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

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

AGENDA

EL TORO WATER DISTRICT

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

October 19, 2026
7:30 a.m.

BOARDROOM, DISTRICT OFFICE
24251 LOS ALISOS BLVD., LAKE FOREST, CA 92630

This meeting will be held in person. As a convenience for the public, the meeting may also be accessed by Zoom and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the virtual component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.

Members of the public who wish to comment on any item within the jurisdiction of the District or on any item on the agenda, may attend the meeting in person at the District's office or may observe and address the Meeting by joining at this link: https://us02web.zoom.us/j/85044511891 (Meeting ID: 850 4451 1891).

Members of the public who wish only to listen to the telephonic meeting may dial in at the following numbers (669) 900-6833 or (346) 248-7799 with the same Meeting ID noted above. Please be advised the Meeting is being recorded.

CALL TO ORDER – President Freshley

PLEDGE OF ALLEGIANCE – Vice President Havens

ROLL CALL (Determination of a Quorum)

ORAL COMMUNICATIONS/PUBLIC COMMENTS

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

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

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

1. Consider Board Member's Request for Remote Participation (AB 2449)

ENGINEERING COMMITTEE MEETING

CALL MEETING TO ORDER – Director McClean

2. Consent Calendar

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

a. Consider approving the minutes of the September 21, 2026 Engineering Committee meeting. (Minutes Included).

Recommended Action: Staff recommend that the Board of Directors approve the above consent calendar.

ENGINEERING ACTION ITEMS

3. Hydra-Stop Valve Insertion Equipment Purchase
(Reference Material Included)

Staff will review and comment on the proposed purchase of valve insertion equipment to facilitate the District's on-going valve replacement program.

Recommended Action: Staff recommend that the Board of Directors authorize the General Manager to issue a purchase order to Hydra-Stop in the amount of $122,818 for the purchase of the Hydra-Stop valve insertion equipment.

4. **Sewer Manhole Rehabilitation Project** (Reference Material Included)

Staff will review and comment on the proposed contract with Sancon Technologies for the rehabilitation of sewer manholes in the District sewer collection system.

Recommended Action: Staff recommend that the Board of Directors authorize the General Manager to enter into a contract with Sancon Technologies in the amount of $81,080 for the rehabilitation of sewer manholes in the District sewer collection system.

ENGINEERING INFORMATION ITEMS

5. **El Toro Water District Operations Report** (Reference Material Included)

Staff will review and comment on the El Toro Water District Operations Report.

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

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

7. **Engineering Items Discussed at Various Conferences and Meetings**

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

COMMENTS REGARDING NON-AGENDA ENGINEERING COMMITTEE ITEMS

CLOSE ENGINEERING COMMITTEE MEETING

FINANCE AND INSURANCE COMMITTEE MEETING

CALL MEETING TO ORDER – Director Monin

8. **Consent Calendar** (Reference Material Included)

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

a. Consider approving the minutes of the September 21, 2026 Finance and Insurance Committee meeting (Minutes included).

Recommended Action: Staff recommend that the Board of Directors approve the above Consent Calendar.

FINANCIAL INFORMATION ITEMS

9. **California Asset Management Program (CAMP)** (Reference Material Included)

A representative from PFM Asset Management will update the Board on the District's investment holdings and philosophy based on an economic outlook.

10. **Other Post Employment Benefits (OPEB) Update**
(Reference Material Included)

Staff and representatives from Foster and Foster Inc. will review and comment on the updated actuarial analysis of the OPEB liability associated with the District's Retiree Healthcare Plan for the fiscal year ended on June 30, 2025.

11. **Fiscal Year 2025-26 Financial Reconciliation** (Reference Material Included)

Staff will review and comment on the Fiscal Year 2025-26 O&M Expense Financial Reconciliation.

12. **Financial Statements and Report** (Reference Material Included)

Staff will review and comment on the Financial Statements and Report for the month ending September 30, 2026.

FINANCIAL ACTION ITEMS

13. **Comprehensive Financial Statement – Audit – Fiscal Year Ended June 30, 2026** (Reference Material Included)

Staff and the District's Independent Auditor, LSL LLP will review and comment on the District's Comprehensive Financial Statements for the Fiscal Year ended June 30, 2026.

Recommended Action: Staff recommend that the Board receive and file the District's Comprehensive Financial Statements for the Fiscal Year ended June 30, 2026.

14. **Financial Package - Authorization to Approve Payment of Bills for the Month Ending September 30, 2026** (Reference Material Included)

The Board will consider approving Bills for Consideration dated September 30, 2026.

Recommended Action: Staff recommend that the Board approve, ratify and confirm payment of those bills as set forth in the Payment Summary for the month ending September 30, 2026.

15. **Quarterly Insurance Report** (Reference Material Included)

Staff will review and comment on the Quarterly Insurance Report for the period July 1, 2026 through September 30, 2026.

Recommended Action: Staff recommend that the Board receive and file the Quarterly Insurance Reports for the period from July 1, 2026 through September 30, 2026.

COMMENTS REGARDING NON-AGENDA FIC ITEMS

CLOSE FINANCE AND INSURANCE COMMITTEE MEETING

ATTORNEY REPORT

CLOSED SESSION

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

1. Pursuant to Government Code Section 54956.9 (d) (4) to consult with legal counsel and staff - Potential Initiation of Litigation. (one matter)

2. Pursuant to Government Code Section 54956.8 to consult with the District's Designated Negotiator (Dennis P. Cafferty), regarding the price, terms & conditions pertaining to the District's proposed purchase of an easement from the Golden Rain Foundation of Laguna Woods. Said easement would be located on the Laguna Woods Golf Course and is in conjunction with the District's Project of relocating and repairing existing public service facilities (Effluent Transmission Main) therein.

3. Pursuant to Government Code Section 54957 (b)(1) to conduct the General Manager's annual performance evaluation.

REGULAR SESSION

REPORT ON CLOSED SESSION (Legal Counsel)

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

ADJOURNMENT

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

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

MINUTES OF THE REGULAR MEETING
& OF THE
ENGINEERING COMMITTEE MEETING

September 21, 2026

At approximately 7:41 a.m. Director McClean called the Engineering Committee meeting to order.

Directors MARK MONIN, MIKE GASKINS, KAY HAVENS, KATHRYN FRESHLEY, and WYATT McCLEAN participated.

Also participating were DENNIS P. CAFFERTY, General Manager, GILBERT J. GRANITO, General Counsel, JUDY CIMORELL, Director of Human Resources, HANNAH FORD, Director of Engineering, SCOTT HOPKINS, Operations Superintendent, MIKE MIAZGA, Information Technology Manager (Zoom), SHERRI SEITZ, Public Affairs Manager (Zoom 7:48 a.m.), CAROL MOORE, City of Laguna Woods (Zoom), and MARISOL MELENDEZ, Recording Secretary.

Consent Calendar

Director McClean asked for a Motion.

Motion: Director Monin made a Motion, seconded by Vice President Havens to approve the Consent Calendar.

Roll Call Vote:

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

Engineering Information Items

El Toro Water District Operations Report

Mr. Cafferty reported that next month's spill report will include the discharge of treated effluent at the Plant, emphasizing that none of the discharge left District property. The incident occurred during geotechnical boring related to the Effluent Transmission Main Replacement project. Staff responded promptly and repaired the pipe that same evening. Ms. Ford added that staff engaged in after-action discussions and one of the biggest lessons learned is that the project must continue to accelerate in order to remove the Techite pipe as soon as possible.

Mr. Hopkins noted that Plant staff took the filter beds down for a cleaning as a proactive measure and during that time more potable water than usual was used in the recycled system. Mr. Cafferty added that the system is designed for this purpose and so that demand can still be met when these situations occur.

President Freshley inquired about the status of the STEM contract. Mr. Cafferty stated that the contract has not been negotiated at this time but when negotiations take place, staff will ensure the terms are fair to the District.

El Toro Water District Capital Project Status Report

Headworks and Secondary Clarifier No. 1 Rehabilitation Project

Ms. Ford reported that the channel was coated and construction is nearing completion. Staff is preparing to begin the Northline highline the first week of October and the project is anticipated to be completed as scheduled. She added that staff is still working on the agreement with the Department of Energy to enable the receipt of $300,000 in grant funding.

Low 1 Zone Hydraulic Modification Project

Ms. Ford reported that after the design award to JIG Consultants, exploratory investigations will begin in order to confirm where the pressure reducing station will be located. Staff identified a hilled, vegetated space between two trees as a potential location where the District would remove the trees to prevent root intrusion. Additionally, staff met onsite with a contractor, T.E. Roberts, who was interested in entering into an agreement allowing the project to be expedited by at least three months. T.E. Roberts also agreed to participate in the design review meetings which will also help expedite the process. Vice President Havens asked if VMS would perform the tree removals since they have arborists under contract who do many tree removals. Ms. Ford stated that she will inquire with VMS.

Moulton/El Toro Cathodic Repair Project

Ms. Ford reported that the value engineering effort is complete. The contractor mobilized, completed some potholing and will install the new anode groundbeds at two test stations soon. If testing goes well, anode groundbeds at an additional test station could be eliminated from the project and the project would be complete; saving approximately $107,000.

Freeway Electrical Equipment Replacement

Ms. Ford reported that Southern California Edison energized a week later than expected. Staff also removed the pole, which will allow the canopy to be raised.

SOCWA Effluent Transmission Main (ETM) Reach B Techite Replacement

Ms. Ford reported that staff received the 60% design submittal and is reviewing the CEQA project descriptions. Staff is also negotiating easement agreements with VMS and Golden Rain Foundation and aim to be done around the same time as the design completion. Mr. Cafferty added that staff continues to work towards an

agreement for the ownership of the pipeline. The new pipeline maintenance agreements were drafted and are in review.

R-6 Reservoir Southern Slope Repair Project

Ms. Ford reported that a site visit was conducted to confirm vegetation establishment and the contractor will be released. She added that this project is complete and next month's report will include the final update with the total project costs compared to budget. Mr. Cafferty stated that an updated easement with the church is in progress and will be recorded.

Aliso Creek Lift Station Improvement Project

Ms. Ford reported that staff is coordinating with Golden Rain Foundation and United Mutual to complete the easement agreements and are nearly done with negotiations.

Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Adjournment

There being no further business, the Engineering Committee meeting was adjourned at approximately 8:34 a.m.

Comments Regarding Non-Agenda Engineering Committee Items

There were no comments.

Attorney Report

Mr. Granito reported that there is no need for a Closed Session today.

Adjournment

There being no further business to come before the Board, the meeting was adjourned at 8:35 a.m.

Respectfully submitted,

MARISOL MELENDEZ
Recording Secretary

APPROVED:

KATHRYN FRESHLEY, President
of the El Toro Water District and the
Board of Directors thereof

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

Agenda Item No. 3

STAFF REPORT

To: Board of Directors **Meeting Date: October 19, 2026**

From: Roman Kociban, Operations Crew Chief
Scott Hopkins, Operations Superintendent

Subject: Hydra-Stop Valve Insertion Equipment Purchase

INTRODUCTION AND BACKGROUND

Isolation valves are essential to the successful operation and maintenance of the water distribution system. The ETWD water distribution system includes approximately 5,000 valves. Prior to the advent of the resilient wedge gate valve technology commonly used today, isolation valve design was based on a double metal disc (gate) that would seat in a trough in the bottom of the valve body to create a seal and shutdown. Age and the accumulation of any debris or sediment in the trough results in a failure to achieve a full seal or shutdown. The old design is illustrated in the following pictures.





Isolation valves that don't isolate create a significant maintenance challenge as a large volume of water can leak by the closed valve rendering maintenance and repair projects difficult to impossible. When a valve does not operate or does not provide an adequate shutdown, Operations must expand the isolation area until working valves are found. This significantly increases customer outages and can delay repairs.

In large community areas, Operations may need a four-person crew to progressively test valves farther from the work area. Finding a reliable shutdown can take a full workday or longer. Each test can briefly affect customer water pressure.

The need to replace faulty valves and the challenges with getting good shutdowns to facilitate valve replacements is a growing challenge. In 2025 the Operations Department staff replaced 23 valves and have replaced 14 to date in 2026. Operations have identified several locations where the necessary replacement of existing failed valves or maintenance on existing facilities may require extensive shutdowns exceeding 100 residential units.

PROPOSED SOLUTION

Staff are proposing to purchase the Hydra-Stop valve insertion equipment package. The equipment would allow Operations to insert a valve into an active water main and establish an additional isolation point where existing valves are inoperable, unavailable, or would require a large customer shutdown or expensive construction effort. The Hydra-Stop technology facilitates the installation of a new gate valve in an existing pipeline without taking the line out of service or interrupting service to customers. The District has successfully engaged similar valve insertion projects via contractors in the past. The proposed purchase would allow District Operations staff to install these types of valves in-house without relying on expensive contractor installations.

Staff propose to purchase the Hydra-Stop equipment configuration for 4-inch through 12-inch insertion valves. The proposal includes the tapping machine and motor restraint assembly, hydraulic power pack, installation tooling and cartridges, and includes extensive equipment training.

Staff performed research and reached out to both Moulton Niguel Water District and Santa Margarita Water District. Both agencies have used the valve insertion equipment and are very satisfied with performance of the equipment.

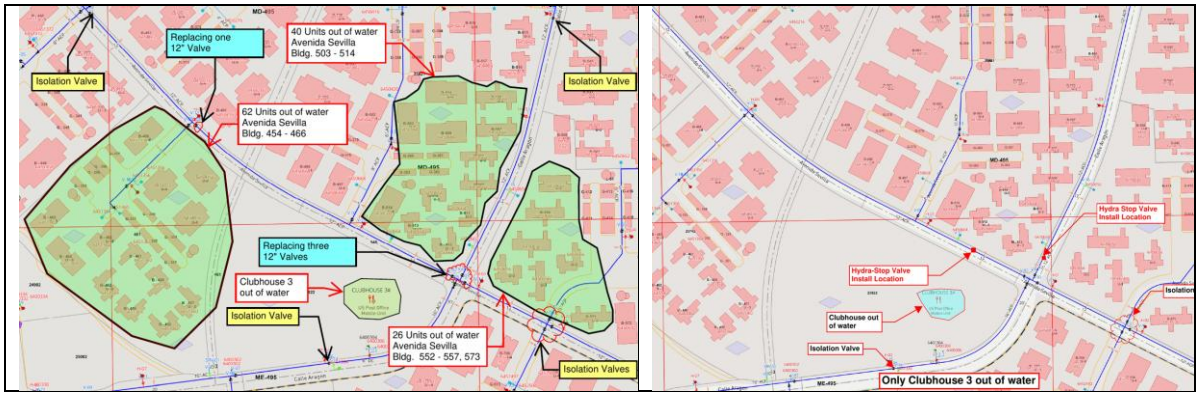
BENEFITS

District ownership of the valve insertion equipment would allow Operations to create additional isolation points, reduce planned shutdown areas and customer notifications, and support valve replacements, pressure-reducing station repairs, and emergency water distribution system work. It would also reduce dependence on specialty-contractor scheduling and repeated mobilization. The typical cost for a contractor to install these types of valves is approximately $25,000.

The following are just a few examples to illustrate the significant benefit of the valve insertion technology.

Avenida Sevilla and Calle Aragon near Gate 3

Staff have identified the need to replace four 12-inch valves that don't achieve a proper shutdown. The shutdown area that would be necessary, using existing good valves, would interrupt service to 128 units, including Clubhouse 3. The insertion of two Hydra-Stop valves reduces the shutdown area to Clubhouse 3 only.



PR-3 Maintenance

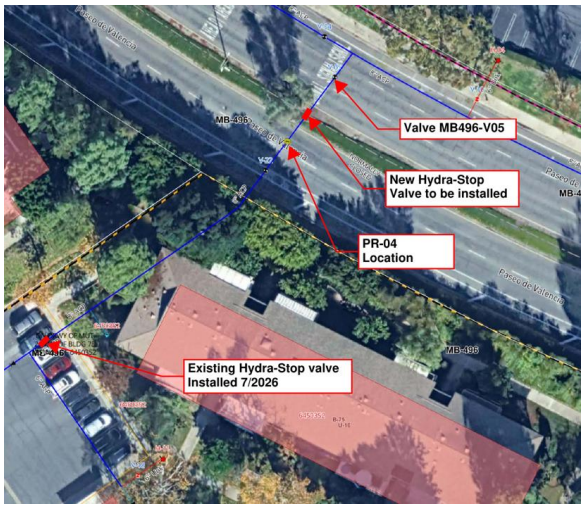
The shutdown necessary for critical maintenance to existing Pressure Reducing Valve Station #3, using four good isolation valves, would affect 117 residential units. The insertion of one Hydra-Stop valve will allow the PR-3 maintenance work with no units out of water.



PR-4 on Paseo De Valencia

Similarly, necessary maintenance to Pressure Reducing Valve Station #4 requires a watertight shutdown on both sides of the station. One Hydra-Stop valve has already been installed. The original plan was to replace an existing valve to establish the second isolation point. However, the replacement of the existing failed valve would require closing two traffic lanes for approximately 10 hours, working at night, incurring overtime, cutting recently repaved asphalt, restoring a large pavement area, and obtaining special City approval.

The alternative installs an insertion valve in the landscaped center divider. This avoids cutting the new asphalt, reduces the closure to one lane in each direction, and allows work during normal working hours. The roadway section includes approximately 12 inches of asphalt. The likely pavement restoration is expected to be expensive depending on the amount of pavement replacement required by the City encroachment permit. The center-divider valve insertion avoids this expense and reduces traffic impacts and overtime.



BUDGET

The quoted equipment cost is $122,818, excluding taxes and freight. The 2627 capital budget includes a budget of $146,000 for this equipment. The budget accommodates the equipment purchase cost, including estimated taxes and freight.

RECOMMENDATION

Staff recommend that the Board of Directors authorize the General Manager to issue a purchase order to Hydra-Stop in the amount of $122,818 for the purchase of the Hydra-Stop valve insertion equipment. Staff further recommend that the Board authorize the General Manager to fund the project costs from the District's Capital Reserves in accordance with the District's adopted Capital Reserve Policy.

HYDRA-STOP
FROM PENTAIR

EQUIPMENT PROPOSAL

El Toro Water District

PREPARED FOR: Jake Knoke

PREPARED ON: 10/14/2026

144 TOWER DRIVE SUITE A, BURR RIDGE, IL 60527
PH: 708.389.5111 | E: HYDRA-STOPSALES@HYDRA-STOP.COM | HYDRA-STOP.COM

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HYDRA-STOP
FROM PENTAIR

+1.708.389.5111 main
+1.708.389.5125 fax

114 Tower Drive, Suite A
Burr Ridge, IL 60527
United States
www.hydra-stop.com

Dear Jake Knoke,

Thank you for your interest in Hydra-Stop. Please find your requested proposal for the following equipment on the next page; a summary of your proposal is below for review:

The equipment configuration you requested will provide El Toro Water District with the capabilities to insert Insta-Valve insertion valves. Your equipment proposal also includes one training session (2 days) and all the required hand tools required to install Insta-Valve insertion valves. The only additional equipment El Toro Water District will require is a truck to transport your equipment.

