’s plan document services have been elected, draft plan amendments) that it maintains on behalf of the Plan and Plan Sponsor and to process any distribution and loan transactions in accordance with this Directive.

If Prudential does not provide plan document services for your Plan, please provide a copy of this Directive to your plan document provider to complete an amendment. Please provide a signed copy of your plan amendment to Prudential for our retention with records of your Plan.

Please return the completed Directive to CARESactSelection@prudential.com.

Plan Name: _____

Plan Number: _____

Plan Sponsor: _____

Date: _____

Signed/Typed: _____

Title: _____



ⁱ **Eligible Retirement Plan:** a profit-sharing plan, including a 401(k) plan a 403(b) plan, or a governmental 457(b) plan.



PENSION ANALYST



Important information—Plan administration and operation

IRS provides CARES Act distribution and loan guidance

Who's affected

This guidance applies to sponsors of and participants in qualified plans, ERISA and non-ERISA 403(b) plans, and governmental 457(b) plans.

Background and summary

[The Coronavirus Aid, Relief, and Economic Security Act \("CARES Act"\)](#) enacted on March 27, allows plans to provide a new form of distribution to eligible individuals affected by coronavirus to alleviate financial burdens caused by the outbreak of the virus. It also lessens the tax consequence related to these special distributions. The law also allows plans to provide increased loan limits and delayed loan repayment deadlines for eligible individuals.

On Friday, June 19, the IRS issued [Notice 2020-50](#), providing guidance regarding the special coronavirus-related distribution (CRD) and loan provisions, including clarification of:

- An individual's eligibility for CARES Act relief;
- The types of distributions that may be classified as CRDs;
- Applicable federal tax withholding and reporting rules; and
- Plan loan repayment suspension provisions.

On Tuesday, June 23, the IRS also provided guidance relating to the waiver of 2020 required minimum distributions (RMDs) in [Notice 2020-51](#). This notice will be discussed in an upcoming Pension Analyst publication.

Action and next steps

Plans sponsors that adopted CARES Act relief should review this publication to become familiar with the rules that apply to CARES Act distributions and loans.

In this issue

[Qualified individuals](#)

[CRDs](#)

[Recontribution of CRDs](#)

[CARES Act plan loans](#)

[Plan amendments](#)

[Permitted cancellation of deferral election under nonqualified plan](#)

[Next steps](#)

Qualified individuals

Under the CARES Act, a CRD is a distribution made to an individual:

- Who is diagnosed with the virus SARS-Co-V-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention,
- Whose spouse or dependent is diagnosed similarly with the virus or disease; or
- Who experiences “adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to the virus, being unable to work due to a lack of child care due to the virus, or closing or reducing hours of a business owned or operated by the individual due to the virus.”

The CARES Act granted authority to the Secretary of Treasury to provide additional factors for eligibility. Notice 2020-50 expands the list of factors for an individual to qualify as having adverse financial consequences to include:

- The individual having a reduction in pay (or self-employment income) due to COVID-19 or having a job offer rescinded or start date delayed due to COVID-19;
- The individual’s spouse or member of the individual’s household being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19, being unable to work due to lack of childcare due to COVID-19, having a reduction in pay due to COVID-19, or having a job offer rescinded or start date for a job delayed due to COVID-19; or
- Closing or reducing hours of a business owned or operated by the individual’s spouse or a member of the individual’s household due to COVID-19.

For these purposes, a member of the individual’s household is someone who shares the individual’s principal residence.

CRDs

A CRD is defined as any distribution made on or after January 1, 2020, and before December 31, 2020, to a qualified individual. The amount of aggregate distributions from all eligible retirement plans that can be treated as coronavirus-related distributions for a qualified individual is limited to no more than \$100,000.

The following types of distributions may be considered CRDs:

- Periodic payments;
- Amounts that would have been required minimum distributions if the 2020 CARES Act waiver had not applied;
- Plan loan offsets amounts;
- Hardship withdrawals;
- In-service withdrawals; and
- Termination of employment or retirement distributions.

CRDs are not eligible for direct rollover. As a result, plan administrators do not have to provide section 402(f) rollover notices before making these distributions and the distributions are not subject to 20% federal withholding. However, they are subject to the alternative 10% voluntary withholding. They are not subject to the 10% additional tax on early distributions.

