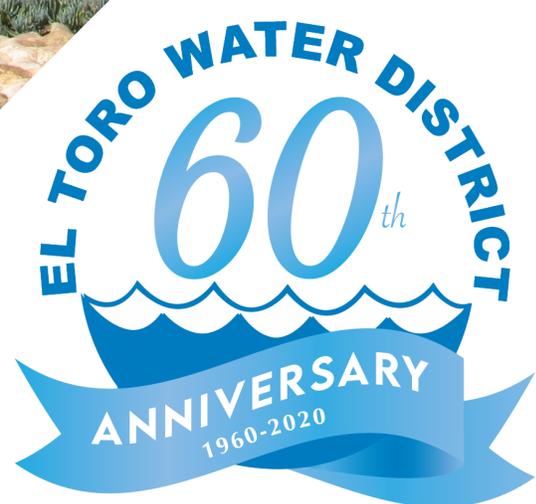


COMPREHENSIVE ANNUAL FINANCIAL REPORT

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
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INTRODUCTORY SECTION

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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

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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

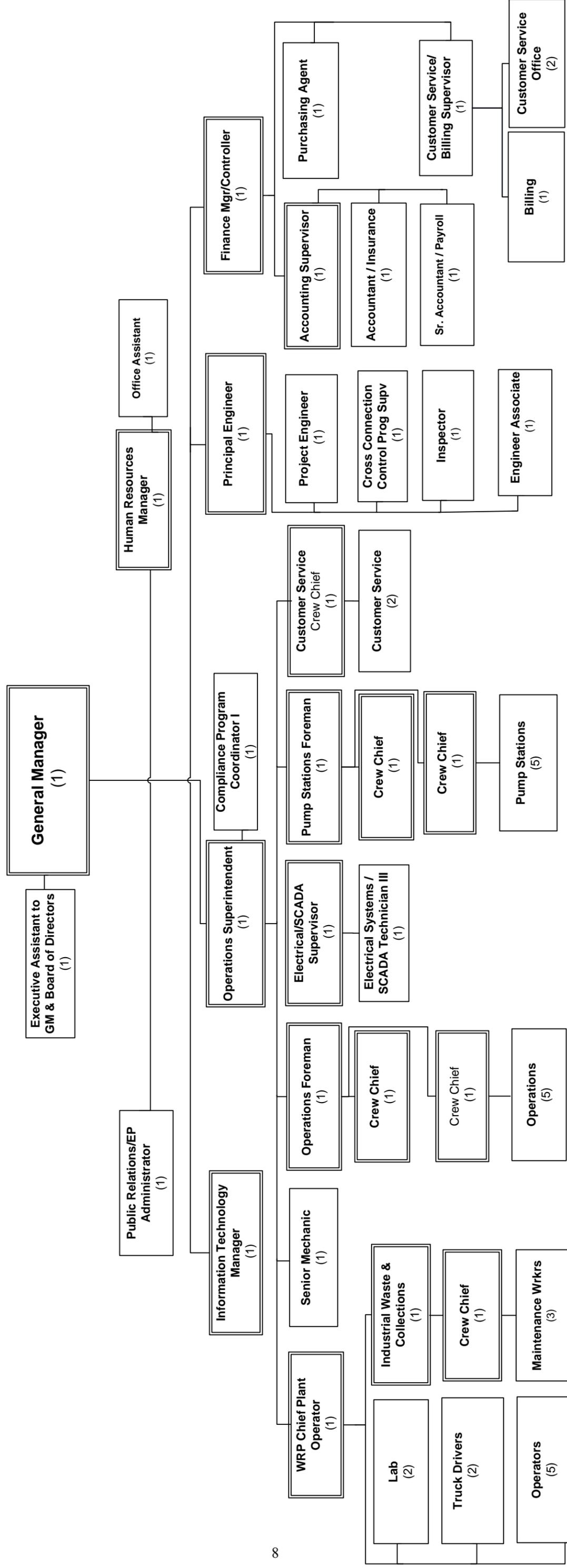
Jason Hayden, Chief Financial Officer

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

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FINANCIAL SECTION

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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%).

	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			2020 - 2019		2019 - 2018			
	June 30, 2020	June 30, 2019	\$	%	June 30, 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			2020 - 2019		2019 - 2018			
	June 30, 2020	June 30, 2019	\$	%	June 30, 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.

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BASIC FINANCIAL STATEMENTS

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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.

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

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
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	<u>25,197,330</u>	<u>24,663,457</u>
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	<u>27,981,030</u>	<u>26,928,835</u>
OPERATING LOSS	<u>(2,783,700)</u>	<u>(2,265,378)</u>
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)	<u>967,038</u>	<u>1,874,079</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,816,662)	(391,299)
CAPITAL CONTRIBUTIONS	<u>2,894</u>	<u>1,985,903</u>
CHANGES IN NET POSITION	(1,813,768)	1,594,604
NET POSITION - BEGINNING OF YEAR	<u>64,553,048</u>	<u>62,958,444</u>
NET POSITION - END OF YEAR	<u>\$ 62,739,280</u>	<u>\$ 64,553,048</u>

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	382,453	-
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	1,416,509	1,011,692
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets, net	(1,727,646)	(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	(4,679,163)	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.