Your proposal includes the items listed below:

- 4”-12” IV Equipment with Hydraulic drive
- Hydraulic Power pack
- Insta-Valves

As the leading manufacturer of insertion valves and line stops, Hydra-Stop has provided water control solutions to municipalities, private water utilities, and contractors worldwide since 1981. Our priority is to provide you with reliable, cost-effective products and exceptional customer service and support — helping you stay on time and on budget. For more information on our full range of control solutions, please visit our website at www.hydra-stop.com.

We appreciate the opportunity to present this quotation and thank you again for your consideration. Please do not hesitate to contact me directly should you have any further questions.

Best regards,

Michael Urwin
Territory Sales Manager

Hydra-Stop From Pentair

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HYDRA-STOP
FROM PENTAIR
144 Tower Drive | Burr Ridge, IL 60527
Phone: (708)389-5111

PROPOSAL: HSPQ30765-03
DATE: 10-14-2026
Customer ID:

Bill To

El Toro Water District
Jake Knoke
24251 Los Alisos Blvd
Lake Foresst, CA 92630
Orange County
Phone 949-837-7050 x217
Fax

Ship To

El Toro Water District
Jake Knoke
Orange County

Phone 949-837-7050 x217
Fax

Incoterms	Freight	Lead Time	Terms
Ex-Works	Prepay & Add	5 Weeks ARO	TBD

Line	Part Number	Description	Qty	Unit Price	Ext. Price
1	3-TAPMACH-OSY-250	Tapping Machine Unit, OS&Y, 250 PSI	1	$10,163.00	$10,163.00
2	3-TMMDRVHYD-412	4-12 Hyd Motor Restraint Assembly	1	$10,199.00	$10,199.00
3	3-TOOLKIT-412	4-12 Installation Equipment Tool Kit	1	$1,312.00	$1,312.00
4	3-480IV-250	4-8 IV Base Equipment Unit, 250PSI	1	$30,135.00	$30,135.00
5	3-112IV-250	10-12 IV Add-On Equipment	1	$43,814.00	$43,814.00
6	3-HYDPOWERPACK-01	HYD POWER PACK UNIT 13 HP, 9 GPM, MR@1800 PSI, WITH HOSES AND QUICK CONNECTS	1	$8,687.00	$8,687.00
7	TRAINING	EQUIPMENT TRAINING	1	$7,500.00	$7,500.00
8	25720250-CS-N	6", 7.20, 7.05 - 7.35, IV 250 Body, CS FLG, 304HW, Non-AIS	1	$3,145.00	$3,145.00
9	25CARTLH06-250	6" Open Left Cartridge, IV250	1	$2,020.00	$2,020.00
10	25950250-CS-N	8", 9.50, 9.35 - 9.65, IV 250 Body, CS FLG, 304HW, Non-AIS	1	$3,562.00	$3,562.00
11	25CARTLH08-250	8" Open Left Cartridge, IV250	1	$2,281.00	$2,281.00

Quotation is Valid for 30 days from Quotation Date.

continued on next page...

TAXES AND FREIGHT ARE NOT INCLUDED IN THIS QUOTATION.
-SCHEDULING OF TRAINING AT TIME ORDER IS PLACED.
-CANCELLATION OF TRAINING IS SUBJECT TO $1,000.00 FEE
-THIS PROPOSAL IS SUBJECT TO PASSING THROUGH ANY LEVIED TARIFFS.
PLEASE CONFIRM THE OD AND CLASS OF PIPE BEFORE PLACING ORDER.

Grand Total	$122,818.00

WHO WE ARE

OUR COMPANY

- Largest Insertion Valve and Line Stopping Fitting manufacturer
- Providing solutions for water control for over 35 years
- Support thousands of municipalities and contractors around the world

OUR PURPOSE

- Provide solutions for the 20-50% of valves in municipalities systems that no longer operate
- Help municipalities manage, maintain and provide solutions for aging water systems
- Provide municipalities and private water utilities with the easiest and cost-effective solutions to serve their communities
- Minimize the disruption of the most basic human need...water

OUR VALUES



INCLUSION

- Building Enduring Relationships
- Seeking Diversity and Inviting Inspiration
- Winning Together



INTEGRITY

- Chasing Perfection — Achieving Excellence
- Trust in Every Action
- Process Over Pride



INNOVATION

- Big Ideas, Disciplined Actions
- Unique Products for Unique Problems
- Embracing an Entrepreneurial Spirit

MEET YOUR TEAM

MAIN CONTACTS



Michael Urwin
Territory Sales Manager

E: murwin@hydra-stop.com
M: 480-861-7019

DAN SPRATT
Inside Sales

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T: 630-756-5223



TRAINING CONTACT



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STEVE ROEHRIG
VP, Sales and Marketing

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M: 708-768-3864





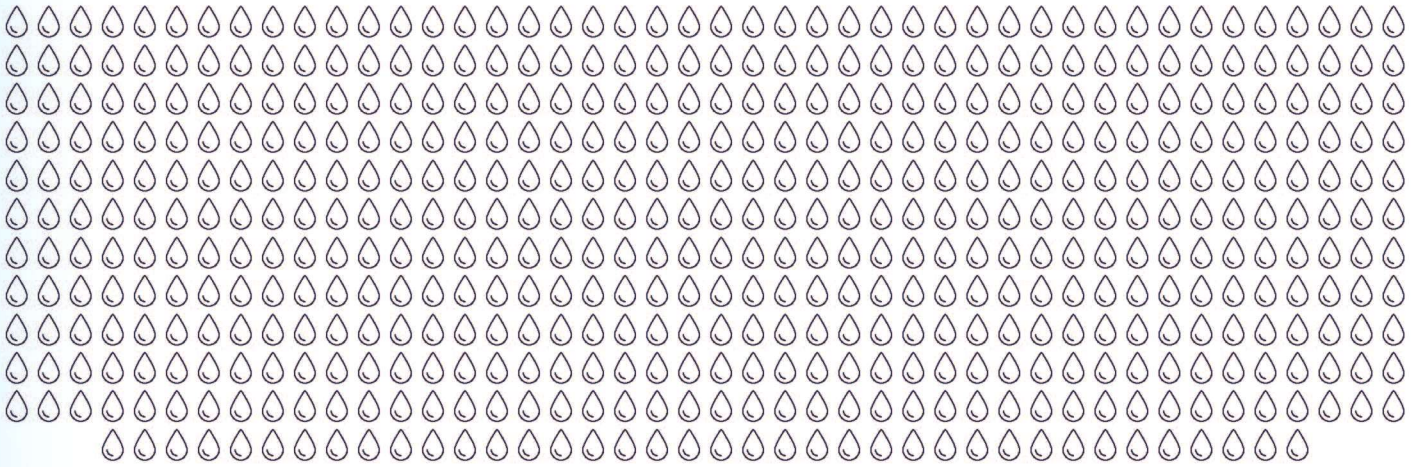
BRIAN EATON
Strategic Accounts Manager

E: beaton@hydra-stop.com
M: 919-240-3575

COST SAVINGS

528.4 MILLION GALLONS

Average Amount of Water Lost per Year to System Leakage*



*Source: AWWA White Paper, "The State of Water Loss Control in Drinking Water Utilities"

SAVE WATER AND MONEY

by Putting a Hydra-Stop Solution to Work for You

100%
Eliminated Costs Associated with System Shutdown



44%
Incremental Cost Savings by Utilizing a Hydra-Stop Solution



12 MONTHS
Average Length of Time to See a Return on Your Investment



CUSTOMER STORY

THE CLIENT

City of Steubenville — Providing water, wastewater, and solid waste service to nearly 19,000 residents and businesses in Ohio.



THE PROBLEM

A 12-inch valve in the downtown area of Steubenville was leaking approximately 150-200 gallons of water per minute from its bonnet. The city attempted to isolate the leak with existing valves surrounding the area but were unsuccessful. The city then tried moving the isolation area out two city blocks in each direction from the source, affecting service to four city blocks which contain multiple businesses and restaurants.

By this point, the valve had been leaking for about a month, costing the city somewhere between 6.5 to 8.7 million gallons in water loss.

THE PROBLEM

Looking for solutions to control their issue, and make further repairs without large service disruptions, the city developed a Valve Replacement Project which utilized four 12-inch and one 6-inch Insta-Valve 250 insertion valves.

To isolate the leaking valve, Mortimer Excavating was contracted to install one 12-inch and one 6-inch insertion valve around the source of the leak. The **two installations were completed within 8 hours** and the city was able to create a tighter isolation area of only one block — affecting service to just three buildings.

The City of Steubenville was able to remove the 12-inch leaking valve as well as remove a 6-inch valve with a broken valve stem. The city has finally put a stop to a costly leak that previously couldn't be contained and now benefits from five new, permanent control points.

THE RESULT

James Jenkins, Water Superintendent for the City of Steubenville, said "We had a great experience with the installation and functionality of Hydra-Stop's Insta-Valve 250 insertion valve. We were able to replace existing valves easily with little-to-no affect to our customers' water service or quality."

The City of Steubenville was **able to stop a very costly leak of millions of gallons of water** loss and **avoided widespread shutdown** and the costs associated with shutdown. The Insta-Valve 250 insertion valve provided **targeted control during emergency maintenance** which minimized service disruption.

The success of the project was even covered on the local news. To watch the segment, please follow the link: http://bit.ly/SteubenvilleIV250.

IN GOOD COMPANY

TESTIMONIALS

Hydra-Stop LLC always goes above and beyond to support us. Our division originally purchased equipment from them 15 years ago and it's still holding up nicely. We required some retraining and John came on site 5 times to do demos with us. He demonstrated how to properly use the equipment and made sure we were well trained. He even helped us retrofit the **equipment to meet our needs**. Their materials are of high quality and they are also able to deliver to us with short notice. Hydra-Stop is always a phone call away and has provided continued support.

— **Miami-Dade Water and Sewer Department**

Hearne is a typical small town with big infrastructure problems. The majority of the water valves in town are not operational or have been lost over time. Hydra-stop is **an easy to use solution** that is allowing our water department to take control of our system with almost no impact on our citizens. Purchasing Hydra-Stop has amounted to **huge savings** in contractor costs and is easy enough to use that our crews successfully install a valve after only one day of training.

— **City of Hearne, Texas**

I started my own water maintenance business back in 2014 and have worked exclusively with Hydra-Stop products. I find the Insta-Valves and Line Stop Fittings **easy to install** and I work with Chad on a regular basis. They are **always available to provide support** and help me resolve any issues that arise. Hydra-Stop provides good equipment and I will continue to work with them; there is no need to look elsewhere.

— **Construction Service of Indiana**

Florida Flow Control is known for being industry leaders in specialty water and wastewater services; **our go to for water solutions and equipment has been Hydra-Stop since 2009**. If we weren't happy with them we wouldn't be working with them, and we use them almost exclusively. The Hydra-Stop LLC team is always willing to come out to our sites and frequently checkin with us. No complaints here.

— **Florida Flow Control**

IN GOOD COMPANY

SELECTION OF CLIENTS

MIAMI-DADE COUNTY

THE CITY OF COLUMBUS

SUFFOLK COUNTY SCWA WATER AUTHORITY

SEWERAGE & WATER BOARD CRESCENT BOX WATER METER FORD METER BOX CO. WABASH, IND. NEW ORLEANS, LA.

PORTLAND WATER BUREAU FROM FOREST TO FAUCET

LAND OF LEGEND CITY OF NEWARK PAST AND FUTURE

JEA

The City of HEARNE

Hillsborough County Florida EST. 1834 SM

HYDRA-STOP®

Agenda Item No. 4

STAFF REPORT

To: Board of Directors **Meeting Date: October 19, 2026**

From: Steve Sanchez, Collections
Scott Hopkins, Operations Superintendent

Subject: Sewer Manhole Rehabilitation Project

BACKGROUND

The District performs regular inspections of the manholes in the sewer collection system. Through those inspections staff identified six deteriorated manholes in need of rehabilitation, as shown in Figures 1 through 6.



Figure 1 – MA-493
MH #24 on El Toro Road



Figure 2 - LW-489
MH # 2 on Ancona



Figure 3 - LZ-493
MH # 1 On El Toro Road



Figure 4 - MB-497
MH# 13 on Paseo De Valencia



Figure 5 - MC-497
MH #3 on Paseo de Valencia



Figure 6 -LW-494
MH # 02 on Ridge Route

The condition of these manholes, which range from 7 feet to 20 feet in depth, has deteriorated over time due to exposure to the corrosive environment generated by wastewater. The proposed work will help prevent further deterioration, preserve the structural integrity of the sewer collection system, and reduce the risk of future manhole failure and associated emergency repair costs.

The District needs a contractor to rehabilitate these manholes by coating the manholes from the flow line up to the frame and cover. The proposed coating material is a two-stage protective coating system, which uses a moisture tolerant 100% solids epoxy base coat and a 100% solids high build polyurethane elastomer topcoat. The resulting system provides the adhesion of epoxy and the flexibility of polyurethane.

Because these manholes are located in city streets, the contractor will provide traffic control and obtain the necessary encroachment permits.

PROPOSAL EVALUATION

The District requested proposals from two contractors, Sancon Technologies, Inc. (Sancon) and H&R Underground.

H&R Underground initially raised concerns about the permit costs and then ceased communication, ultimately not providing a bid. In contrast, Sancon took the initiative to meet with us, assess the work needed, identify the permit requirements, and submit a comprehensive bid. Staff are confident in Sancon's ability to complete this project successfully, as the District has a long history of previous engagement with Sancon for similar work and have always been satisfied with the results. Sancon's consistent reliability provides staff with the confidence to move forward with them.

BUDGET ANALYSIS

The Fiscal Year 2026/2027 O&M budget includes $133,000 for sewer collection system contractors. The District has sufficient budget to date, leaving $51,920 remaining for additional contract work. Table 1 summarizes Project costs compared to budget.

Table 1 - Total Project Cost Evaluation compared to Budget Component Cost

Sewer Manhole Rehabilitation Project	$81,080.00
Budget	$133,000.00
Remaining Budget	$51,920.00

Recommended Action:

Staff recommend that the Board of Directors authorize the General Manager to enter into a contract with Sancon Technologies in the amount of $81,080.00 for the rehabilitation of sewer manholes in the District sewer collection system.

State Contractors License: #1030053
DIR Registration: #2000007099
P: 714-891-2323
F: 714-891-2524

To:	EL Toro Water District	**Contact:**	Steve Sanchez
Address:	24251 Los Alisos Blvd	**Phone:**	949-837-7050
	Lake Forest, CA 92630	**Email:**	ssanchez@etwd.com
Project Name:	CA - Lake Forest - ETWD Manhole Rehabilitation	**Bid Number:**	26-02746
Project Location:		**Bid Date:**	10/15/2026

Item #	Item Description	Estimated Quantity	Unit	Unit Price	Total Price
1	Manhole No.24 St Nicholas Church (5' Dia X 15' Deep)	1.00	EACH	$15,405.00	$15,405.00
2	Manhole No.2 Treviso And Ancona (5' Dia X 11.5' Deep)	1.00	EACH	$14,855.00	$14,855.00
3	Manhole No.1 El Toro Road (5' Dia X 9' Deep)	1.00	EACH	$14,455.00	$14,455.00
4	Manholes No.13 And 3 Paseo De Valencia (5' Dia X 6.5' And 7' Deep)	2.00	EACH	$7,605.00	$15,210.00
5	Manhole No. 2 Ridge Route (5' Dia X 20' Deep)	1.00	LS	$16,155.00	$16,155.00
6	Encroachment Permits	1.00	LS	$5,000.00	$5,000.00

Total Bid Price: $81,080.00

Notes:

- **Our proposal includes:**
  - Confined Space Entry Procedures & Equipment
  - Prevailing wage / certified payroll if required, In-Place insurance coverage
  - Surface preparation,Removal of existing MH steps
  - Obtaining Encroachemnt Permits and traffic ontrol required
  - Removal of existing coatings or linings
  - Application of 125 mils of Sancon 100 Polyurethane
  - High voltage spark test while on-site, at the completion of our work

- **Assumptions:**
  - Sancon wil get the required Encroachment Permits
  - Water meter or on-site water is provided
  - Coating will extend from the flow level to the base of F&C
  - Regular working hours M – F 7AM to 5PM
  - No other crafts will interfere with our work
  - Proposal is subject to mutually acceptable contract language and must be incorporated in any subsequent contract/purchase order

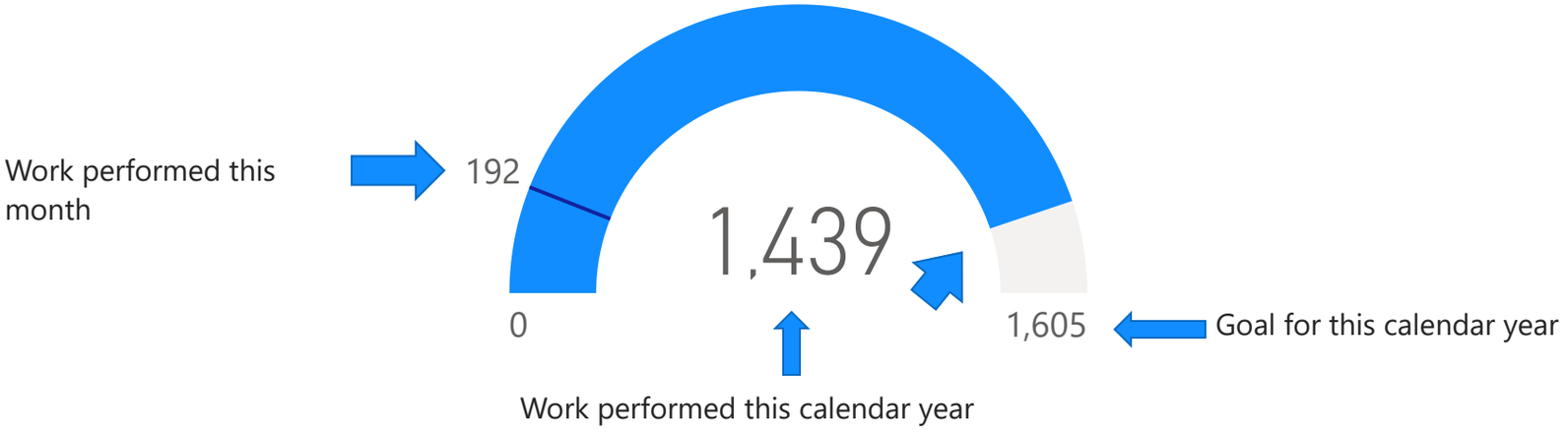
- **This bid excludes the following:**
  - Replacement of frame & cover
  - 3rd party testing or testing other than spark testing
  - Stoppage of water infiltration
  - Preparing As-builts
  - Bypassing, flow control or working in surcharged structures
  - BMP's, NPDES Permits, SWWP's, Survey & Staking, Revegetation or biological monitoring

- Stand by rate / additional work not listed above @ $350.00 / man hour. Price is based on one mobilization. Additional Mobilizations billed at: $12,950 each. Sancon shall not be responsible for liquidated damages or penalty due to delay by others. Bond, if required, would add 1.5% to total bid price. Price is based on retention being withheld a maximum of 90 days after completion of our work. Price is firm for a period of thirty days from receipt. Payment terms net 30 days or per contract.