CRDs must be reported on Form 1099-R, even if they are recontributed to the same plan during the same year. These distributions are automatically taxed pro-rata, over the 3-year period beginning with the year of distribution, unless the individual elects to treat the entire amount as taxable in the year he or she receives the distribution. In accordance with IRS guidance, Prudential will report the entire amount on Form 1099-R for the year of distribution and leave it to the individual to choose the actual tax treatment when filing Form 8915-E with his or her tax return. Form 8915-E is expected to be available before the end of 2020.

The administrator of an eligible retirement plan may rely on an individual’s certification that the individual satisfies the conditions to be a qualified individual in determining whether a distribution is a CRD, unless the administrator has actual knowledge to the contrary. This “actual knowledge” requirement does not require the administrator to inquire into whether an

©2020 Prudential Financial, Inc. and its related entities.

Prudential, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

individual has satisfied the conditions to be a qualified individual. Rather, it is limited to situations in which the administrator already possesses information regarding the accuracy of a certification. While an administrator may rely on an individual's certification in making and reporting a distribution, the individual is entitled to treat the distribution as a CRD on his or her tax return only if he or she actually meets the CRD eligibility requirements.

A qualified individual is generally permitted to designate a distribution as a CRD on his or her tax return if the individual qualifies and the distribution meets the conditions for a CRD, even if the plan did not treat the distribution as a CRD.

Recontribution of CRDs

In general, CRDs that are eligible for tax-free rollover treatment may be recontributed to eligible retirement plans. This includes hardship withdrawals that meet the CRD requirements, even though hardship withdrawals are not normally eligible to be rolled over.

Participant recontributions must be made within the 3-year period beginning on the day after the date the distribution is made. For example, if a plan makes a CRD on June 17, 2020, the retribution deadline would be June 18, 2023. A different retribution deadline applies to each CRD distribution made to an individual. Recontributions do not have to be made to the plan that made the original distribution, and partial recontributions are permitted.

When accepting recontributions, plan sponsors and administrators must reasonably conclude that the amount is eligible for retribution and is being made during the appropriate timeframe. Plan sponsors may rely on the individual's reasonable representations that the distribution was a CRD, unless the plan administrator has actual knowledge to the contrary. Recontributions are to be treated as direct rollover contributions. As a result, Prudential will hold these in a rollover contribution source. If a plan does not accept rollover contributions, the plan is not required to change its terms or procedures to accept recontributions of CRDs.

CARES Act plan loans

The limit on CARES Act loans is the lesser of \$100,000 or 100% of the participant's vested account balance. The CARES Act also allows plan sponsors to suspend for one year loan repayments due during the period beginning on March 27, 2020, and ending on December 31, 2020. Any subsequent repayments of the loan shall be adjusted to appropriately reflect the delay and any interest accruing during the delay. The period of the delay is disregarded in determining the 5-year period and the term of the loan. Plans are not required to provide these CARES Act repayment suspensions but may choose to do so.

The IRS guidance provides a safe harbor for loan repayment suspensions. Under this safe harbor, a plan sponsors suspends repayments due during the period beginning March 27, 2020, and ending on December 31, 2020 (the "suspension period"). Loan repayments resume at the end of the suspension period, adjusted for the interest accruing during the suspension period, and the term of the loan is extended by up to one year from the date the loan was originally due to be repaid.

For example:

- Martha borrowed \$20,000 on April 1, 2020, to be repaid over a 5-year period.
- Monthly payroll deduction repayments were \$368.
- Martha made these repayments through June 30, 2020.
- Martha is a qualified individual under the CARES Act.
- At her request, the plan sponsor suspends her loan repayments for the period beginning July 1, 2020, through December 31, 2020.
- Martha's payments resume on January 1, 2021, with the monthly amount at \$343 for the loan to be repaid by March 31, 2026 (the date the loan originally would have been repaid, plus 1 year).

The guidance notes that other methods of applying the CARES Act suspension provision are also possible.

©2020 Prudential Financial, Inc. and its related entities.

Prudential, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

Plan amendments

Sponsors of qualified plans, ERISA 403(b) plans, and governmental section 457(b) plans that want to offer CRDs or CARES Act plan loans or temporarily suspend loan repayments will need to amend their plans to reflect these provisions. In general, the amendment deadline will not be earlier than the last day of the first plan year beginning on or after January 1, 2022. For governmental plans, the amendment deadline will not be earlier than the last day of the first plan year beginning on or after January 1, 2024. If Prudential Retirement provides document services for your plan, we will work with you to draft the appropriate amendments to reflect your plan's elected provisions by the appropriate deadline.