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NOTES TO BASIC FINANCIAL STATEMENTS

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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.

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	<u>2,273,045</u>	<u>2,334,664</u>
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	<u>18,386,771</u>	<u>18,169,848</u>
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	Total	Not				
Investment Type	Legal	as of	Rated	Aaa	Aa2	Aa3	Other
	Rating	June 30, 2020					
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				
Investment Type	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	<u>(292,405)</u>
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	<u>(237,713)</u>
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	<u>2,625,086</u>	-
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.

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REQUIRED SUPPLEMENTARY INFORMATION

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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%
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Covered - employee payroll	\$ 5,889,881	\$ 5,709,337	\$ 5,696,461
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Net OPEB liability as percentage of covered - employee payroll	285.98%	266.31%	196.47%
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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.

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STATISTICAL SECTION

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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**

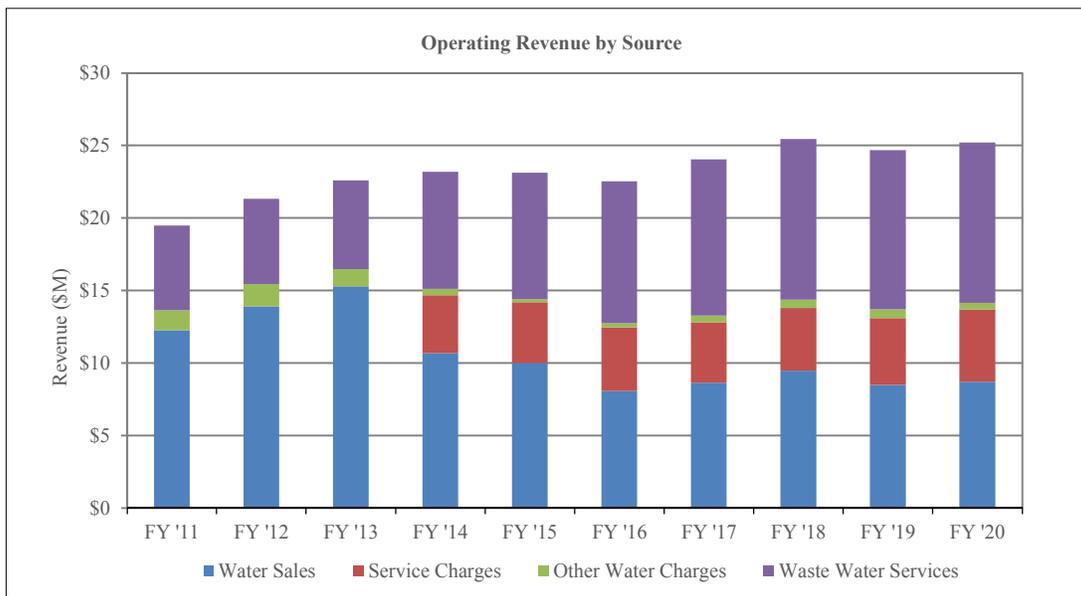
Fiscal Year	Water Sales	Service Charges	Other Water Charges	Waste Water Services	Total Operating Revenue
2011	12,247,255	-	1,387,466	5,848,958	19,483,679
2012	13,902,298	-	1,538,758	5,882,300	21,323,356
2013	15,293,372	-	1,169,883	6,129,321	22,592,576
2014	10,687,396	3,979,752 (1)	443,673 (2)	8,077,870	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