Operations Report

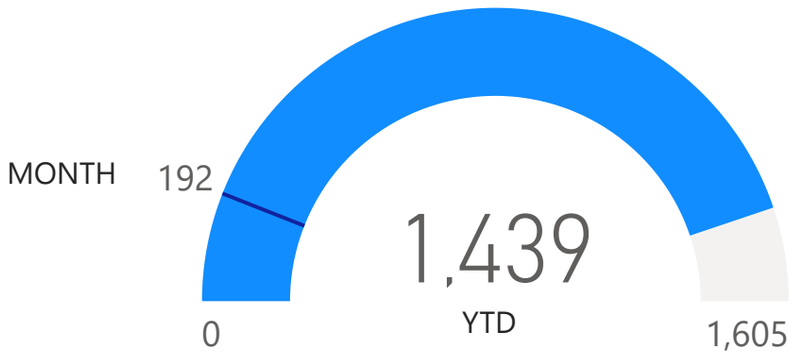
September 2026

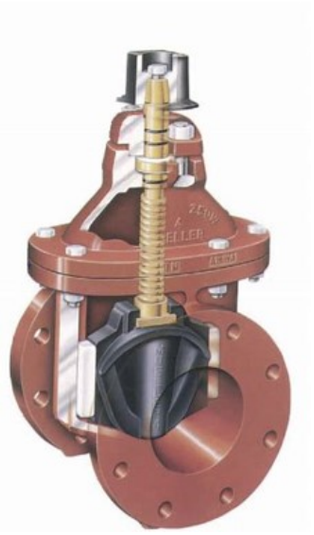
How to read the graphics in this report:



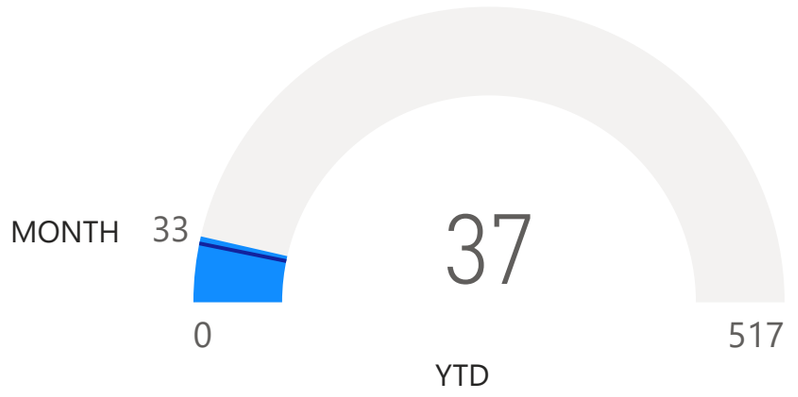
Valves

Distribution Valves Operated
Mainline

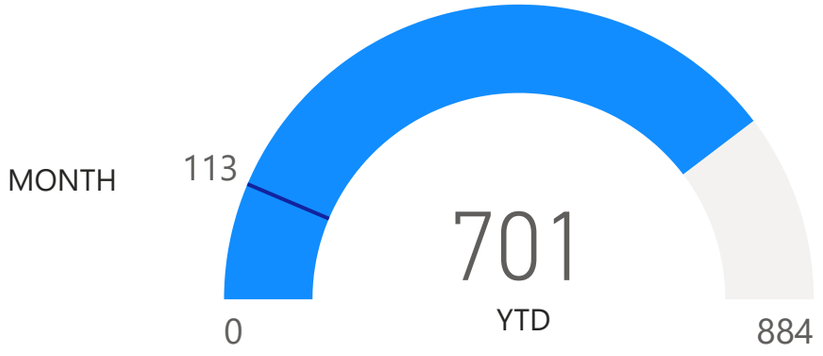




Arterial Valves Operated
Mainline

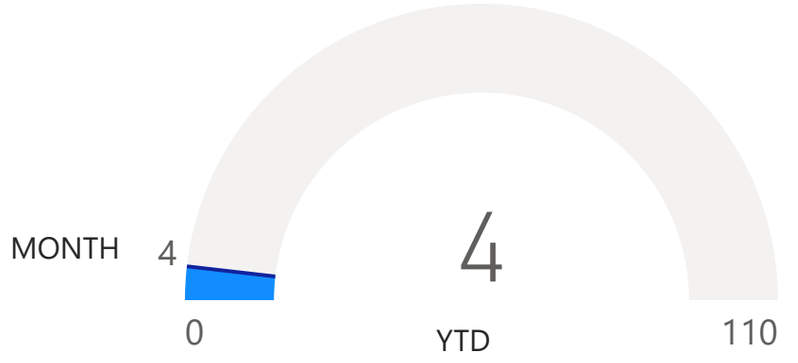


Distribution Valves Operated
Fire Hydrant



Asset	Month	YTD
Potable Valves Repaired	3	16
Potable Valves Replaced	0	14
Valve Cans Adjusted/Replaced	4	153
Valve Cans Cleaned	346	1,847
Total	**353**	**2,030**

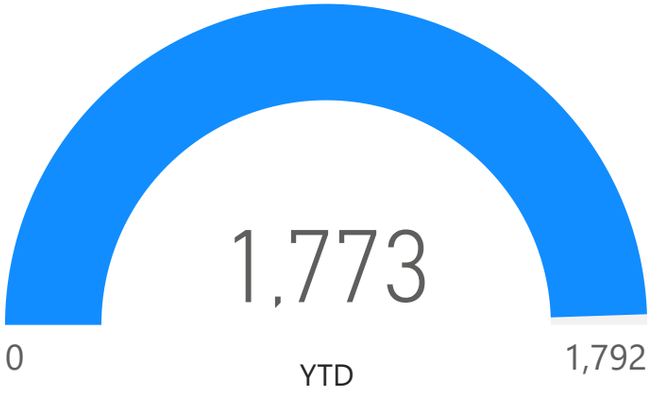
Arterial Valves Operated
Fire Hydrant



Note:
1. The distribution valve operation program strives to operate all distribution valves (mainline and fire) every two years. Goals shown on this page represent that for the calendar year (i.e., total number of distribution valves divided by two).
2. The arterial valve operation program strives to operate all arterial valves (mainline and fire) every year. Normally scheduled at the end of the year.

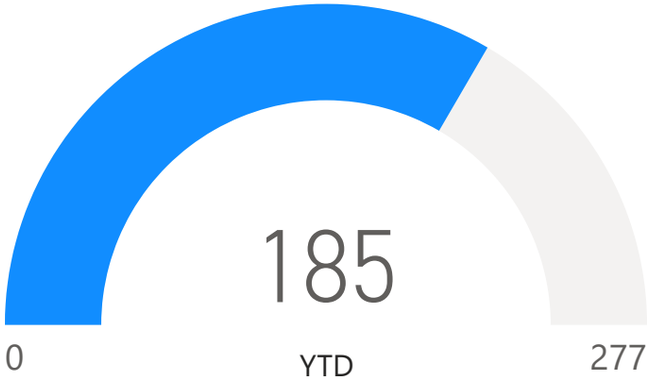
Cross Connection Program

Backflow Assemblies Tested



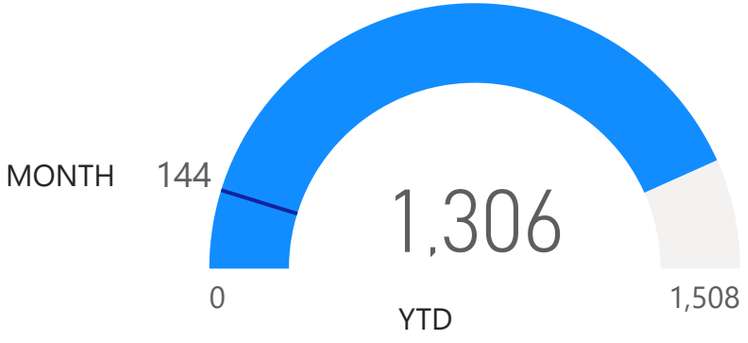


Recycled Water Inspections



Other Facility Maintenance

Generator Inspections



Underground Service Alerts Marked

295

Month

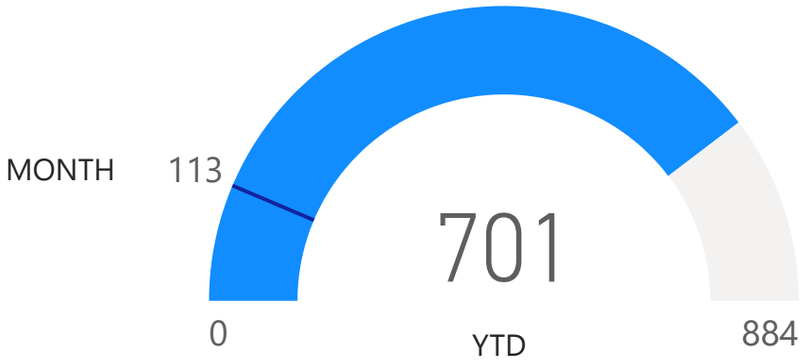
Underground Service Alerts Marked

2,336

YTD

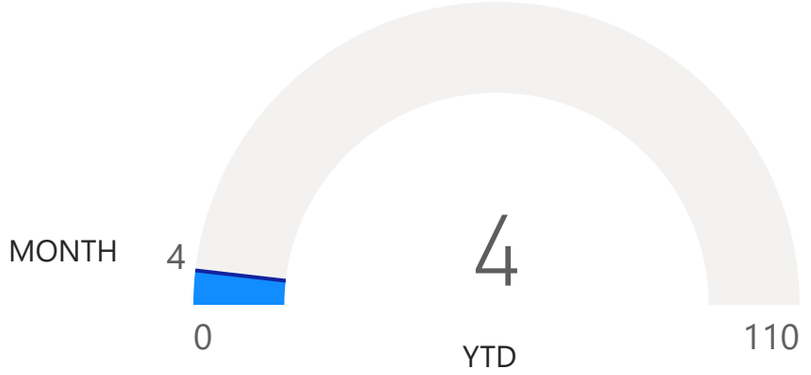
Fire Hydrants

Distribution Hydrants Maintained

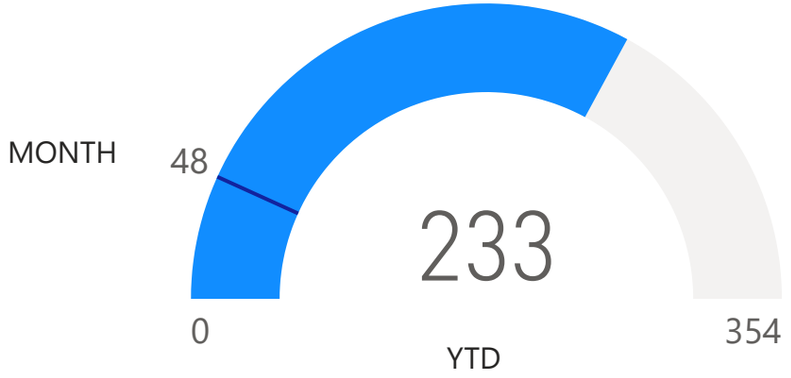




Arterial Hydrants Maintained

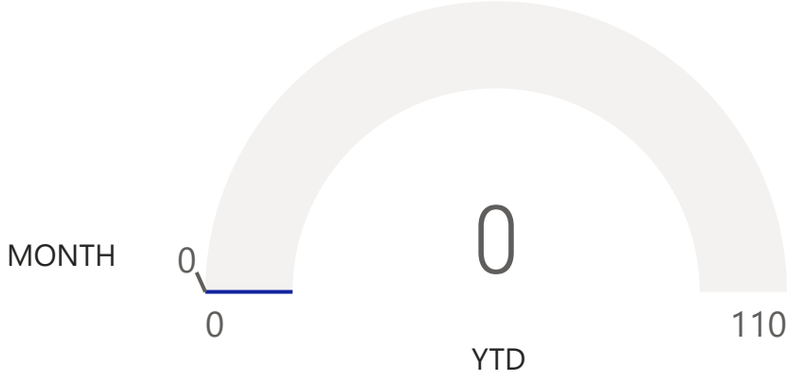


Distribution Hydrants Painted



Asset	Month	YTD
Hydrants Repaired	2	6
Hydrants Replaced	1	16
Total	**3**	**22**

Arterial Hydrants Painted

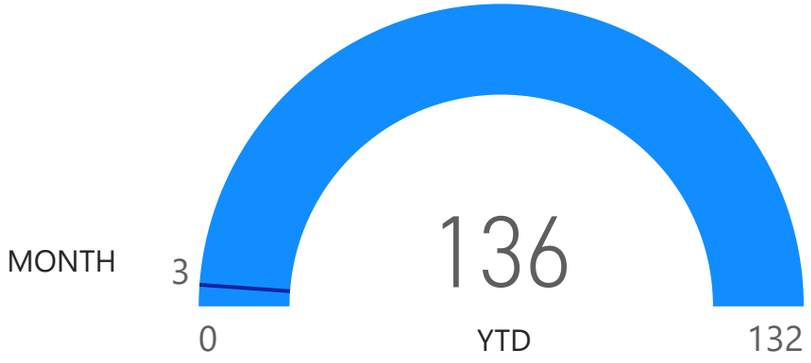


Note:

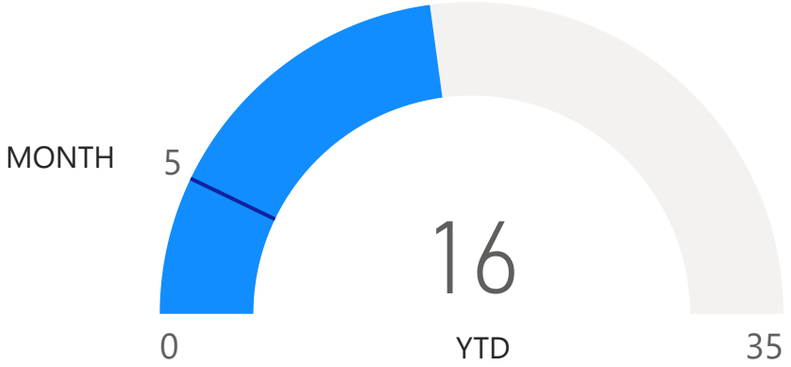
1. The hydrant program strives to maintain all distribution hydrants every two years and arterial hydrants every year. Goals shown on this page represent that for the calendar year (i.e., total number of distribution hydrants divided by two).
2. The hydrant program strives to paint all hydrants every five years. Goals shown on this page represent that for the calendar year (i.e., total number of hydrants divided by five).

Water Appurtenances

Air Vacs Maintained

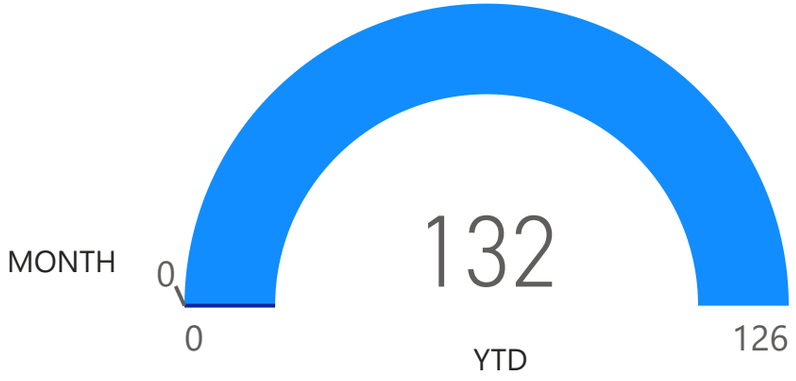


PRVs Maintained





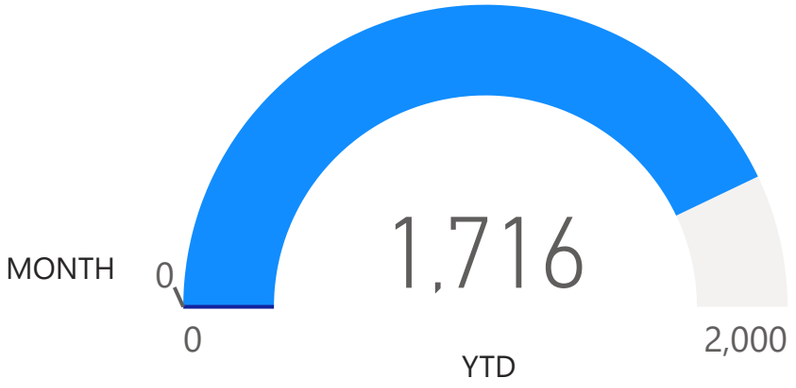
Blow Offs Flushed





Water Distribution System

Leak Detection Survey





System Flushing

gallons

49K

Month

Asset	Month	YTD
Main Line Repairs	1	4
Service Line Repairs	0	4
Service Line Replacement	2	25
Water Pump Motor Services	1	7
Water Pump Services	2	12
Water Reservoir and Pump Station Inspections	360	3,366