Permitted cancellation of deferral election under nonqualified plan

A nonqualified deferred compensation plan may provide for a cancellation of a service provider's deferral election, or such a cancellation may be made, due to an unforeseeable emergency or a hardship distribution. If a service provider receives a distribution from an eligible retirement plan that constitutes a CRD, that distribution will be considered a hardship distribution. As a result, a nonqualified deferred compensation plan may provide for a cancellation of the service provider's deferral election, or such cancellation may be made, due to a CRD. The deferral election must be cancelled, not merely postponed or otherwise delayed.

Next steps

Prudential Retirement will be contacting plan sponsors in the near future to provide information on how we will accommodate this guidance in our CARES Act offering.

Pension Analyst by Prudential Retirement

The Pension Analyst is published by Prudential Retirement, a Prudential Financial business, to provide clients with information on current legislation and regulatory developments affecting qualified retirement plans. This publication is distributed with the understanding that Prudential Retirement is not rendering legal advice. Plan sponsors should consult their attorneys about the application of any law to their retirement plans.

Editor: Julie Koos

(563) 585-6811

©2020 Prudential Financial, Inc. and its related entities.

Prudential, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

MINUTES OF THE REGULAR MEETING
& OF THE
ENGINEERING COMMITTEE MEETING

October 19, 2020

At approximately 7:30 a.m. President Monin called the regular meeting to order via Zoom.

Director Havens led the Pledge of Allegiance to the flag.

Committee Members JOSE F. VERGARA, MARK MONIN, KATHRYN FRESHLEY, MIKE GASKINS, and KAY HAVENS participated.

Also participating were DENNIS P. CAFFERTY, General Manager, JUDY CIMORELL, Human Resources Manager, JASON HAYDEN, CFO, GILBERT J. GRANITO, General Counsel, RICK OLSON, Operations Superintendent, BOBBY YOUNG, Principal Engineer, RORY HARNISCH, Project Engineer, and POLLY WELSCH, Recording Secretary.

Oral Communications/Public Comments

There were no comments.

Items Received too Late to be Agendized

President Monin asked if there were any items received too late to be agendized.

Mr. Cafferty replied no.

New Employee Introduction

Mr. Cafferty introduced and provided a brief background on new employee, Jason Hayden, Chief Financial Officer (CFO).

Engineering Committee Meeting

Director Freshley called the Engineering Committee Meeting to order at 7:33 a.m.

Consent Calendar

Director Freshley asked for a Motion.

Motion: Director Vergara made a Motion, seconded by Director Havens, and unanimously carried across the Board to approve the Consent Calendar.

Roll Call Vote:

President Monin	aye
Vice President Gaskins	aye
Director Vergara	aye
Director Freshley	aye
Director Havens	aye

Engineering General Information Items

Capital Projects Status Report

Oso Lift Station Improvement Project

Mr. Cafferty stated that staff had a pre-construction meeting last week and we are working with the contractor to get them mobilized to the site next week starting with the demolition of the wall. He further stated that project completion is expected to be in June.

Director Freshley asked if the long lead times for equipment has been resolved. Mr. Cafferty replied that equipment has been ordered and is built into the schedule.

Phase II Recycled Water Distribution System Expansion Project

Mr. Cafferty stated that the East Side and West Side A are now all online. He further stated that 50 meters are converted.

Mr. Cafferty stated that we have now delivered 80 acre feet or 26 million gallons of recycled water to the Phase II system, and there are another 14 meters yet to connect which are in the more challenging area where the plumbing is associated with some potable irrigation that is under the homeowners control. He further stated that staff is working with a consultant that has experience in this area and the Division of Drinking Water to resolve this issue.

Mr. Cafferty stated that staff may go back to the original contractor to get another proposal to do the work as a change order. He further stated that the investment in the distribution system is beginning to pay off.

Cal trans

Mr. Cafferty stated that we have been under construction for the areas we were able to approve where Cal Trans had accepted the liability for costs. He further stated that these costs included the relocation and adjusting the profile of an existing 8" water line and adding steel casing around the 8" water line and a 16" water line across the freeway next to our yard.

Mr. Cafferty stated that there is also some sewer line work that needs to be relocated to accommodate where Edison is moving a power pole. He further stated that most of this work is complete, but there are some additional phases that will happen as we work within the scheduled construction of the freeway.