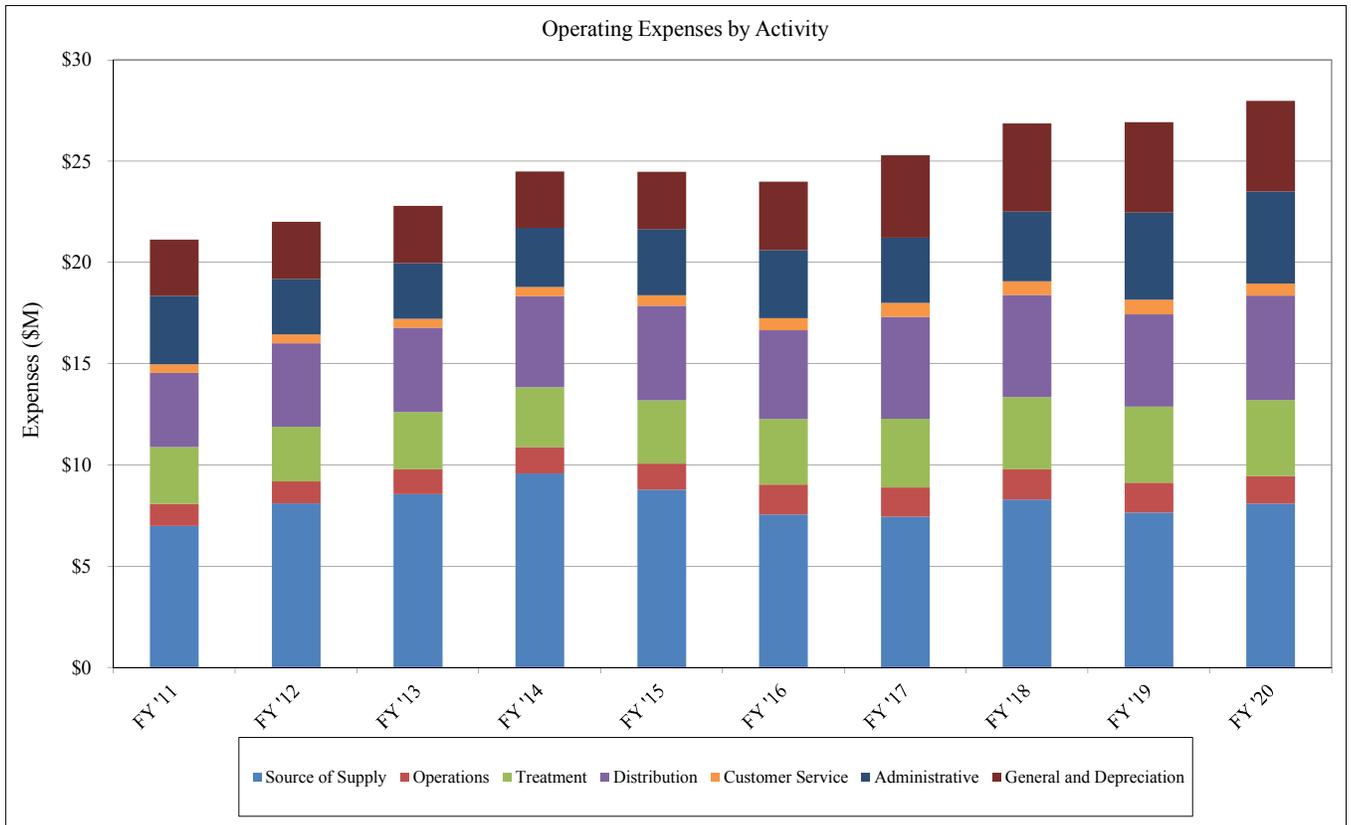
(1) Starting in 2014, Service Charge Revenues was separated from Water Sales Revenues.

(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**

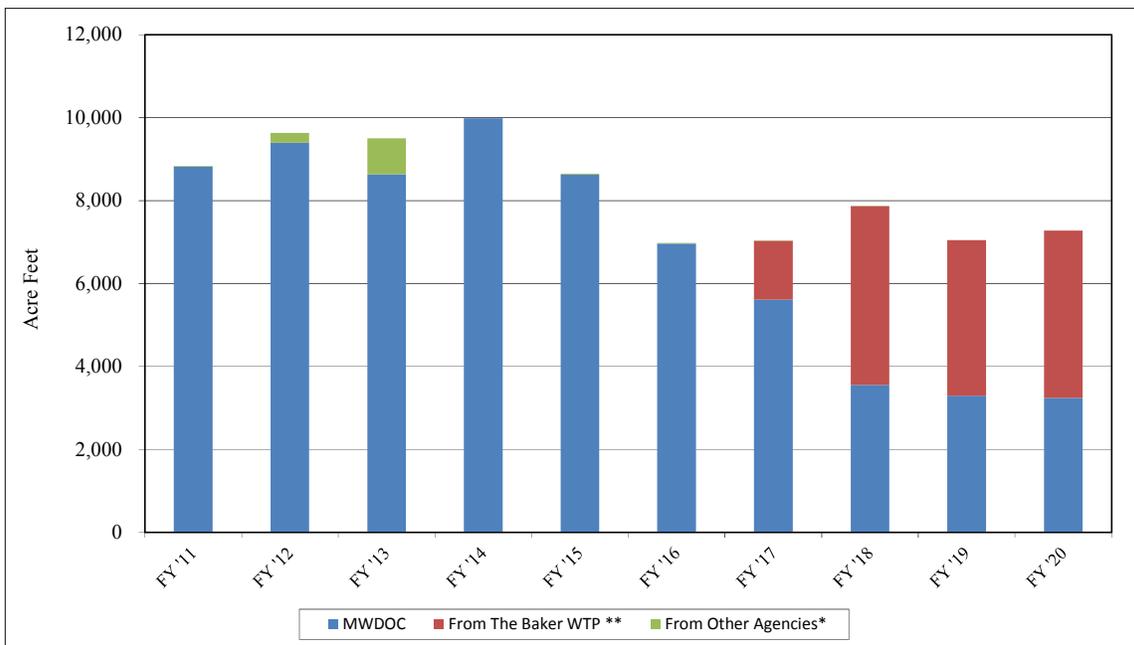
<u>Fiscal Year</u>	<u>Source of Supply</u>	<u>Pumping Operations</u>	<u>Water Treatment</u>	<u>Water Distribution</u>	<u>Customer Service</u>	<u>General and Administrative</u>	<u>Depreciation</u>	<u>Operating Expenses</u>
2011	6,993,701	1,076,206	2,813,771	3,658,325	423,521	3,381,145	2,773,965	21,120,634
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**