System Flushing

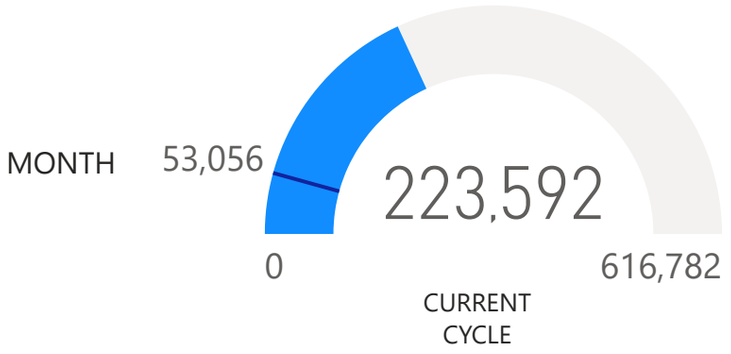
gallons

490K

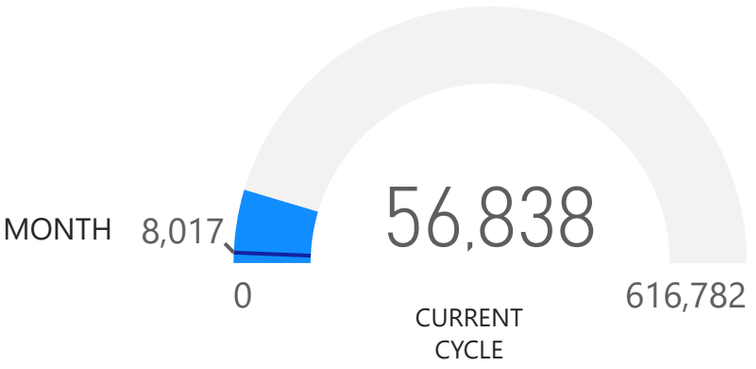
YTD

Collection System

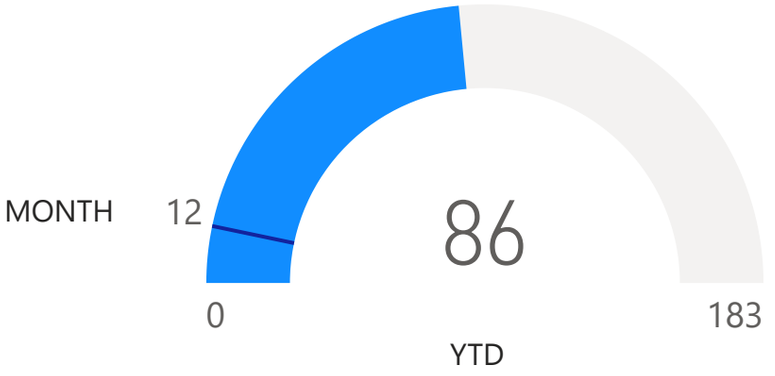
Line Cleaning
feet of pipe



TV Inspection
feet of pipe

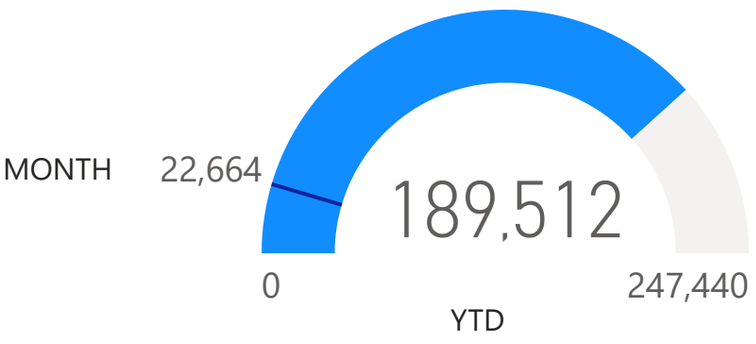


FOG Inspections

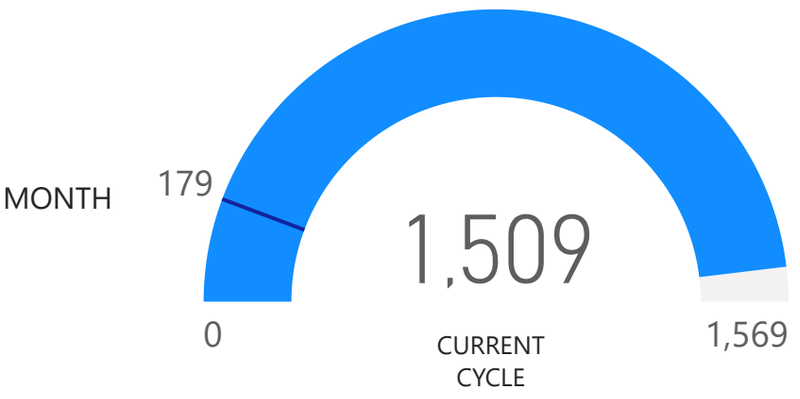


Asset	Month	YTD
Industrial Waste Inspections	2	16
Lift Station Inspections	300	2,810
Manhole Repairs	0	4
Odor Complaints	1	4
Root Cutting, feet of pipe	0	1,533
Root Foaming, feet of pipe	0	0
Sewer Mainline Repairs	0	0
Sewer Pump/Motor Maintenance	2	7
Sewer Service Line Repairs	0	0
Wet Well Cleaning	4	28

Hotspots
feet of pipe



Manhole Inspections

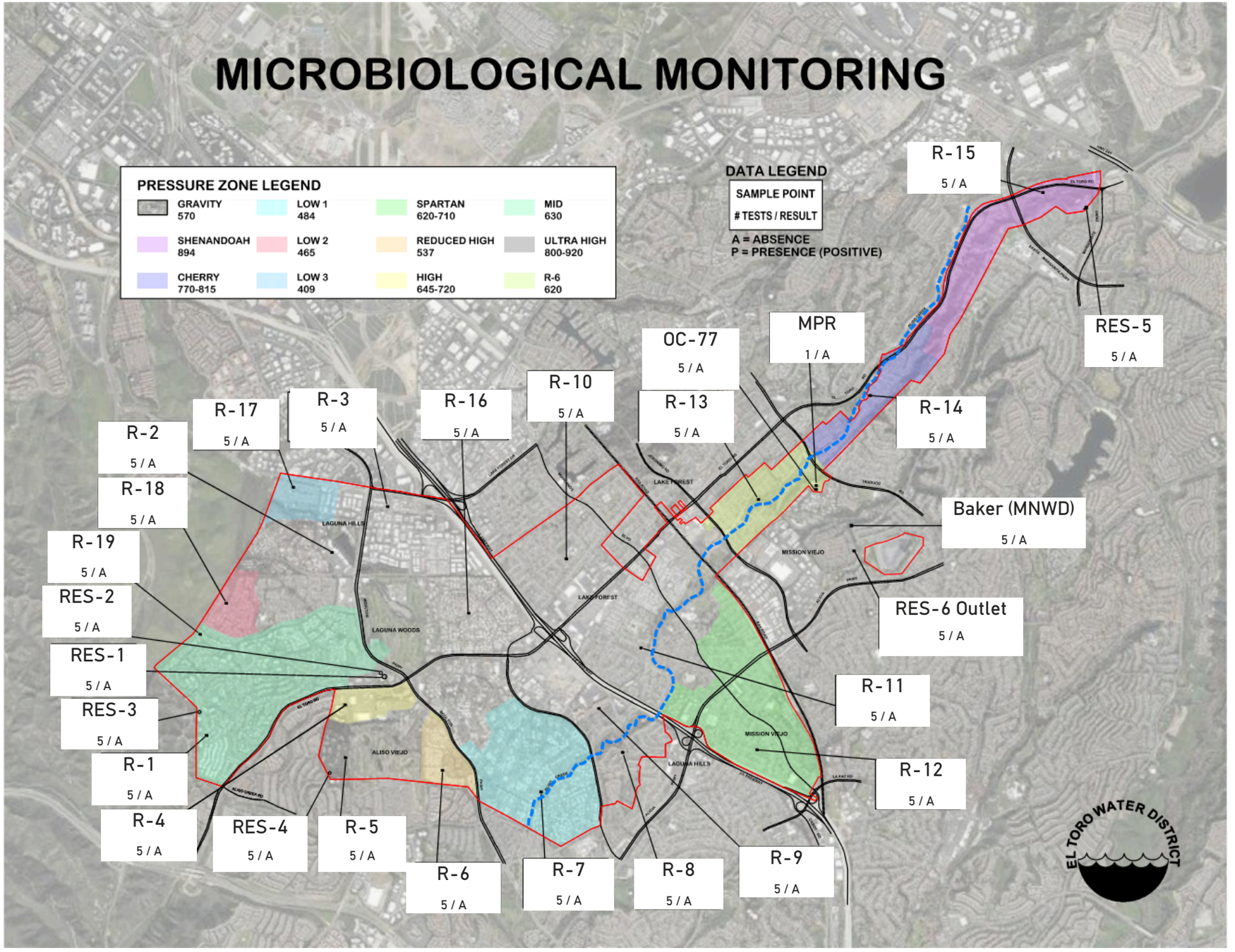


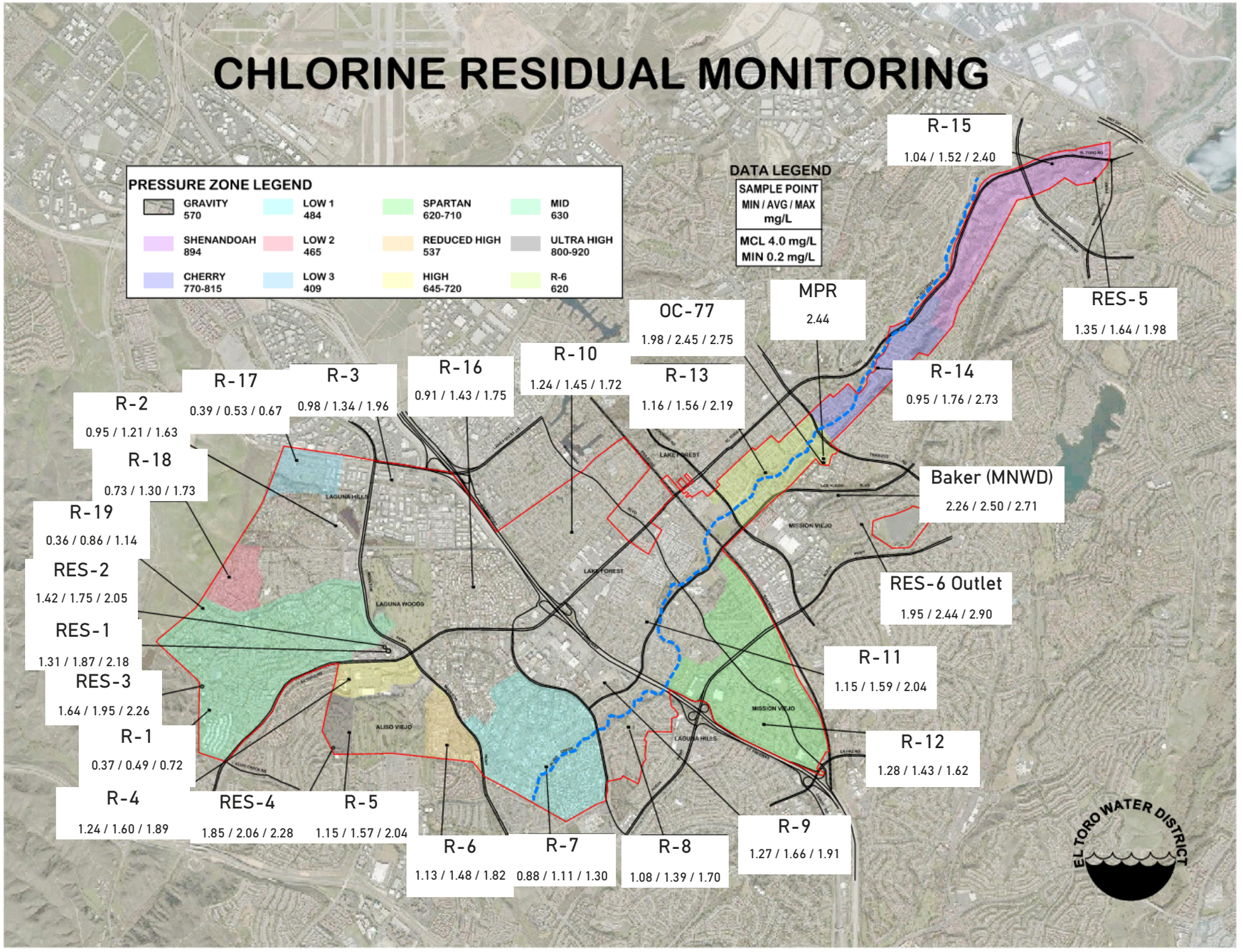
Note:
1. The line cleaning objective is a two year cycle to clean the entire system. The current cycle began on 5/1/2026.
2. The TV inspection objective is a five year cycle to inspect the entire system. The current cycle began on 1/01/2026.

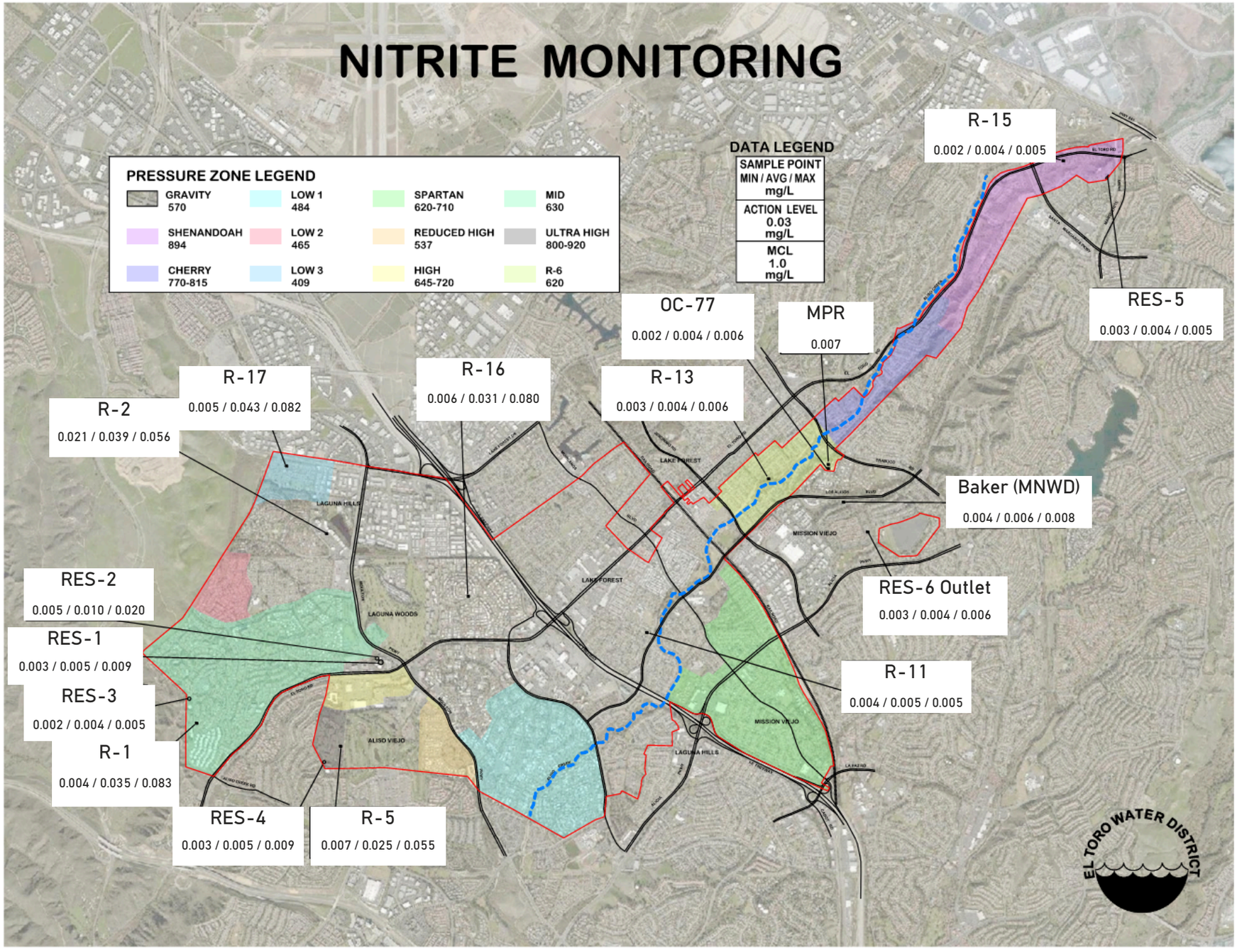
EL TORO WATER DISTRICT
UNAUTHORIZED DISCHARGE SUMMARY
YEAR OF 2026

DATE	PUBLIC / PRIVATE	SPILL TYPE	LOCATION	REASON	IMMEDIATE CORRECTIVE MEASURES	POST-INCIDENT PREVENTIVE MEASURES	RWQCB	DISCHARGED TO	SPILL VOLUME (PUBLIC) Gallons		SPILL VOLUME (PRIVATE) Gallons		REGULATORY NOTIFICATION AND RESPONSE
									CONTAINED	SPILLED	CONTAINED	SPILLED	
January	**NO SPILL**												
February	**NO SPILL**												
March	**NO SPILL**												
April	**NO SPILL**												
May	**NO SPILL**												
June	**NO SPILL**												
July	**NO SPILL**												
August	**NO SPILL**												
September	**PUBLIC SPILL - 9/01/2026**	Secondary Treatment	WRP	Const. Project Boring at WRP OOPS	Spill was contained within the WRP propery. Nothing entered the strom drain or surface water. Vactor trucks, emergency pumps and solids trailer were used to recover the entire volume of the spill.	Contractor installed a repair clamp to fix the pipe. The hole was backfilled with slurry and temporary asphalt. Final cleanup was completed.	Region 8 and Region 9	Spill contained within the property	323,940 gal	323,940 gal			CAL OES, IRWD, SOCWA, REGION 8, OCEH, Region 9
October													
November													
December													
LEGEND									**0**	**0**	**0**	**0**	

S.DC = San Diego Creek	RES. = Residential	R.S. = Rocks
S.D. = Storm Drain	C. = Commercial	C.W.D. = Calcium Water Deposits
A.C. = Aliso Creek	S.B. = Siphon	B.P, = Broken Pipe
G.B. = Grease Blockage	P.F. = Power Failure	U.W. = Untreated Water
S. = Sticks	P. = Paper	R. = Roots


MICROBIOLOGICAL MONITORING
PRESSURE ZONE LEGEND
GRAVITY 570
LOW 1 484
SPARTAN 620-710
MID 630
SHENANDOAH 894
LOW 2 465
REDUCED HIGH 537
ULTRA HIGH 800-920
CHERRY 770-815
LOW 3 409
HIGH 645-720
R-6 620
DATA LEGEND
SAMPLE POINT
TESTS / RESULT
A = ABSENCE
P = PRESENCE (POSITIVE)
R-15 5 / A
RES-5 5 / A
MPR 1 / A
OC-77 5 / A
R-10 5 / A
R-13 5 / A
R-14 5 / A
R-16 5 / A
R-3 5 / A
R-17 5 / A
R-2 5 / A
R-18 5 / A
R-19 5 / A
RES-2 5 / A
RES-1 5 / A
RES-3 5 / A
R-1 5 / A
R-4 5 / A
RES-4 5 / A
R-5 5 / A
R-6 5 / A
R-7 5 / A
R-8 5 / A
R-9 5 / A
R-11 5 / A
R-12 5 / A
Baker (MNWD) 5 / A
RES-6 Outlet 5 / A
LAGUNA HILLS
LAKE FOREST
MISSION VIEJO
LAGUNA WOODS
ALISO VIEJO
EL TORO WATER DISTRICT