Mr. Cafferty stated that there are two items which we have not yet reached agreement on; one is a fire hydrant relocation, and one is a water meter relocation. He further stated that we feel that these are Cal Trans' responsibility, and they feel it is not their responsibility. Mr. Cafferty stated that these two items amount to approximately \$20,000.

WRP Sludge Truck

Mr. Cafferty stated that the WRP sludge truck has been delivered and is in service. He further stated that staff is extremely appreciative to the Board.

Joint Transmission Main

Mr. Cafferty stated that we have a connection on the west side of the freeway which we have capacity in the pipeline since 1986 which was technically in the MNWD service area after the acquisition of the private utilities by the ETWD. He further stated that there was a LAFCO reorganization adopted that moved 640 acres being served by ETWD into the ETWD service area and along with this MNWD parted with 2 cfs capacity in the Joint Transmission Main to assist in serving these areas.

Mr. Cafferty stated that when ETWD got 2 cfs capacity in the Joint Transmission Main, which is supplied by East Orange County Feeder No. 2 that comes from Diemer, we did not receive 2 cfs capacity from the EOC Feeder No. 2 pipeline. He further stated that the District does not make regular use of the owned capacity in the Joint Transmission Main because it does not meet our pressure requirements.

Mr. Cafferty stated that a small pump station could be built to assist with the boosted pressure. He further stated that this could be a capital project in the future.

Mr. Cafferty stated that we pay \$4,000 - \$5,000 a year in maintenance costs for the Joint Transmission Main, and a periodic capital cost which varies. He further stated that the cost of a pump station would begin with a preliminary design which would further define capital construction costs, on-going maintenance costs, and power costs.

Mr. Cafferty stated that staff will continue discussions with MNWD to acquire the capacity in EOC Feeder No. 2, put out an RFP for a consultant to prepare a preliminary design to determine a capital cost to build a small pump station and associated on-

going operating costs.

Director Freshley stated that since we have not been using the capacity why should we start now and raise the cost of getting the water from this pipeline compared to any other pipeline.

Director Vergara stated that this 2 cfs water would be coming from Diemer which is MET's treated water as opposed to Baker water which is untreated, so if Diemer fails then we would have an alternative. Mr. Cafferty stated that utilizing this 2 cfs water would not reduce our reliance on Baker.

Director Vergara suggested considering a Special Board meeting within the next month or so where we could discuss this item, the Dana Point Desalination Plant, Poseidon Desalination, and Orange County water storage and compare which projects would benefit ETWD as potential sources of water. Mr. Cafferty replied that staff will be working on scheduling a Special Board meeting on water supply projects, and close out the Strategic Plan.

Director Freshley asked about the status of the analysis at the Plant on the electrical usage and demand costs. Mr. Cafferty replied that staff is working with Edison to do pump efficiency testing at our facilities and comparing demand costs and billing practices, and how it impacts us.

MWDOC Economic Benefits Study

Mr. Cafferty stated that MWDOC has been discussing this study since April. He further stated that agencies are upset about the concept because of the justification of MWDOC's participation in the South Coast Doheny project.

Mr. Cafferty stated that many of the agency Managers were not aware of this study. He further stated that MWDOC is suggesting approval of this study on their next

Board meeting.

Mr. Cafferty stated the total cost for the study is \$270,000 which includes the contract with the Brattle Group which provides the hydraulic analysis and support from CDM Smith who provided the original reliability study. He further stated that he spoke to neighboring agency Managers and some don't feel the study is necessary, but they feel it will proceed.

Mr. Cafferty stated that agencies are asking what the real cost is going to be. He further stated that MWDOC plans to pay for this study out of Reserves, but at some point will likely plan to replenish their Reserves. The equivalent cost for ETWD of this project would be approximately \$10,000.

Director Havens stated that from a data collection point of view during this time of Covid-19, it's undergone radical disruption and so they are serving a population that is not normal and so the quality of the data is not going to be where it should be for normal times. Mr. Cafferty stated that he will discuss with MWDOC how the Residential survey data will be collected.

Director Vergara stated that he feels this message should be relayed to MWDOC in writing.

Director Vergara stated that he feels we should be sure to include the initial intent of the study which was to analyze the benefit of the Dana Point Desal project and any other reliability projects they may have.

Vice President Gaskins stated that he feels the study that MWDOC is doing doesn't fulfill a need at this point, although he favors the tie-in pipeline along Moulton that goes through our system that could be really useful. He further stated that if Doheny comes to fruition, then we would only need a pump for desalinated water to

come back to us.