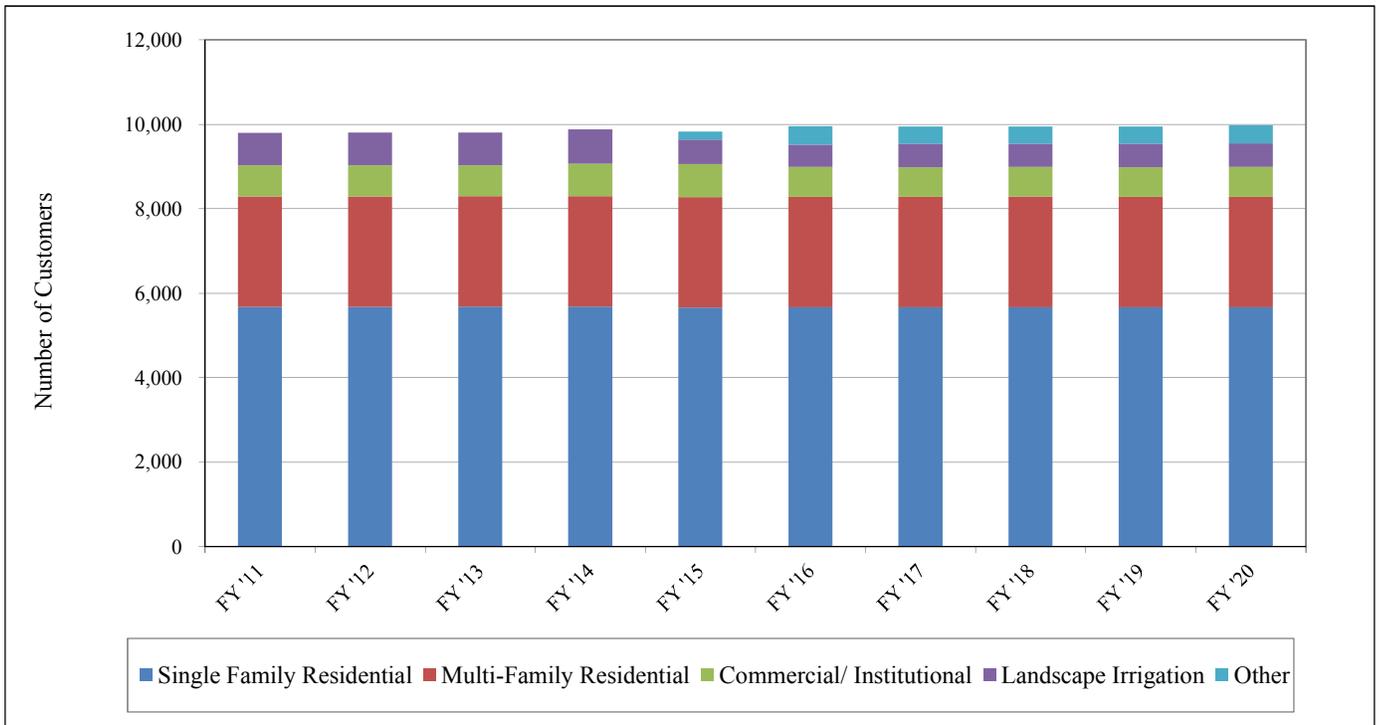
Sewer Rates by Customer Class										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential Rates (monthly charge per EDU)										
Residential Unrestricted	\$ 17.49	\$ 17.49	\$ 17.77	\$ 18.99	\$ 20.50	\$ 22.02	\$ 23.11	\$ 23.63	\$ 24.30	\$ 24.30
Multi-Family Restricted	13.87	13.87	14.09	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 ½" 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 ½" 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