CHLORINE RESIDUAL MONITORING
PRESSURE ZONE LEGEND
GRAVITY 570
LOW 1 484
SPARTAN 620-710
MID 630
SHENANDOAH 894
LOW 2 465
REDUCED HIGH 537
ULTRA HIGH 800-920
CHERRY 770-815
LOW 3 409
HIGH 645-720
R-6 620
DATA LEGEND
SAMPLE POINT MIN / AVG / MAX mg/L
MCL 4.0 mg/L
MIN 0.2 mg/L
R-15
1.04 / 1.52 / 2.40
RES-5
1.35 / 1.64 / 1.98
MPR
2.44
OC-77
1.98 / 2.45 / 2.75
R-10
1.24 / 1.45 / 1.72
R-13
1.16 / 1.56 / 2.19
R-16
0.91 / 1.43 / 1.75
R-3
0.98 / 1.34 / 1.96
R-17
0.39 / 0.53 / 0.67
R-2
0.95 / 1.21 / 1.63
R-18
0.73 / 1.30 / 1.73
R-19
0.36 / 0.86 / 1.14
RES-2
1.42 / 1.75 / 2.05
RES-1
1.31 / 1.87 / 2.18
RES-3
1.64 / 1.95 / 2.26
R-1
0.37 / 0.49 / 0.72
R-4
1.24 / 1.60 / 1.89
RES-4
1.85 / 2.06 / 2.28
R-5
1.15 / 1.57 / 2.04
R-6
1.13 / 1.48 / 1.82
R-7
0.88 / 1.11 / 1.30
R-8
1.08 / 1.39 / 1.70
R-9
1.27 / 1.66 / 1.91
R-12
1.28 / 1.43 / 1.62
R-11
1.15 / 1.59 / 2.04
RES-6 Outlet
1.95 / 2.44 / 2.90
Baker (MNWD)
2.26 / 2.50 / 2.71
R-14
0.95 / 1.76 / 2.73
LAGUNA HILLS
LAKE FOREST
LAGUNA WOODS
ALISO VIEJO
MISSION VIEJO
EL TORO WATER DISTRICT


NITRITE MONITORING
PRESSURE ZONE LEGEND
GRAVITY 570
LOW 1 484
SPARTAN 620-710
MID 630
SHENANDOAH 894
LOW 2 465
REDUCED HIGH 537
ULTRA HIGH 800-920
CHERRY 770-815
LOW 3 409
HIGH 645-720
R-6 620
DATA LEGEND
SAMPLE POINT MIN / AVG / MAX mg/L
ACTION LEVEL 0.03 mg/L
MCL 1.0 mg/L
R-15
0.002 / 0.004 / 0.005
RES-5
0.003 / 0.004 / 0.005
OC-77
0.002 / 0.004 / 0.006
MPR
0.007
R-16
0.006 / 0.031 / 0.080
R-13
0.003 / 0.004 / 0.006
R-17
0.005 / 0.043 / 0.082
R-2
0.021 / 0.039 / 0.056
Baker (MNWD)
0.004 / 0.006 / 0.008
RES-2
0.005 / 0.010 / 0.020
RES-6 Outlet
0.003 / 0.004 / 0.006
RES-1
0.003 / 0.005 / 0.009
R-11
0.004 / 0.005 / 0.005
RES-3
0.002 / 0.004 / 0.005
R-1
0.004 / 0.035 / 0.083
RES-4
0.003 / 0.005 / 0.009
R-5
0.007 / 0.025 / 0.055
LAGUNA HILLS
LAKE FOREST
LAGUNA WOODS
ALISO VIEJO
MISSION VIEJO
EL TORO WATER DISTRICT

EL TORO WATER DISTRICT
MONTHLY POTABLE WATER QUALITY REPORT

The quality and safety of drinking water in the U.S. is regulated by the federal government through the U.S. Environmental Protection agency (USEPA). In California, those standards are enforced by the California Department of Public Health (CDPH). Water Quality parameters must meet both primary and secondary water quality standards as established by the CDPH.

PRIMARY STANDARDS - are intended to protect public health against substances in the water that may be harmful to humans if consumed for long periods of time.

SECONDARY STANDARDS - are to ensure esthetic qualities of water such as taste, odor or clarity. Rather than its healthfulness, these standards govern substances that may influence consumer acceptance of water.

Given that 100% of ETWD's potable water resource is fully treated and delivered by Metropolitan Water District of southern California (MWDSC) through an enclosed and protected conveyance system, the majority of the State and federal primary and secondary source water quality monitoring requirements are performed by MWDSC. The District's physical responsibility for water quality monitoring is associated with the distribution system. To monitor the distribution system water quality the District utilizes both in house and outside lab services. Routine distribution analysis conforming to CDPH requirements is conducted for the following constituents:

1) Microbiological - The number of microbiological samples and the frequency of analysis during the month is based on the population and/or service connections served. Utilizing a population of 50,000, the CDPH requires that 20 "representative" samples be collected and analyzed for coliform bacteria. The objective is to maintain water quality that is absent of coliform bacteria which is a general indicator for the existence of fecal coliform.

2) Chlorine Residual - The chlorine residual monitoring is performed in conjunction with the microbiological monitoring. The CDPH requirement for treated surface water mandates that the distribution system maintain a "detectable" residual. The number of and frequency of sampling is determined utilizing the same formula applied to microbiological requirements. At a minimum, we are obligated to collect and analyze for chlorine residual each time we collect the representative microbiological samples. Per EPA Disinfectants & Disinfection Byproduct Rule (D/DBP), which was effective January 2002, requires quarterly reporting for all sampling.

3) TTHM & HAA5 Stage 2 DBPR Compliance The U.S. Environmental Protection Agency (EPA) published the Stage 2 Disinfectants and Disinfection Byproducts Rule (Stage 2 DBPR) on January 4, 2006. The Stage 2 DBPR builds on existing regulations by requiring water systems to meet disinfection byproduct (DBP)* maximum contaminant levels (MCLs) at each monitoring site in the distribution system to better protect public health. The Stage 2 DBP rule is intended to reduce potential cancer and reproductive and developmental health risks from disinfection byproducts (DBPs) in drinking water, which form when disinfectants are used to control microbial pathogens.
This final rule strengthens public health protection for customers of systems that deliver disinfected water by requiring such systems to meet maximum contaminant levels as an average at each compliance monitoring location (instead of as a system-wide average as in previous rules) for two groups of DBPs, trihalomethanes (TTHM) and five haloacetic acids (HAA5). The rule targets systems with the greatest risk and builds incrementally on existing rules.
This regulation will reduce DBP exposure and related potential health risks and provide more equitable public health protection. The Stage 2 DBPR is being released simultaneously with the Long Term 2 Enhanced Surface Water Treatment Rule to address concerns about risk tradeoffs between pathogens and DBPs.

The mandatory requirement under the Stage 2 DBP rule, known as an Initial Distribution System Evaluation (IDSE) was completed by ETWD in 2008 and a Stage 2 monitoring plan has been approved by CDPH. Full Stage 2 compliance begins in 2012. The IDSE identified the locations with high disinfection byproduct concentrations. These locations will then be used by the District as the 8 sampling sites for Stage 2 DBP rule compliance monitoring. Compliance with the maximum contaminant levels for two groups of disinfection byproducts (TTHM and HAA5) will be calculated for each monitoring location in the distribution system. This approach, referred to as the locational running annual average (LRAA), differs from current requirements, which determine compliance by calculating the running annual average of samples from all monitoring locations across the system. The Stage 2 DBP rule also requires each system to determine if they have exceeded an operational evaluation level, which is identified using their compliance monitoring results. The operational evaluation level provides an early warning of possible future MCL violations, which allows the system to take proactive steps to remain in compliance. A system that exceeds an operational evaluation level is required to review their operational practices and submit a report to the state that identifies actions that may be taken to mitigate future high DBP levels, particularly those that may jeopardize their compliance with the DBP MCLs.

4) Physical Quality - **Physical Quality analysis is associated with the esthetic qualities of the finished water. Primarily, we are performing analysis for taste, odor and Turbidity (Clarity). In accordance with CDPH requirements, the District collects a minimum of 15 samples per month.**

5) Nitrites - **Although the chloramine disinfection process has been effective in controlling TTHM levels, it requires increased monitoring and adjustment as a result of its susceptibility to the Nitrification process. Nitrification is a biological process caused by naturally occurring ammonia oxidizing bacteria. Nitrification in chloraminated drinking water can have various adverse impacts on water quality, the most serious of which is the loss of total chlorine residual which is required by the CDPH and the subsequent potential to increase bacteria-iological activity within the finished or treated water system. MWD has developed an effective nitrification monitoring and prevention program which ETWD staff have adopted and incorporated into the District's daily water quality monitoring and action plan. The number and frequency of this type of monitoring is not currently regulated by CDPH. Staff monitor the level of nitrites in source water, reservoirs and the distribution system daily and weekly in conjunction with the microbiological and chlorine sampling program. A nitrite level of between 0.015 and 0.030 would signal an alert. > 0.030 would require action such as the addition of chlorine to produce a chloramine residual.**

EL TORO WATER DISTRICT
MONTHLY POTABLE WATER QUALITY ANALYSIS
MONTH: September YEAR : 2026

CONSTITUENT ANALYSIS		INSIDE LAB		OUTSIDE LAB	
	MCL	NO.	RESULTS	NO.	RESULTS
1 Microbiological	Pres/Absence	147	Absence		Average
2 Chlorine (ppm) In Field	Detectable Resid	158	*Average = 1.38 ppm		
3 TTHM (ppb) (Stage 2)	80 ppb			8	32.1
3 HAA5 (ppb) (Stage 2)	60 ppb			8	15.9
4 Physical Quality:			RANGE		
Turbidity (ppm)	5 NTU	20	0.05 to 0.15		
Odor	3 Units	20	ND<1		
Color	15 Units	20	ND<5		
Temperature	No standard	20	76°F To 90°F		
5 Nitrite (Alert/Action level) ppm	0.015 to 0.030 ppm	135	0.000 to 0.083		

To ensure water quality compliance, the District annually performs approximately 8,750 water quality analytical evaluations of the samples collected from the distribution system.

Abbreviations:

***Average**	**Monthly sample point CL2 average (R1-R19 & MPR)**
RES	**Indicates that the nitrification was isolated to a reservoir and treated**
ND	**None detected**
Pres/Absence	**Presence (P) or Absence (A) related to a positive or negative bacteriological result**
MCL	**Maximum Contaminant Level**
NTU	**Nephelometric Turbidity Units, a measure of the suspended material in the water**
ppm	**Parts per million**
ppb	**Parts per billion**
Total Coliform	**No more than 5% of the monthly samples may be total coliform-positive**
N/A	**Not available**

3rd Quarter Compliance Reports

September's Monthly Reports		
August's Surface Water Treatment (Bactis)	Due September 10th Submitted September 9th	Sent to Region 8, Dennis Cafferty and Scott Hopkins
August's Revised Total Coliform Monitoring (Bactis)	Due September 10th Submitted September 9th	Sent to Region 8, Dennis Cafferty and Scott Hopkins
August's Self Monitoring Report for Planned Discharges	Due September 30th Submitted September 9th	Sent to Region 8, Dennis Cafferty and Scott Hopkins
August's Self Monitoring Report for Recycled Water	Due September 30th Submitted September 24th	Sent to Region 8, Dennis Cafferty and Scott Hopkins
October's Monthly Reports		
September's Surface Water Treatment (Bactis)	Due October 10th Submitted October 6th	Sent to Region 8, Dennis Cafferty and Scott Hopkins
September's Revised Total Coliform Monitoring (Bactis)	Due October 10th Submitted October 6th	Sent to Region 8, Dennis Cafferty and Scott Hopkins
3rd Quarter Stage 2 Disinfection TTHM/HAA5	Due October 10th Submitted October 6th	Sent to Region 8, Dennis Cafferty and Scott Hopkins
3rd Quarter Report of Disinfectant Residuals	Due October 10th Submitted October 6th	Sent to Region 8, Dennis Cafferty and Scott Hopkins
September's Self Monitoring Report for Planned Discharges	Due October 30th Submitted October 6th	Sent to Region 8, Dennis Cafferty and Scott Hopkins
September's Self Monitoring Report for Recycled Water	Due October 30th	Sent to Region 8, Dennis Cafferty and Scott Hopkins

Staff Training Log 2026

First Quarter

Training Topic	Duration/Hrs	Assigned Hrs	Completed Hrs.	Frequency	Modality	Participants
Safety Tailgate Meeting	0.5	193	193	Weekly	In Person	Field Staff
Alcohol Free Workplace	1	58	50	Every 2 Years	In Person	Completed
Bloodborne Pathogens	1	58	48	Annual	Online	Completed
Emergency Preparedness	4	192	164	Annual	Online	Completed
SERP Training (Sewer Spills)	4	144	116	As Needed	In Person	Completed
Arc Flash Training	8	112	112	Every 3 Years	In Person	Completed
		Total- 626.5	**Total- 612.5**			

Second Quarter

Training Topic	Duration/Hrs	Assigned Hrs	Completed Hrs.	Frequency	Modality	Participants
Safety Tailgate Meeting	0.5	189.5	189.5	Weekly	In Person	Field Staff
Fire Prevention	1	58	44	Annual	Online	Completed
Fire Extinguisher	1	58	45	Annual	Online	Completed
SPCC Training	1	41	38	Annual	Online	Completed
Forklift Training	4	140	120	2 Years	In Person	Completed
		Total- 486.5	**Total- 436.5**			

Third Quarter

Training Topic	Duration/Hrs	Assigned Hrs	Completed Hrs.	Frequency	Modality	Participants
Safety Tailgate Meeting	0.5	186	186	Weekly	In Person	Field Staff
Hearing	1	58	48	Annual	Online	Completed
Low Voltage Electricity	1	58	44	Annual	Online	Completed
CPR/AED/First Aid	4	192	192	Every 2 Years	In Person	Completed
Physicals	2	72	72	Annual	In Person	Completed
		Total- 566	**Total- 542**			

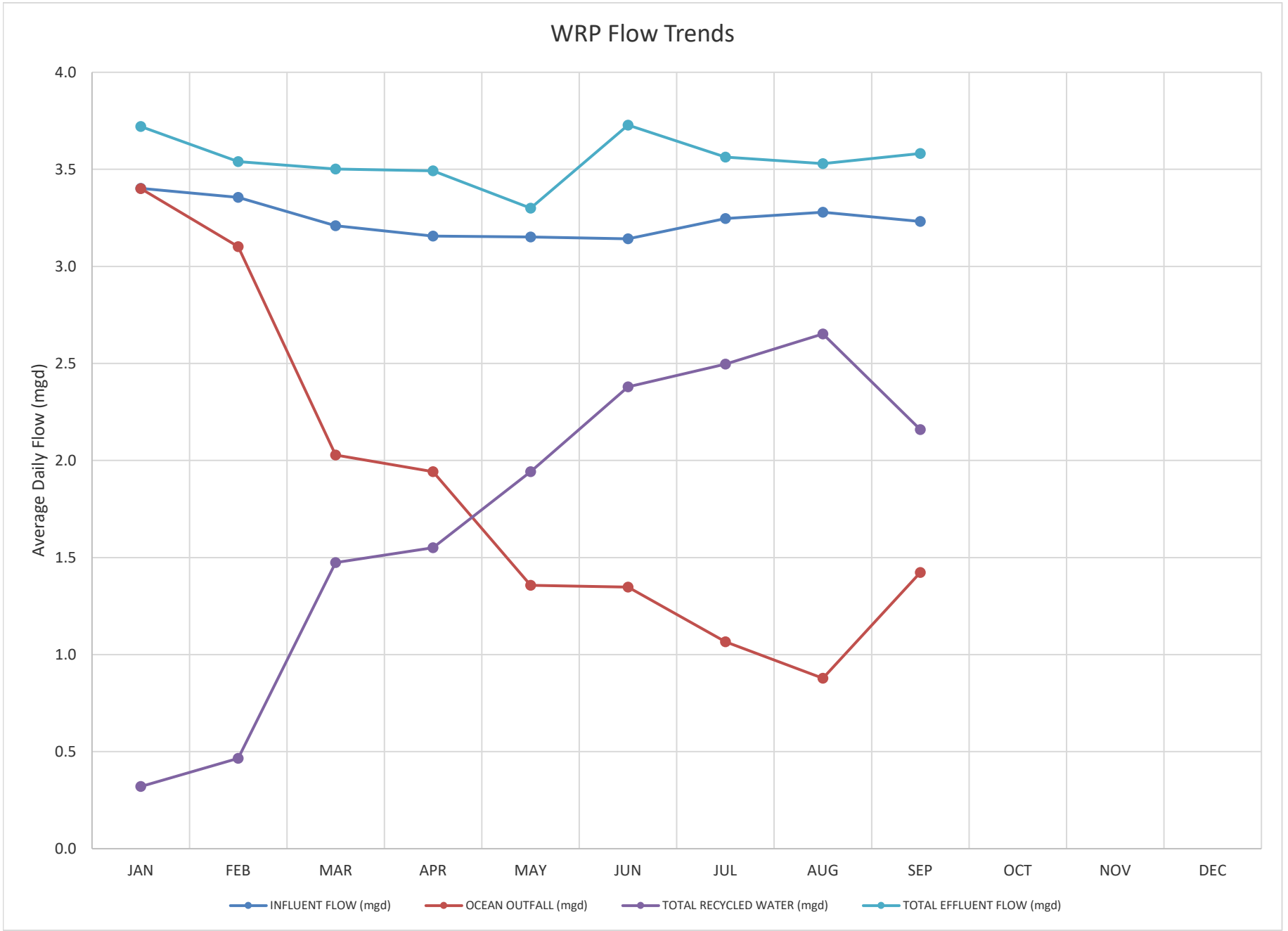
Fourth Quarter

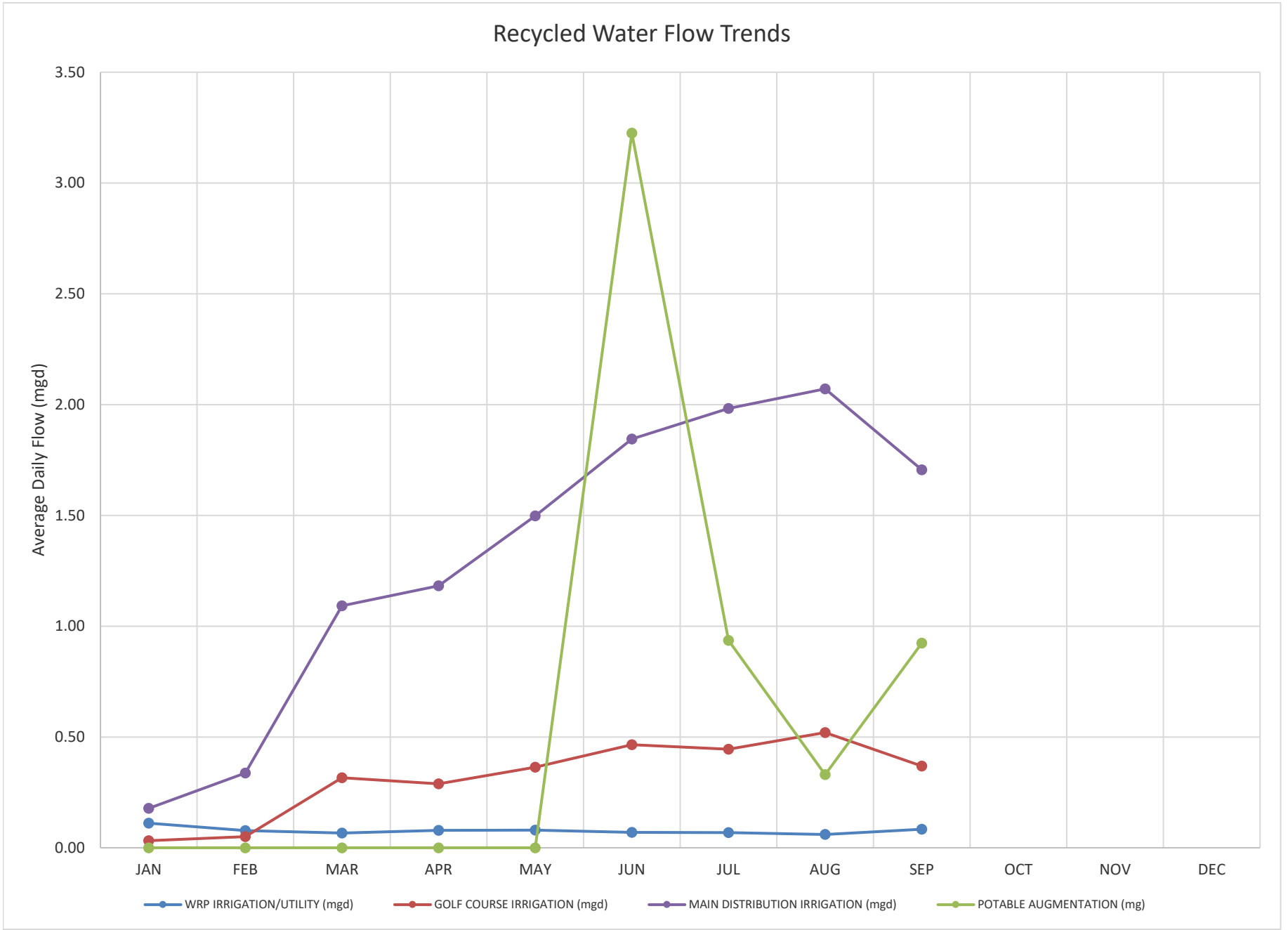
Training Topic	Duration/Hrs	Assigned Hrs	Completed Hrs.	Frequency	Modality	Participants
Safety Tailgate Meeting	0.5	17	17	Weekly	In Person	Field Staff
Lock Out Tag Out	1	58	8	Every 2 Years	Online	All Staff/Assigned
Harassment Prevention for Supervisors	2	54	5	Every 2 Years	Online	Managers/Supervisors
Harassment Prevention for Employees	1	32	2	Every 2 Years	Online	Non Managerial Employees
HAZWOPER	8	312	0	Annual	In Person	Need to Schedule
Confined Space Entry/Rescue	8	224	0	Annual	In Person	Need to Schedule
WVPP	1	58	0	Annual	Online	Need to Schedule
		Total- 738	**Total-**			