Mr. Cafferty stated that his discussion with Karl Seckel of MWDOC reflected that their intent was that this study will be used to identify the impacts when there are shortages that could potentially apply as beneficial support to any reliability project with costs factored in as well. He further stated that they also feel that the Orange County Reliability Study looked at costs that they used as a metric was the rate that MET would charge for emergency water, which they don't fully feel that this rate embodies the other potential benefits of avoiding water shortages.

Mr. Cafferty stated that at the MWDOC Planning/Operations meeting, Director Freshley brought up the point that everyone understands that reliability is important, but why do we need to spend \$270,000 on this study to answer a question we already have the answer to.

Mr. Cafferty stated that he brought up a point to Mr. Seckel at the meeting about individual projects and how the study might play in the portfolio reliability and Mr. Seckel mentioned the Delta Conveyance and Carson projects.

President Monin stated that he is unsure that the metric being used is the right one for this study. Director Freshley stated that she agrees with President Monin and expressed so at the MWDOC Planning/Operations meeting.

Director Havens stated that these projects have power components and the price of power is increasing and wonders why there are no studies on the traveling wave and the saline situations currently under concern.

Director Vergara stated that one topic at a Special Board meeting could be whether we participate in Poseidon's Desal project or the Dana Point project. He further stated that for the \$10,000 cost of this study, we may need the answer for our

discussion instead of hiring someone to do analysis, and he feels the study is guided toward determining participation in the desalination projects.

Mr. Cafferty stated that each Board member can express their opinion at the MWDOC Board meeting.

President Monin stated that there is also a survey involved in this study. Mr. Cafferty stated that the survey is a key component of the study which is based on the survey analysis.

Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Comments Regarding Non-Agenda Engineering Committee Items

Director Freshley suggested that staff discuss with Third Mutual about having their staff separate the sprinklers in their patios from the common areas. Mr. Cafferty replied that staff is having conversations with the irrigation staff in the Village and they have been open to making modifications where necessary, and how to approach the residents on a site-by-site basis.

Adjournment

At approximately 9:10 a.m. the Engineering Committee meeting was adjourned.

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

MARK L. MONIN, President
of the El Toro Water District and the
Board of Directors thereof

DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and the
Board of Directors thereof

II Caltrans I-5 Widening Project

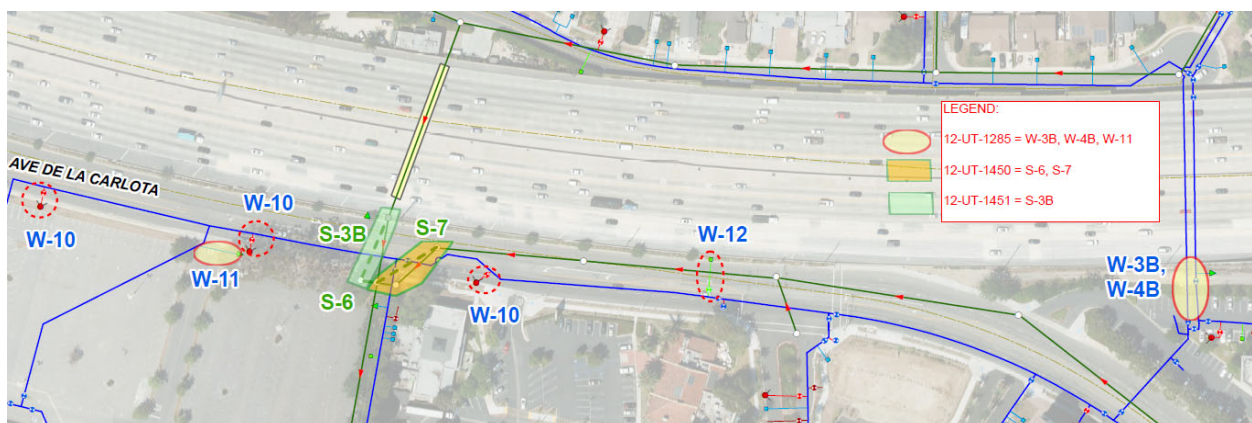
Caltrans continues to implement the I-5 Freeway Widening Project between El Toro Road and the 73 Toll Road. The portion of the project between Los Alisos Boulevard and El Toro Road will necessitate certain utility relocations.