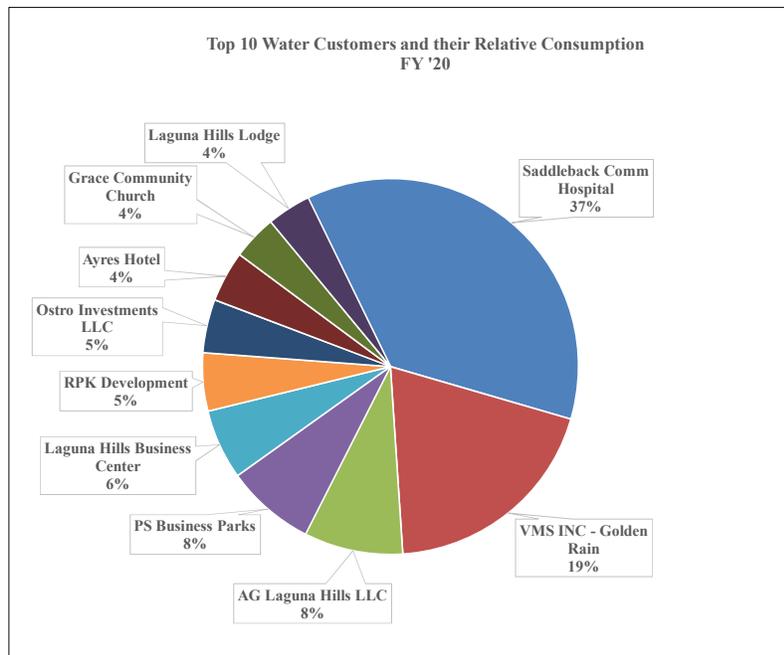
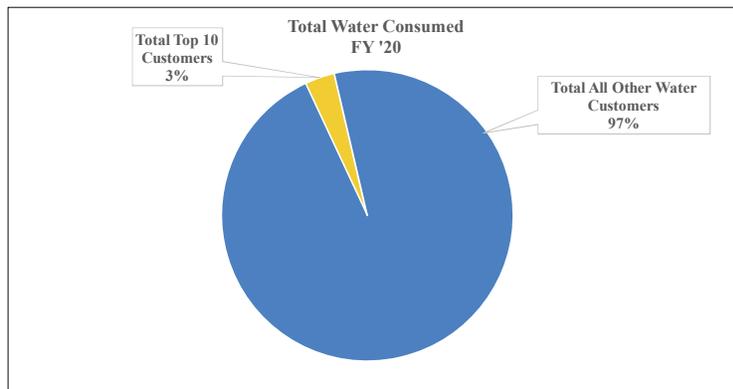
(1) The District did not track "Other" connections in total prior to FY 14/15.

*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**

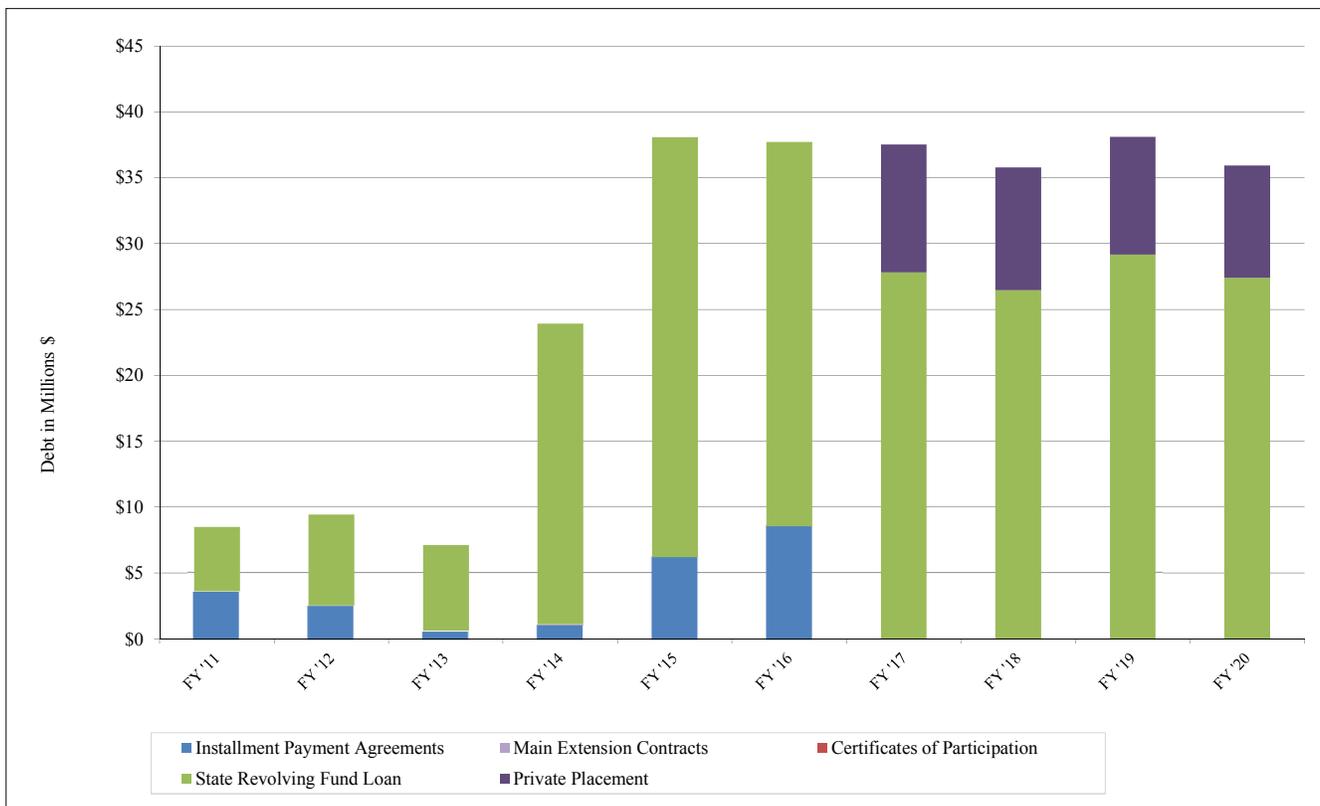
Customer	FY '11		Customer	FY '20	
	Annual Usage (HCF)	Percent of Total		Annual Usage (HCF)	Percent of Total
Saddleback Comm Hospital	52,134	1.45%	Saddleback Comm Hospital	40,100	1.21%
VMS INC - Golden Rain	18,691	0.52%	VMS INC - Golden Rain	21,198	0.64%
Country Villa Laguna Hills	10,876	0.30%	AG Laguna 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⁾