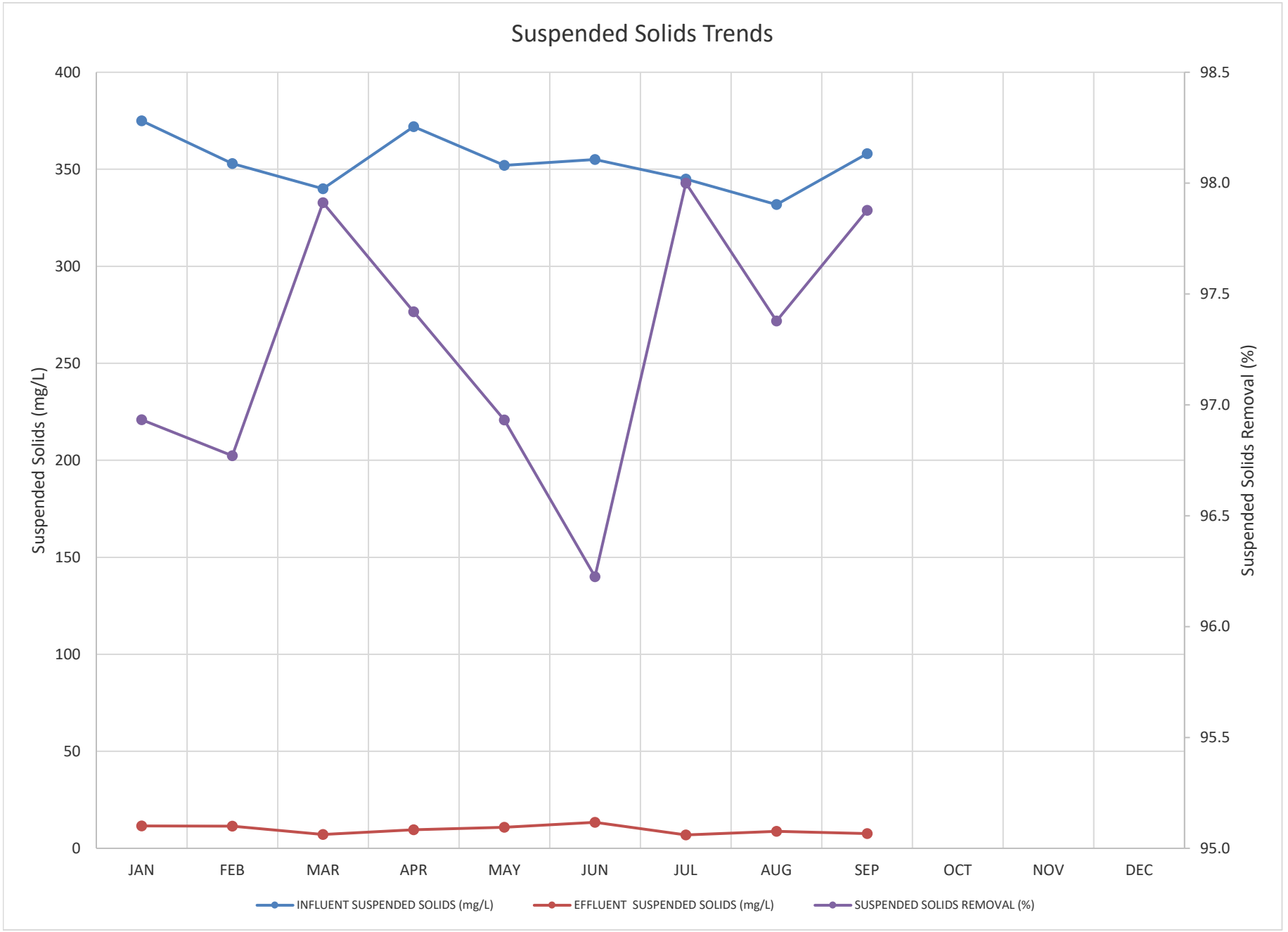
EL TORO WATER DISTRICT

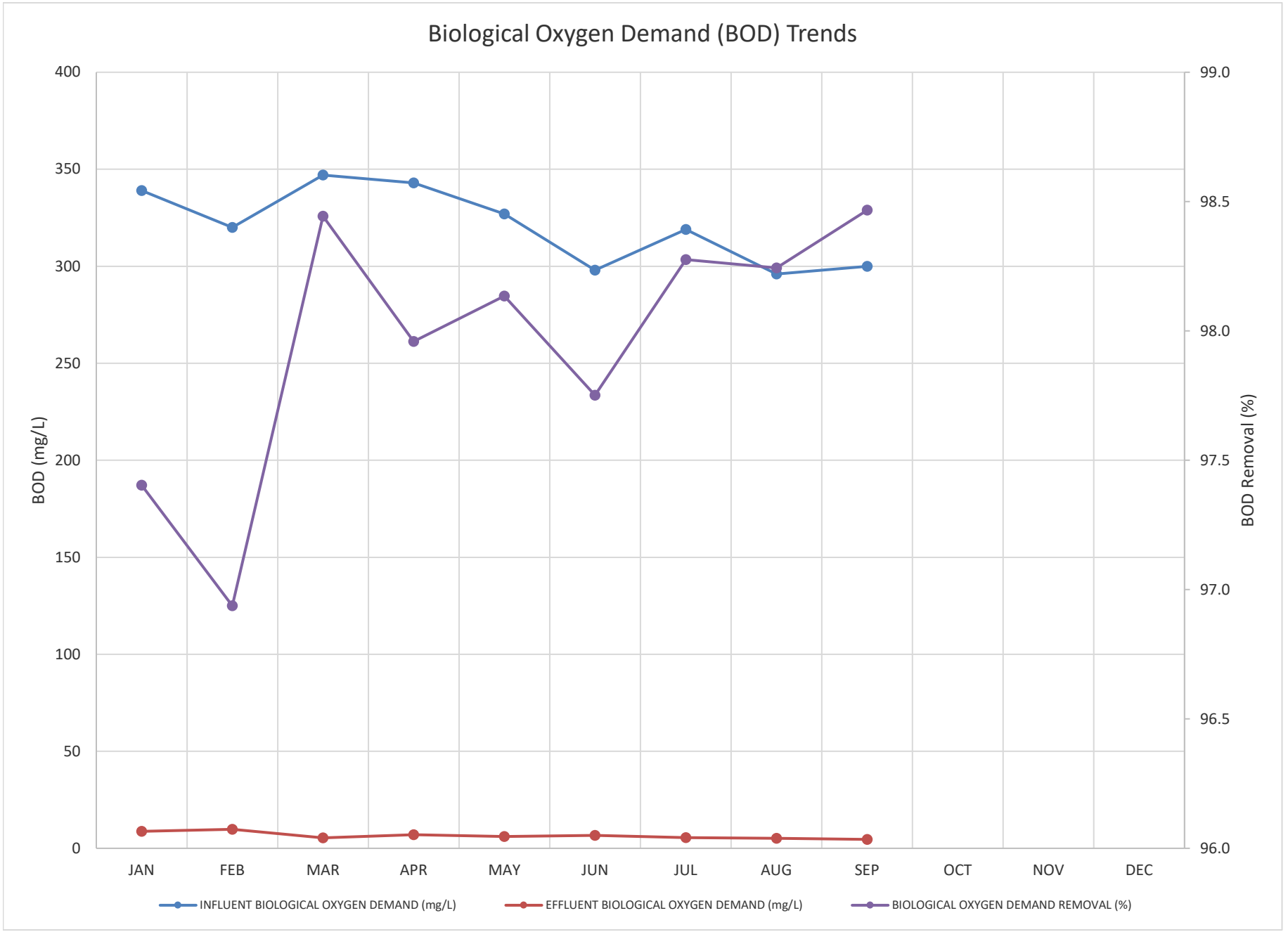
OPERATIONAL DATA FROM WATER RECYCLING PLANT

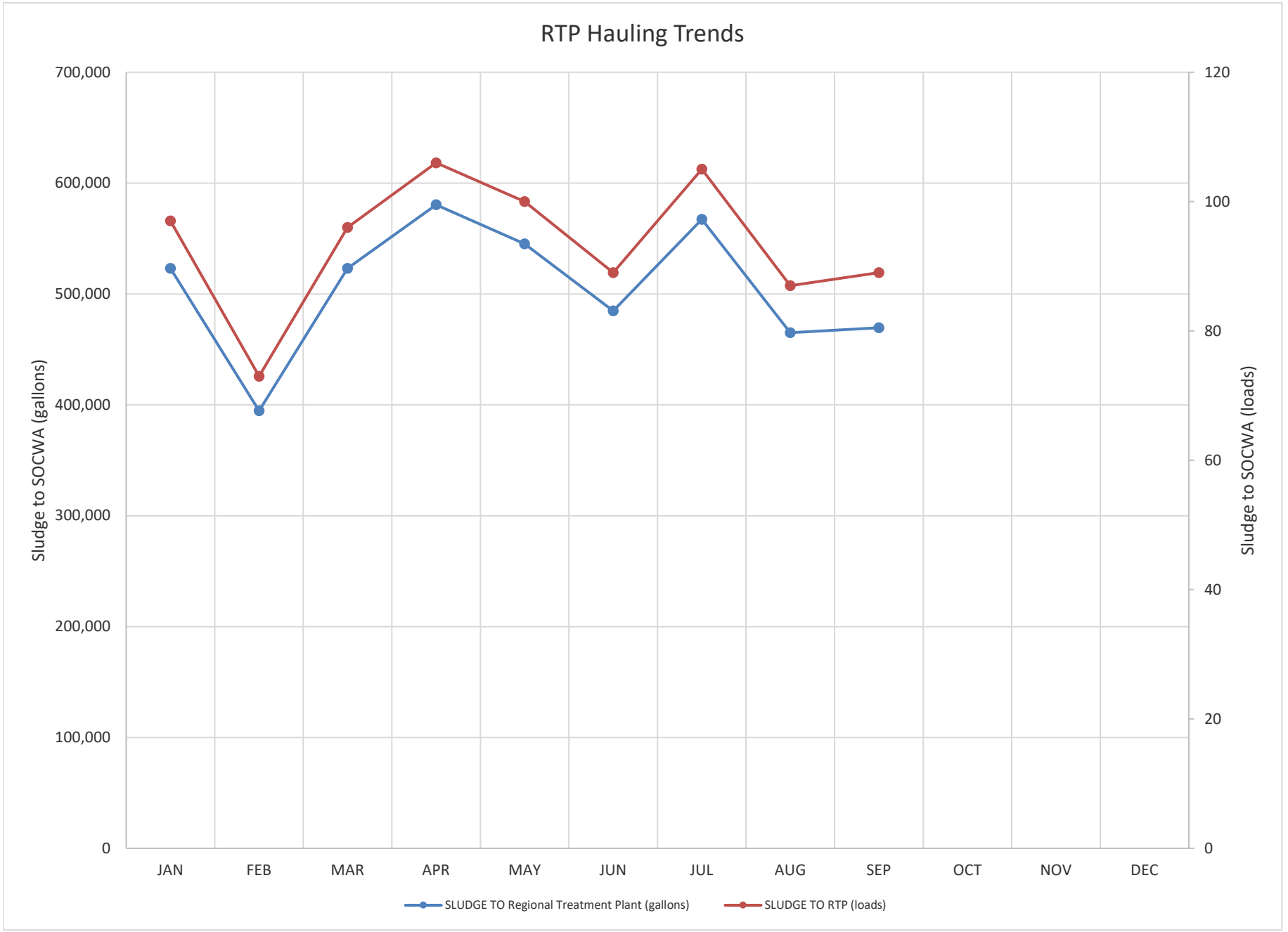
2026	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD Average
INFLUENT FLOW (mgd)	3.402	3.355	3.210	3.156	3.152	3.142	3.247	3.279	3.232				3.242
OCEAN OUTFALL (mgd)	3.401	3.102	2.028	1.942	1.357	1.348	1.066	0.878	1.423				1.838
WRP IRRIGATION/UTILITY (mgd)	0.111	0.078	0.066	0.079	0.080	0.070	0.068	0.060	0.084				0.077
GOLF COURSE IRRIGATION (mgd)	0.032	0.050	0.316	0.289	0.364	0.465	0.445	0.520	0.369				0.317
MAIN DISTRIBUTION IRRIGATION (mgd)	0.178	0.337	1.092	1.182	1.498	1.845	1.983	2.071	1.706				1.321
POTABLE AUGMENTATION (gallons)	0.000	0.000	0.000	0.000	0.000	3,225,000	936,000	330,000	924,000				601667
POTABLE AUGMENTATION (mg)	0.000	0.000	0.000	0.000	0.000	3.225	0.94	0.330	0.924				0.602
TOTAL RECYCLED WATER (mgd)	0.320	0.465	1.474	1.551	1.942	2.380	2.496	2.652	2.159				1.715
TOTAL EFFLUENT FLOW (mgd)	3.721	3.540	3.502	3.492	3.300	3.728	3.563	3.529	3.582				3.551
INFLUENT SUSPENDED SOLIDS (mg/L)	375	353	340	372	352	355	345	332	358				354
EFFLUENT SUSPENDED SOLIDS (mg/L)	12	11	7	10	11	13	7	9	8				10
SUSPENDED SOLIDS REMOVAL (%)	97	97	98	97	97	96	98	97	98				97
INFLUENT BIOLOGICAL OXYGEN DEMAND (mg/L)	339	320	347	343	327	298	319	296	300				321
EFFLUENT BIOLOGICAL OXYGEN DEMAND (mg/L)	9	10	5	7	6	7	6	5	5				7
BIOLOGICAL OXYGEN DEMAND REMOVAL (%)	97	97	98	98	98	98	98	98	98				98
SLUDGE TO Regional Treatment Plant (gallons)	523,099	394,619	523,106	580,456	545,171	484,814	567,304	465,013	469,608				505,910
SOLIDS (dry lb/day)	5,467	5,641	5,634	5,872	5,249	5,084	5,435	5,134	4,972				5,388
TOTAL SOLIDS (%)	4.0	4.7	4.1	3.7	3.6	3.5	3.4	4.1	3.8				3.9
SLUDGE TO RTP (loads)	97	73	96	106	100	89	105	87	89				94
TRUCKED BY ETWD (loads)	97	73	96	106	100	89	105	87	89				94
TRUCKED BY OTHERS (loads)	0	0	0	0	0	0	0	0	0				0
TOTAL RAIN FALL (inches)	2.03	0.10	0.00	1.22	0.00	0.00	0.00	0.00	0.10				0.38
				.									