Construction of the District’s utility relocations is complete for the current phase, which included extending a steel casing around an existing 16” waterline, re-profiling and extending a steel casing around an 8” waterline, realigning an 8” sewerline and lateral, installing a new manhole, and constructing the initial portion of 10” sewer realignment. The next phase of District utility relocations will be in conjunction with Caltrans’ Contractor work, as the existing freeway retaining wall will be relocated. Staff continues to work with Caltrans for reimbursement of agreed upon construction activities.

Staff continues discussions with Caltrans regarding the final two conflicts including one fire hydrant and one irrigation water meter. Both parties continue to contend that the remaining conflicts should be the liability of the other.

The approximate cost allocation of the utility relocations for which Caltrans has agreed to pay and the costs for those that are still in dispute are summarized as follows:

Total Contract Bid Amount	\$769,777
Approved Caltrans Liability	\$563,089
Scope Deletion (S-4)	(\$169,003)
ETWD Accepted Liability	\$20,704
Remaining Disputed Liability	\$16,981



III Dump Truck / Traffic Control Truck Replacement

The cab / chassis for the Dump Truck / Traffic Control Truck has been received by the District. The cab / chassis has been delivered to Specialty Equipment Company, the truck bed builder, to complete final components with an expected delivery date in December.

IV Oso Lift Station Improvement Project

Construction has begun with site fencing and demolition activities, including relocation of the existing standby generator in order to provide adequate clearance for excavation of the new wet well. The current project completion date is scheduled for summer of 2021 and the project remains on schedule at this time.



Project Milestone	Date
Notice To Proceed	July 20, 2020
Contract Duration	300 Days
(Delay due to Change Order 1)	(40 Days)
Start of Onsite Construction Activities	November 2, 2020
Anticipated End of Construction	July 2021



Financial Summary is as follows:

	Contract Amount	Billed to Date
Total Contract Bid Amount	\$1,954,236	\$ 0
Change Order 1	\$ 71,858	\$ 0
Specialty Inspections (Env., Geotech)	\$ 15,875	\$ 0
Eng. Services During Construction	\$ 84,000	\$ 0
Total	\$2,125,969	\$ 0
 Available Budget	 \$ 2,964,908	

Staff will continue to provide project updates at future Engineering Committee Meetings.



V South Orange County Supply and System Reliability Projects

A. East Orange County Feeder No. 2 / Joint Transmission Main Turnout

Staff has begun an evaluation of the hydraulics associated with the existing connection to the Joint Transmission Main. The evaluation will include field testing, while taking flow from the existing connection, to evaluate the actual flow and pressure capabilities and limitations associated with the use of the District’s existing capacity in the JTM.



**F.Y. 2020/21 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>2020/21 Capital Projects (reference number corresponds with Approved Budget item numbers)</i>														
1	R-2 Reservoir Interior Recoating		E	E	E	E	E	E	B	A	C		\$262,500	
2	R-2 Reservoir Exterior Recoating		E	E	E	E	E	E	B	A	C		\$80,000	
5	4920 Siphon Stabilization										E	E	\$150,000	
6	WRP Main Electrical Power Breaker Upgrade	(Deferred due to extended life from Maintenance service)											\$80,000	\$0
10	Main Office / Field Office HVAC Replacement & Improvement Project	ET	E	E	E	P	B	A	C				\$157,500	
<i>2020/21 Capital Equipment (reference number corresponds with Approved Budget item numbers)</i>														
1	La Paz MCC and PLC Upgrade - Engineering	ET	ET	ET									\$140,000	
2	Aeration Basin No. 1 Diffusers	E	E				B	B	A	C	C	C	\$170,000	
4	Effluent Pump Station Pump Replacement							B	B	A	C	C	\$100,000	
<i>Carryover</i>														
	Oso Lift Station Improvement Project	C	C	C	C	C	C	C	C	C	C	C	\$1,000,000	\$1,954,322
	Grit Chamber Rehab/Re-Coating			E	E	E	E	B	A	C	C	C	\$85,000	
	OOPS Emergency Generator Replacement	E	E	E	E	E	B	A	C				\$220,000	
	R-6 Floating Cover Replacement Project			RFP	RFP	RFP	RFP	ET	A	E	E	E		
	Caltrans Widening Utility Relocations	C	C	C	C									\$769,777
	Clarifier No. 3 and 4 Scum Pump Station								B	B	A/O	C	\$80,000	
	Master Plan Update	RFP	RFP										\$350,000	
Total													\$2,875,000	\$2,724,099

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
L = Legal

ET = Evaluate
M = Monitoring
BP = Board Presentation

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.