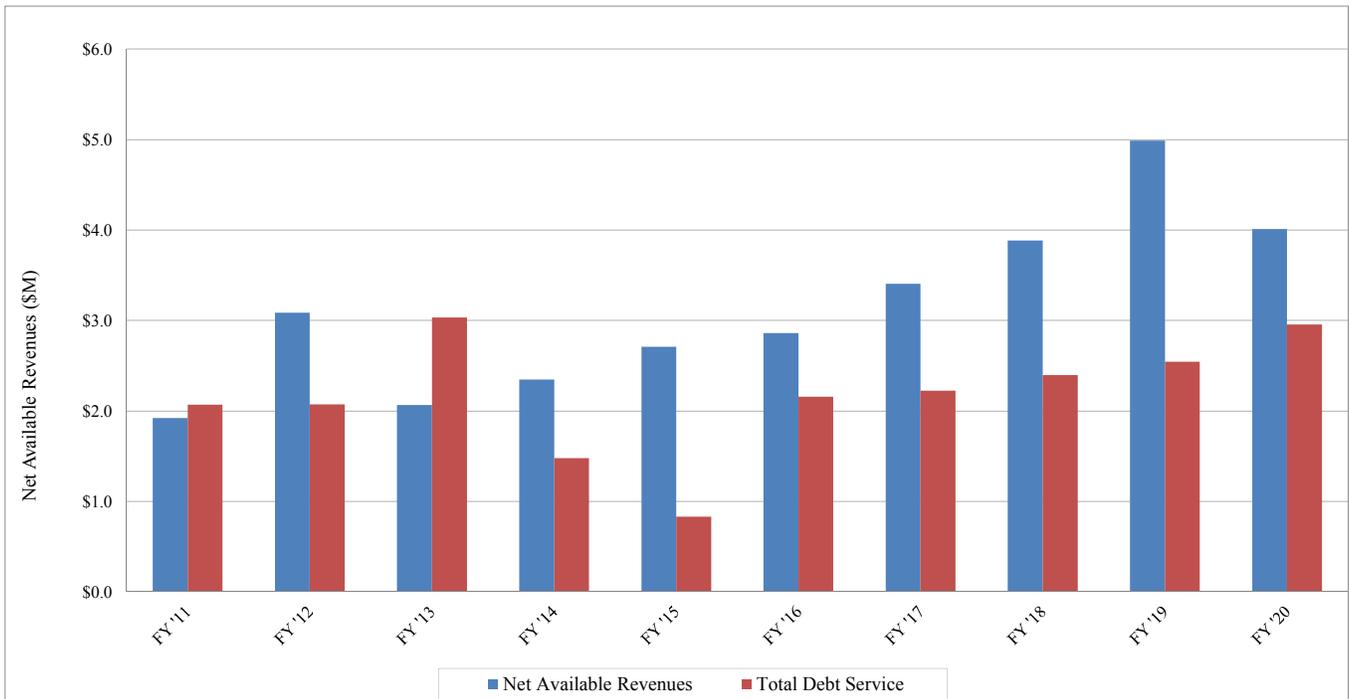


Notes:

- (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 Plan Project. Additions in 2013 and 2014 were \$16,995,763 and \$9,741,814 respectively. Interest rate on the loan is 1.7% per annum.
- (3) Personal Income data is not available for 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