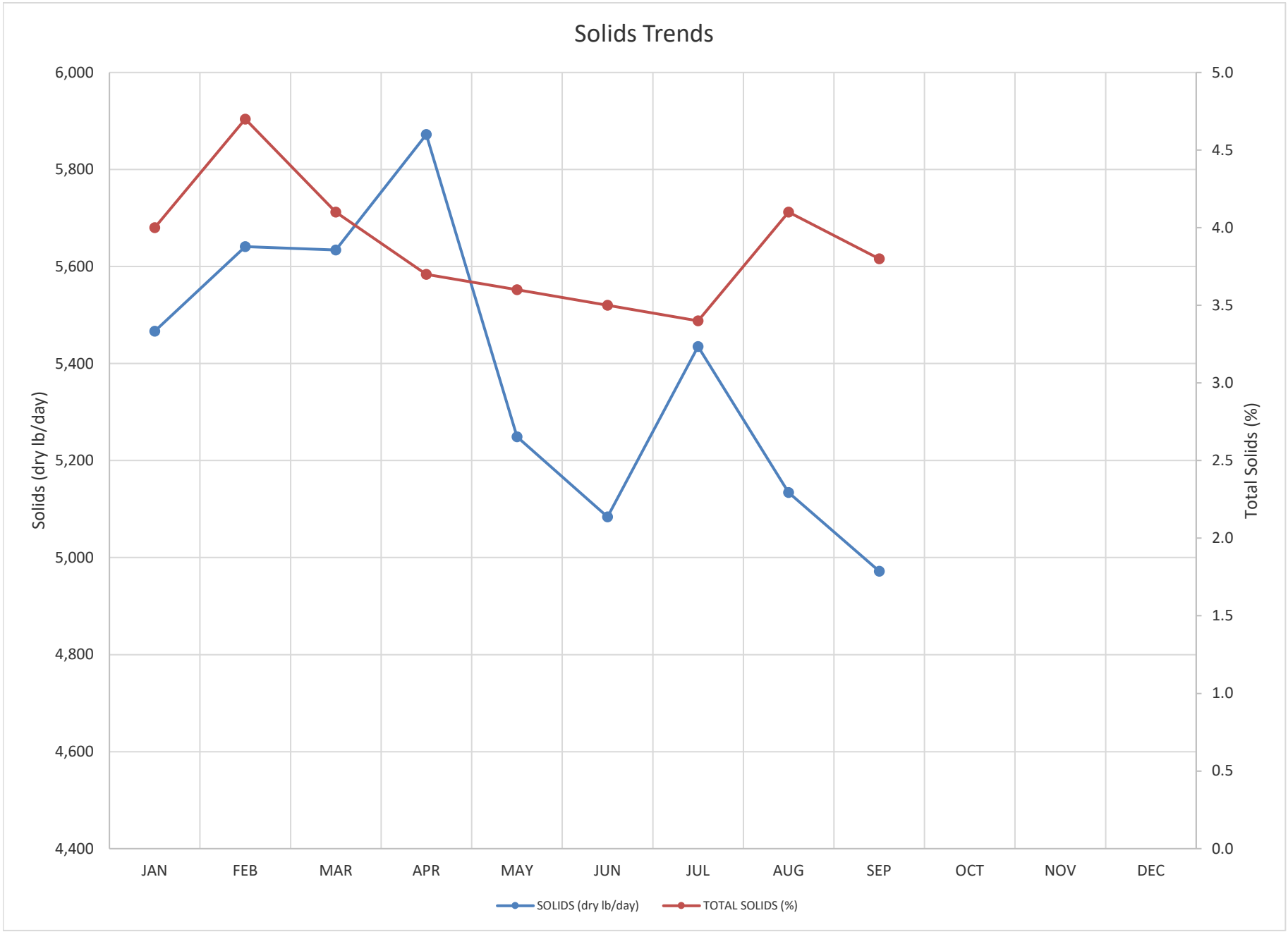

WRP Flow Trends
Average Daily Flow (mgd)
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
INFLUENT FLOW (mgd)
OCEAN OUTFALL (mgd)
TOTAL RECYCLED WATER (mgd)
TOTAL EFFLUENT FLOW (mgd)


Recycled Water Flow Trends
Average Daily Flow (mgd)
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
WRP IRRIGATION/UTILITY (mgd)
GOLF COURSE IRRIGATION (mgd)
MAIN DISTRIBUTION IRRIGATION (mgd)
POTABLE AUGMENTATION (mg)


Suspended Solids Trends
Suspended Solids (mg/L)
Suspended Solids Removal (%)
400
350
300
250
200
150
100
50
0
98.5
98.0
97.5
97.0
96.5
96.0
95.5
95.0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
INFLUENT SUSPENDED SOLIDS (mg/L)
EFFLUENT SUSPENDED SOLIDS (mg/L)
SUSPENDED SOLIDS REMOVAL (%)


Biological Oxygen Demand (BOD) Trends
BOD (mg/L)
BOD Removal (%)
400
350
300
250
200
150
100
50
0
99.0
98.5
98.0
97.5
97.0
96.5
96.0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
INFLUENT BIOLOGICAL OXYGEN DEMAND (mg/L)
EFFLUENT BIOLOGICAL OXYGEN DEMAND (mg/L)
BIOLOGICAL OXYGEN DEMAND REMOVAL (%)


RTP Hauling Trends
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
Sludge to SOCWA (gallons)
120
100
80
60
40
20
0
Sludge to SOCWA (loads)
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
SLUDGE TO Regional Treatment Plant (gallons)
SLUDGE TO RTP (loads)


Solids Trends
6,000
5,800
5,600
5,400
5,200
5,000
4,800
4,600
4,400
Solids (dry lb/day)
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Total Solids (%)
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
SOLIDS (dry lb/day)
TOTAL SOLIDS (%)

WRP BATTERY STORAGE SYSTEM
MONTHLY REPORT

APRIL 2026 - MAY 2026



YEAR	BILLING PERIOD	BILL SAVINGS ($)	BATTERY SAVINGS ($)	NET SAVINGS ($)	YEAR TOTAL ($)
1	08/13/19 - 09/12/19	(917.75)		(2,507.75)	
	09/12/19 - 10/11/19	3,265.76		1,675.76	
	10/11/19 - 11/13/19	(483.66)		(2,073.66)	
	11/13/19 - 12/13/19	232.10		(1,357.90)	
	12/13/19 - 01/14/20	(2,223.61)		(3,813.61)	
	01/14/20 - 02/12/20	1,004.27		(585.73)	
	02/12/20 - 03/13/20	432.82		(1,157.18)	
	03/13/20 - 04/13/20	(2,953.81)		(4,543.81)	
	04/13/20 - 05/13/20	414.86		(1,175.14)	
	05/13/20 - 06/12/20	3,464.46		1,874.46	
	06/12/20 - 07/15/20	898.72		(691.28)	
	07/15/20 - 08/13/20	497.61		(1,092.39)	
	AMS PAYMENT		3,631.77	15,448.00	(15,448)
2	08/13/20 - 09/14/20	1,727.18		137.18	
	09/14/20 - 10/14/20	1,142.91		(447.09)	
	10/14/20 - 11/13/20	993.16		(596.84)	
	11/13/20 - 12/15/21	1,814.40		224.40	
	12/15/20 - 01/14/21	252.77		(1,337.23)	
	01/14/21 - 02/12/21	2,598.74		1,008.74	
	02/12/21 - 03/16/21	2,545.66		955.66	
	03/16/21 - 04/14/21	442.16		(1,147.84)	
	04/14/21 - 05/13/21	4,658.68		3,068.68	
	05/13/21 - 06/14/21	5,828.63		4,238.63	
	06/14/21 - 07/14/21	7,090.27		5,500.27	
	07/14/21 - 08/12/21	11,656.05	40,750.61	10,066.05	21,670.61
3	08/12/21 - 09/13/21	3,251.24		1,661.24	
	09/13/21 - 10/13/22	4,854.74		3,264.74	
	10/13/21 - 11/12/21	1,835.55		245.55	
	11/12/21 - 12/14/21	1,953.12		363.12	
	12/14/21 - 01/13/22	(624.65)		(2,214.65)	
	01/13/22 - 02/11/22	40.42		(1,549.58)	
	02/11/22 - 03/15/22	647.37		(942.63)	
	03/15/22 - 04/13/22	2,556.61		966.61	
	04/13/22 - 05/13/22	92.84		(1,497.16)	
	05/13/22 - 06/14/22	8,377.93		6,787.93	
	06/14/22 - 07/14/22	20,486.96		18,896.96	
	07/14/22 - 08/12/22	6,915.19		5,325.19	
	Performance Bonus		50,387.32	(1,817.00)	29,490.32

WRP BATTERY STORAGE SYSTEM
MONTHLY REPORT

APRIL 2026 - MAY 2026



YEAR	BILLING PERIOD	BILL SAVINGS ($)	BATTERY SAVINGS ($)	NET SAVINGS ($)	YEAR TOTAL ($)
4	08/12/22 - 09/13/22	8,171.50		6,581.50	
	09/13/22 - 10/13/22	2,943.86		1,353.86	
	10/13/22 - 11/14/22	2,083.92		493.92	
	11/14/22 - 12/14/22	1,960.66		370.66	
	12/14/22 - 01/12/23	(3,571.97)		(5,161.97)	
	01/12/23 - 02/11/23	311.28		(1,278.72)	
	02/11/23 - 03/14/23	2,755.08		1,165.08	
	03/14/23 - 04/12/23	1,994.90		404.90	
	04/12/23 - 05/11/23	(558.88)		(2,148.88)	
	05/11/23 - 06/12/23	6,377.33		4,787.33	
	06/12/23 - 07/13/23	21,318.66		19,728.66	
	07/13/23 - 08/11/23	3,262.26		1,672.26	
	Performance Bonus		47,048.60	(148.00)	27,820.60
5	08/11/23 - 09/12/23	1,749.86		159.86	
	09/12/23 - 10/11/23	16,350.56		14,760.56	
	10/11/23 - 11/09/23	4,659.23		3,069.23	
	11/09/23 - 12/12/23	9,302.30		7,712.30	
	12/12/23 - 01/11/24	5,204.44		3,614.44	
	01/11/24 - 02/12/24	(828.52)		(2,418.52)	
	02/14/24 - 03/13/24	(2,433.90)		(4,023.90)	
	03/13/24 - 04/12/24	2,204.14		614.14	
	04/12/24 - 05/13/24	(37.79)		(1,627.79)	
	05/13/24 - 6/12/24	6,965.53		5,375.53	
	06/12/24 - 7/15/24	7,871.04		6,281.04	
	07/16/24 - 8/13/24	(308.78)		(1,898.78)	
	Performance Bonus		50,698.11	(1,973.00)	29,645.11
6	8/13/24-9/12/24	5,410.44		3,820.44	
	9/12/24-10/11/24	8,270.47		6,680.47	
	10/11/24-11/12/24	3,470.89		1,880.89	
	11/12/24-12/11/24	2,864.46		1,274.46	
	12/11/24-01/11/25	5,471.53		3,881.53	
	01/11/25-02/11/25	3,099.11		1,509.11	
	02/11/25-03/13/25	513.45		(1,076.55)	
	03/13/25-04/11/25	3,793.31		2,203.31	
	04/11/25-05/13/25	7,880.66		6,290.66	
	05/13/25-06/12/25	(4,962.65)		(6,552.65)	
	STEM Credit	11,365.00		11,365.00	
	06/12/25-07/15/25	11,961.11		10,371.11	
	07/12/25-08/13/25	8,326.07		6,736.07	
	Performance Bonus		67,463.85	(5,314.00)	43,069.85

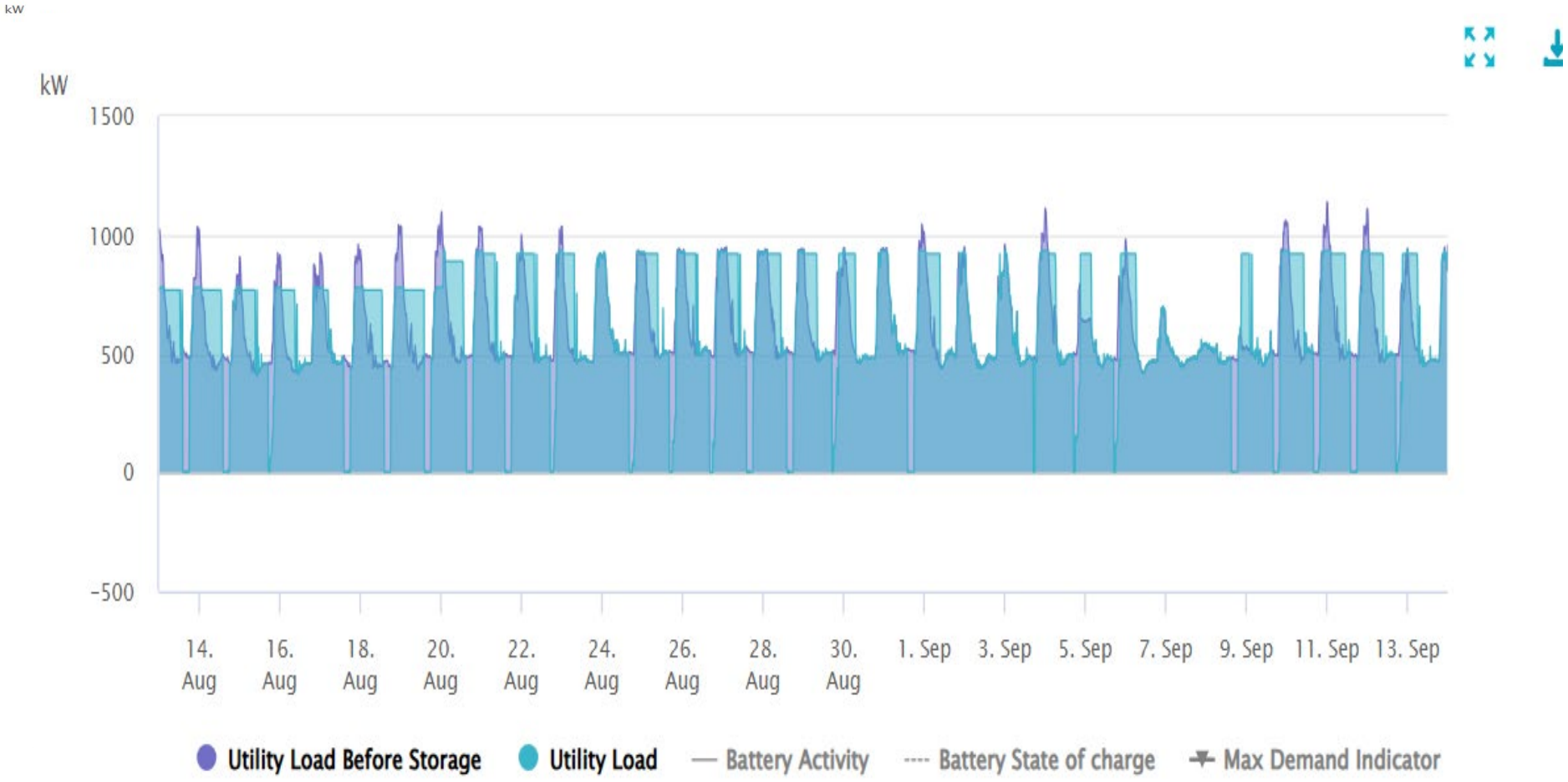
WRP BATTERY STORAGE SYSTEM
MONTHLY REPORT

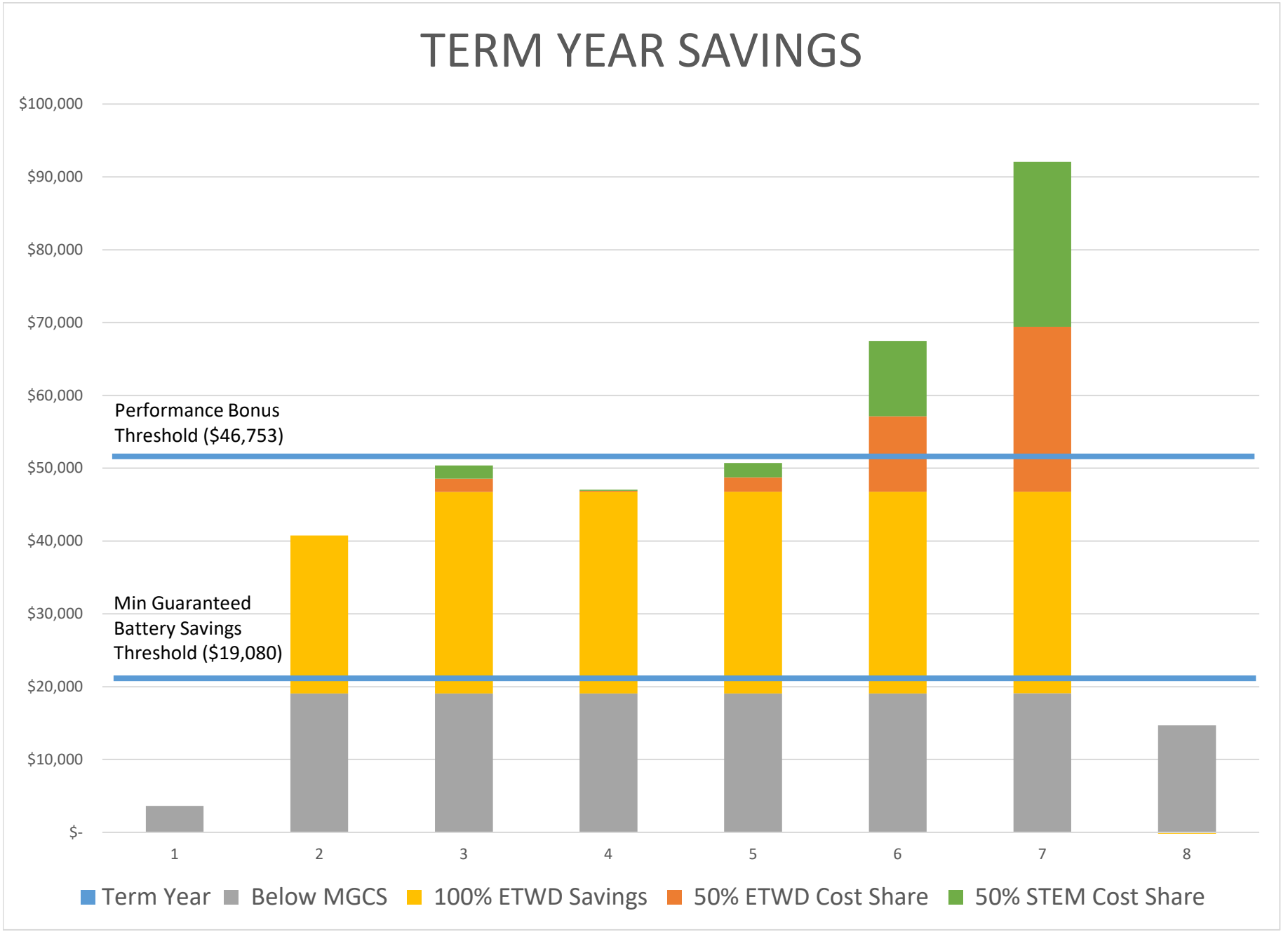
APRIL 2026 - MAY 2026



YEAR	BILLING PERIOD	BILL SAVINGS ($)	BATTERY SAVINGS ($)	NET SAVINGS ($)	YEAR TOTAL ($)
7	08/13/25 - 09/12/25	10,886.89		9,296.89	
	09/12/25 - 10/13/25	10,365.71		8,775.71	
	10/13/25 - 11/12/25	7,260.24		5,670.24	
	11/11/25 - 12/12/25	1,722.67		132.67	
	12/12/25 - 01/13/26	755.78		(834.22)	
	01/13/25 - 02/12/26	5,903.43		4,313.43	
	02/12/25 - 03/16/26	7,173.33		5,583.33	
	03/16/26 - 04/15/26	8,735.99		7,145.99	
	04/15/26 - 05/14/26	9,880.56		8,290.56	
	05/14/26-06/15/26	9,978.57		8,388.57	
	06/15/26-07/15/26	9,807.25		8,217.25	
	07/16/26-08/13/26	9,573.23		7,983.23	
	Performance Bonus		92,043.65	(22,645.33)	50,318.33
8	08/13/26-09/14/26	14,690.74		13,100.74	
			14,690.74		13,100.74
	TOTAL	**263,773.45**			**215,115.56**

WRP BATTERY STORAGE SYSTEM
MONTHLY REPORT




TERM YEAR SAVINGS
$100,000
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$-
Performance Bonus Threshold ($46,753)
Min Guaranteed Battery Savings Threshold ($19,080)
1
2
3
4
5
6
7
8
Term Year
Below MGCS
100% ETWD Savings
50% ETWD Cost Share
50% STEM Cost Share

Agenda Item No. 6

STAFF REPORT

To: Board of Directors **Meeting Date: October 19, 2026**

From: Hannah Ford, Director of Engineering
Matt Vera, Senior Engineer

Subject: Capital Project Status Report

I. Headworks and Secondary Clarifier No. 1 Rehabilitation Project

The contractor, Filanc Construction, Inc. (Filanc), continues yard piping installation and installed the temporary piping from the Northline lift station across the Laguna Woods Golf Course in order to facilitate a repair on the Northline forcemain, as shown in Figure 1. Filanc bypassed flow from the Northline lift station, made the repair, and removed a portion of the force main for the District to send to the lab for analysis as part of its ongoing sewer force main condition assessments, as shown in Figure 2. Filanc plans to remove the temporary piping across the golf course on Thursday, October 15th. District staff continue to review project submittals and negotiate the proposed agreement to enable receipt of $300,000 in grant funding from U.S. Department of Energy.