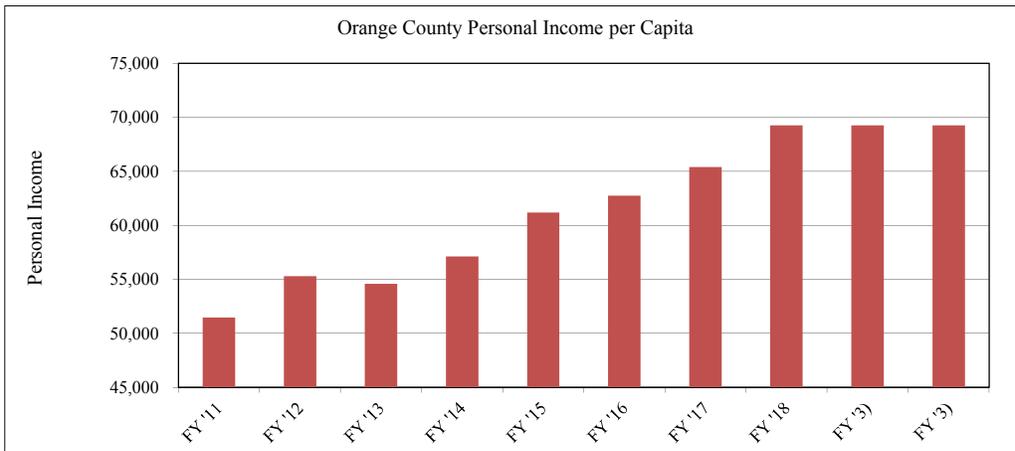
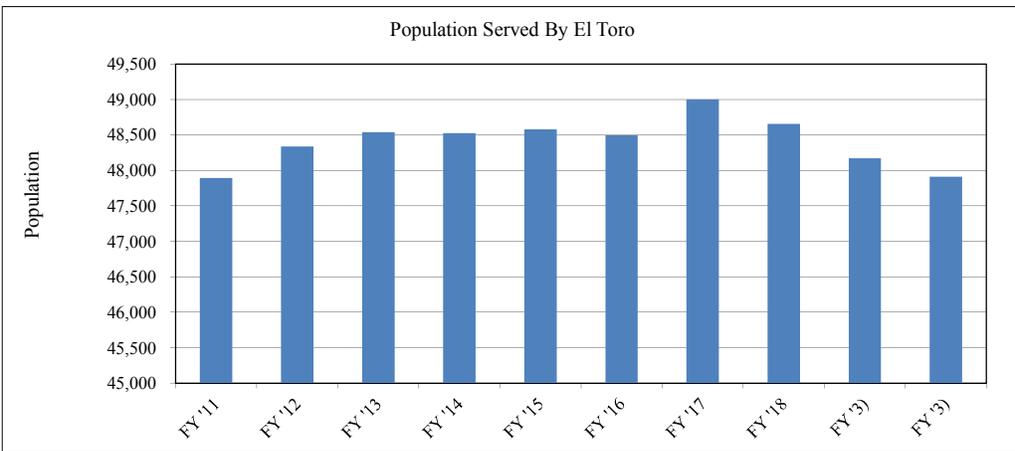


Notes:

(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.

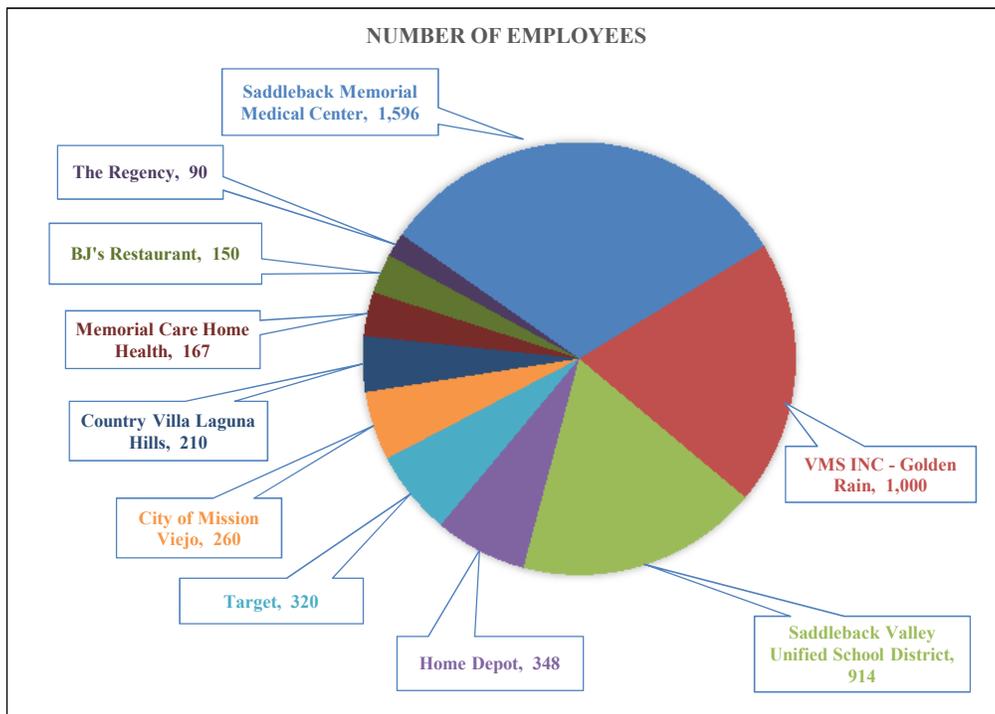
2 Data from the Bureau of Economic Analysis, <http://www.bea.gov>

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

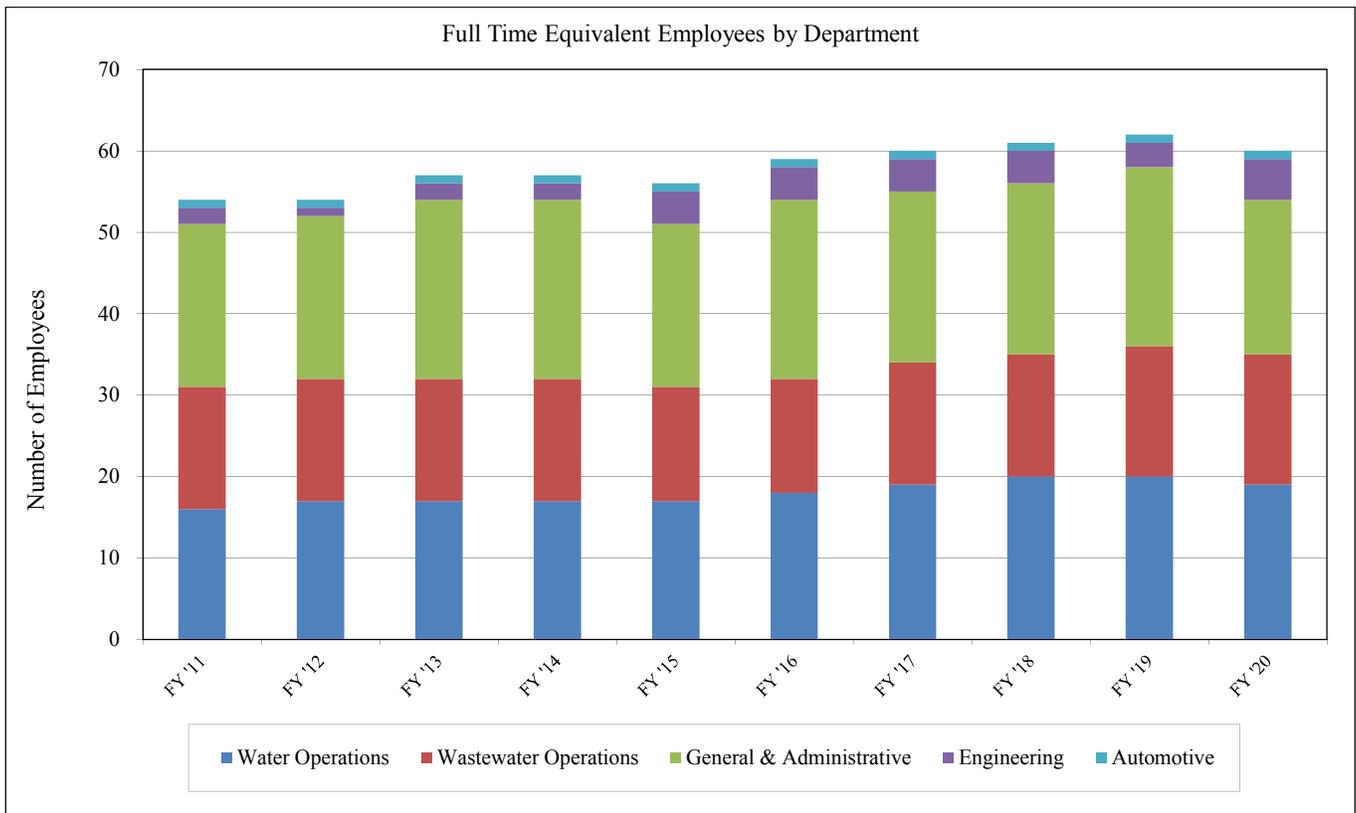
<u>Employer</u>	<u>Number of Employees at 06/30/20</u>	<u>Percent of Total</u>
Saddleback Memorial Medical Center	1,596	31.57%
VMS INC - Golden Rain	1,000	19.78%
Saddleback Valley Unified School District	914	18.08%
Home Depot	348	6.88%
Target	320	6.33%
City of Mission Viejo	260	5.14%
Country Villa Laguna 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.