Figure 1 – Temporary Piping across Golf Course from Northline Lift Station



Figure 2 – Northline Forcemain AC Pipe Removed for Testing

Table 1 summarizes the project cost and schedule as percent complete. Filanc's billings reflect work through September 2026. Construction costs are behind schedule because mobilization was delayed until February 2026.

Table 1 – Headworks and Secondary Clarifier No. 1 Rehabilitation Project Schedule and Budget Status

Construction Contract	Total	Earned to Date	Percent Complete
Budget	$10,424,200	$1,813,895	17%
Schedule	July 09, 2025 – January 06, 2028		48%

II. Low 1 Zone Hydraulic Modification Project

District staff and JIG are currently working to expedite the utility research phase of the project. In order to reduce overall project costs, the District performed potholing in-house and completed those only requiring minor traffic control on Avenida Sevilla, as shown in Figures 3 and 4. Additional potholing within Paseo de Valencia and Avenida Sevilla requires a full closure of Gate 4 and has been coordinated with Laguna Woods Village and the Cities of Laguna Woods and Laguna Hills. This work is planned for Monday, October 19th.

There is an existing 33-inch water main owned by Moulton Niguel Water District (MNWD) that District staff were unable to locate due to the depth of the line. This facility will need to be located to confirm the extents of MNWD's easement and find a viable corridor for the new water main; TE Roberts has been contacted with a request for proposal to complete these potholes. This work will be scheduled to be done during the closure of Gate 4.

JIG originally had targeted a 30% design submittal in early October; however, this will be further delayed pending the results of the potholing efforts.



Figure 3 – Minor Traffic Control Within Avenida Sevilla



Figure 4 – District Staff Potholing with Hydro-Excavator

III. Moulton/El Toro Cathodic Repair Project

The contractor, Farwest Corrosion Control Company (Farwest), has completed installation of four of the eight anode ground beds currently required.

During the installation of the remaining four anode ground beds, near Saint Nicholas Catholic Church, Farwest's drilling equipment struck a 36-inch storm drain. This facility was not marked out by the City or found during the initial potholing efforts. Additional review of the available as-builts and coordination with the City of Laguna Woods and Orange County Public Works revealed Laguna Woods owns this facility but did not have records of it within their system. Due to the nature of the encroachment permit, District staff have coordinated with multiple vendors to find a cost effective and minimally intrusive repair which the City is currently reviewing.

Farwest has since revised the proposed locations to avoid additional conflict with the storm drain and completed their potholing efforts to confirm no further conflicts. They anticipate drilling for the new anode ground beds will resume within the next two weeks. After installation is complete, UCorr will perform testing to confirm the efficacy of the installation and determine if additional work is required.



Figure 5 – Anode Bed Bore Hole Drill Rig



Figure 6 – Anode Installation/ Wiring Splicing

IV. Freeway Electrical Equipment Replacement

KS Contractors completed the canopy modifications by installing new CMU block to permanently raise the existing canopy, as shown in Figures 7 and 8. Baker Electric & Renewables LLC (Baker) also demolished and removed the existing electrical equipment. During October, Baker plans to underground the SCE electrical service to the site, extend the existing concrete equipment pads, install the new electrical equipment, and complete the associated wiring. Following SCE inspection, the utility requires approximately four weeks to schedule energization. Based on the current schedule, the District anticipates energizing the new electrical equipment in December 2026.



Figure 7 – Freeway Elevated Canopy



Figure 8 – Freeway Elevated Canopy

V. SOCWA Effluent Transmission Main (ETM) Reach B Techite Replacement

District staff completed a thorough review of BKF Engineers' 60% design submittal and participated in several design review meetings. Staff also supported BKF's exploratory potholing along Moulton Parkway and El Toro Road, including overnight inspections to protect the existing Techite pipeline during the work.

Village Management Services and the Golden Rain Foundation continue to review the proposed temporary construction and permanent easement agreements. The parties are also discussing compensation associated with the easements and anticipated impacts to golf course operations.

District staff reviewed the project description and preliminary recommendations from the biological resources and noise studies prepared by Rincon Consultants, Inc. (Rincon), which is preparing the project's California Environmental Quality Act documentation. Rincon submitted the Notice of Exemption (NOE) documentation for District review and remains on track to finalize by mid-November.

VI. R-6 Reservoir Southern Slope Repair Project

The contractor successfully completed the vegetation establishment period, and the District is working on the final punchlist with the contractor and filing the Notice of Completion (NOC) with the County.

VII. Aliso Creek Lift Station Improvement Project

District staff continue to coordinate with the GRF and United Mutual regarding the temporary construction and easement agreements needed for trail, sidewalk, and lane closures during construction. The agreements are currently in a second round of review, and the parties are nearing resolution on the remaining comments. Once the agreements are finalized and executed, Tetra Tech will complete the final design.

F.Y. 2026/27 CAPITAL IMPROVEMENT PROGRAM BUDGET ITEMS > $75,000
BOARD APPROVAL SCHEDULE

Category	Project Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	CIP Budget	Board Approved Cost
2026/27 Capital Projects															
	Low 1 Zone Hydraulic Modifications	RFP	A	E	E	E	E	E	A	C	C	C		$117,700	$97,600
	Freeway, Mathis, and Westline Lift Station Coating Rehabilitation							E	E	B	B	A	C	$281,000	
	Veeh Lift Station Rehabilitation								E	E	E	B	B	$170,000	
	Westline Forcemain Replacement					RFP	RFP	A	E	E	E	E	B	$203,860	
2026/27 Capital Equipment															
	Veeh Electrical Equipment Replacement						E	E	E	A	O			$315,000	
	Lab Fume Hoods								E	B	B	A	C	$237,600	
	Aeration Basin No. 3 Diffuser and Valve Replacement	Delayed until after the Headworks/Secondary Clarifier No. 1 Rehabilitation Project												$570,000	
	Valve Insertion Equipment				A		R							$146,000	
Previous Fiscal Year Carryover															
	SCADA Radio Communications	E	E	E	E	E	E	B	B	A	C	C	C	$500,000	
	Headworks and Secondary Clarifier No. 1 Rehabilitation	C	C	C	C	C	C	C	C	C	C	C	C	$11,962,000	$13,060,285
	Moulton/El Toro Cathodic Protection Repair	C	C	C	C	C								$218,000	$367,000
	Aliso Creek Pump Station Improvements Project	E	E	E	E	E	E							$600,000	$484,000
	Freeway Electrical Equipment Replacement	C	C	C	C	C	C							$263,362	$277,385
	Westline Generator Unit 213 Replacement				E	B	B / R	A	C	C	C			$368,000	$266,804
													Total	$14,548,600	$13,911,285

Key:

- Water
- Wastewater
- Recycled Water
- Split between All Departments
- Board Involvement

Abbreviations:

A = Approve by Board
B = Bid
BP = Board Presentation
C = Construction
E = Engineering/Study
ET = Evaluate
L = Legal
N = Negotiate
O = Order
P = Permit
RFP = Request for Proposal
R = Receive

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
AND THE
FINANCE & INSURANCE COMMITTEE MEETINGS.

September 21, 2026

At approximately 7:30 a.m. President Freshley called the regular meeting to order.

Director Monin led the Pledge of Allegiance to the flag.

Directors MARK MONIN, MIKE GASKINS, KAY HAVENS, KATHRYN FRESHLEY, and WYATT McCLEAN participated.

Also participating were DENNIS P. CAFFERTY, General Manager, GILBERT J. GRANITO, General Counsel, JUDY CIMORELL, Director of Human Resources, HANNAH FORD, Director of Engineering, SCOTT HOPKINS, Operations Superintendent, MIKE MIAZGA, Information Technology Manager (Zoom), CAROL MOORE, City of Laguna Woods (Zoom), and MARISOL MELENDEZ, Recording Secretary.

Determination of a Quorum

Roll Call:

Director McClean	Present
Director Monin	Present
Director Gaskins	Present
Vice President Havens	Present
President Freshley	Present

Five Board members were present at the meeting and therefore, a quorum has been determined.

Oral Communications/Public Comment

Ms. Moore commented on the new District website.

Items Too Late to be Agendized

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

Finance and Insurance Committee Meeting

At approximately 7:34 a.m. Director Monin called the Finance and Insurance Committee meeting to order.

Consent Calendar

Director Monin asked for a Motion.

Motion: Director Gaskins made a motion, seconded by Director McClean to approve the Consent Calendar.

Roll Call Vote:

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

Financial Information Items

Financial Statements and Report

Mr. Cafferty reported that the District has 254 days of cash on hand and approximately $25 million in cash and investments, which will decrease as the Capital Improvement Projects progress over time. The current ratio is 6.3 indicating a strong level of short-term liquidity. The accounts receivable increased by slightly over $1 million primarily due to timing of customer collections. The accounts receivable turnover ratio is 31 days, which is within the District's target range of 30 to 35 days. The accounts payable and accrued expenses decreased by approximately $257,000 due to the timing of vendor invoicing processing and payments. The year-to-date accounts payable turnover ratio was 32 days and is within the target range of 30 to 35 days.

Overall, the District is in a strong liquidity position. Mr. Cafferty further stated the District is meeting the recently revised Cash Reserves Policy in which the minimum amounts in the rate stabilization, operations, and working capital reserves were changed to $2.5 million. He added that the Reverse Cyclic Program is expected to be paid off by the end of the year and will reflect as a positive amount on the report.

Financial Action Items

Financial Package – Authorization to Approve Payment of Bills for the Month Ending August 31, 2026

Mr. Cafferty noted that there were three payments over $75,000, which exceed the General Manager's authority.

Director Monin asked for a Motion.

Motion: Director Gaskins made a motion, seconded by Vice President Havens to ratify and confirm payment of those bills as set forth in the Payment Summary for the month ending August 31, 2026.

Roll Call Vote:

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

Comments Regarding Non-Agenda FIC Items

There were no comments.

Adjournment

There being no further business the Finance and Insurance Committee meeting was closed at approximately 7:40 a.m.

Respectfully submitted

MARISOL MELENDEZ
Recording Secretary

APPROVED:

KATHRYN FRESHLEY, President
of the El Toro Water District and the
Board of Directors thereof

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

Agenda Item No. 9

STAFF REPORT

To: BOARD OF DIRECTORS **Meeting Date: October 19, 2026**

From: Vishav Sharma, Chief Financial Officer

Subject: Presentation of the Investment Performance Review for the quarter ended September 30, 2026

Attached to this staff report is the investment performance review for the quarter ended September 30, 2026. PFM Asset Management LLC serves as the District's investment advisor. Mr. Robert Montoya of PFM will present the quarterly investment performance review, discuss the District's investment portfolio performance, and provide an overview of current economic conditions and their potential impact on the investment portfolio.

Attachments

- Attachment 1 –Investment performance report presentation

pfm asset management

EL TORO WATER DISTRICT

Investment Performance Review
For the Quarter Ended September 30, 2026

Client Management Team

Monique Spyke, Managing Director
Robert Montoya, Relationship Manager
Jeremy King, Key Account Manager

PFM Asset Management
A division of U.S. Bancorp Asset Management, Inc

1 California Street Ste. 1000
San Francisco, CA 94111-5411
415-393-7270

213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

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Market Update

Current Market Themes



- U.S. growth remains resilient, supported by consumer spending and AI investment
  - Core inflation remains sticky while elevated oil prices and rising input costs leave risks skewed to the upside
  - Labor-market conditions remain balanced, although hiring momentum continues to slow
  - AI-related investment continues to support domestic demand and potential productivity growth, although its long-term impact on employment and inflation remains uncertain



- Federal Reserve (Fed) hikes rates by 25 basis points
  - September dot plot shows 16 of 18 officials projecting one or more hikes this year
  - Economy viewed as strong enough to absorb the hike, allowing the Fed to continue to focus on inflation side of its mandate
  - Hike characterized as removing accommodation as opposed to tightening conditions



- Inflation, resilient growth, and a hawkish Fed lift yields to multi-year highs
  - All-in yields remain attractive, particularly on short end where market pricing reflects a more aggressive tightening path than our base case
  - Expanding fiscal deficits, heavy Treasury and corporate issuance, strong growth, and rising term premia pressure long-end yields
  - Credit spreads widen off historically tight levels amid a surge in rate volatility

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of September 30, 2026.

September Hike Reinforces a Higher-for-Longer Policy Path

Hawkish Decision and Projections

- Unanimous vote to raise federal funds target range by 25 basis points to 3.75% - 4.00%
- Economic resilience allowed Fed to remain focused on inflation
- The "dot plot" showed 16 of 18 participants expect one or more hikes in 2026

Hawkish Press Conference

- Inflation has not moved toward the 2% target "clearly and at sufficient speed"
- The hike removes "a dose of accommodation" but is not yet restrictive
- Fed remains data-dependent

Potential Paths for Fed Policy

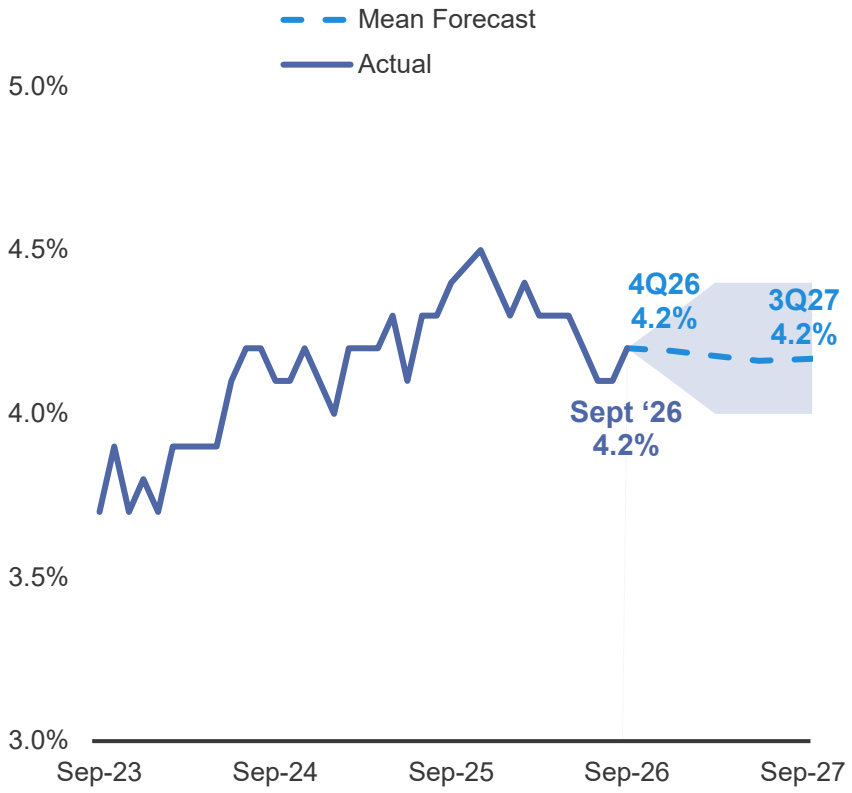
Category	No Additional Hikes	One Additional Hike	Two or More Hikes
Inflation	*Cooling Convincingly*	*Sticky, Moderating*	*Reaccelerating, Broadening*
Labor Market	*Cooling*	*Solid, Resilient*	*Tightening*
Consumer Spending	*Weakening*	*Resilient*	*Strong*
Growth	*Softening*	*Solid, Above-trend*	*Accelerating*

Source: Bloomberg Finance L.P., Federal Reserve, and Kevin Warsh. As of September 30, 2026.

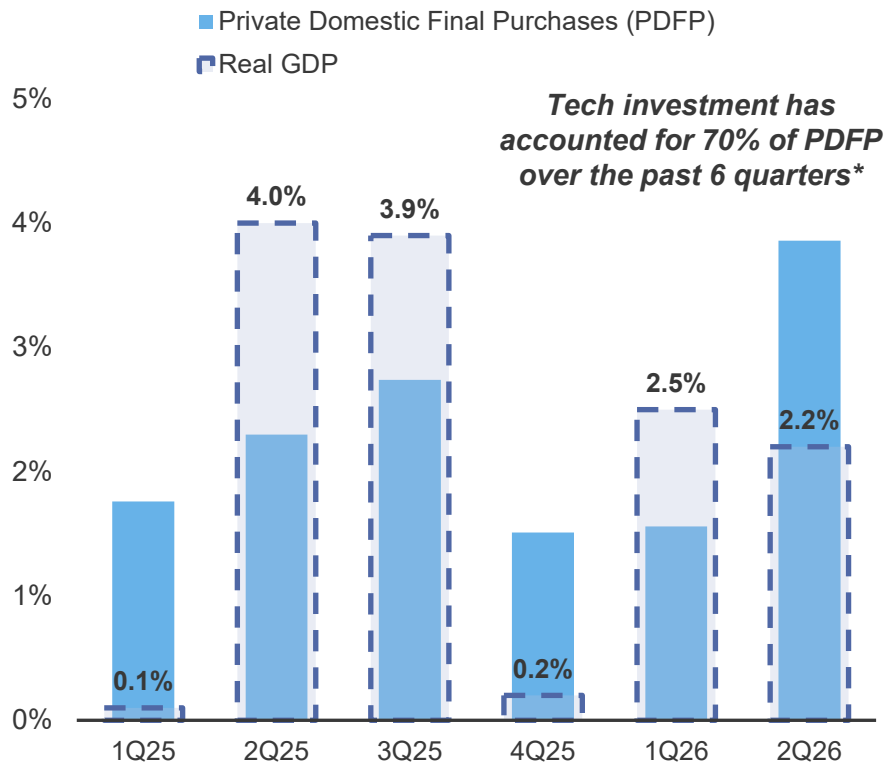
Fed Hikes Amid Labor Market Stability and Strong Private Demand

Fed Chair Warsh: "There's been a pretty wide ranging set of data, including in the labor markets, that the economy has strengthened"

Unemployment Rate



Private Demand Drives Economic Resilience



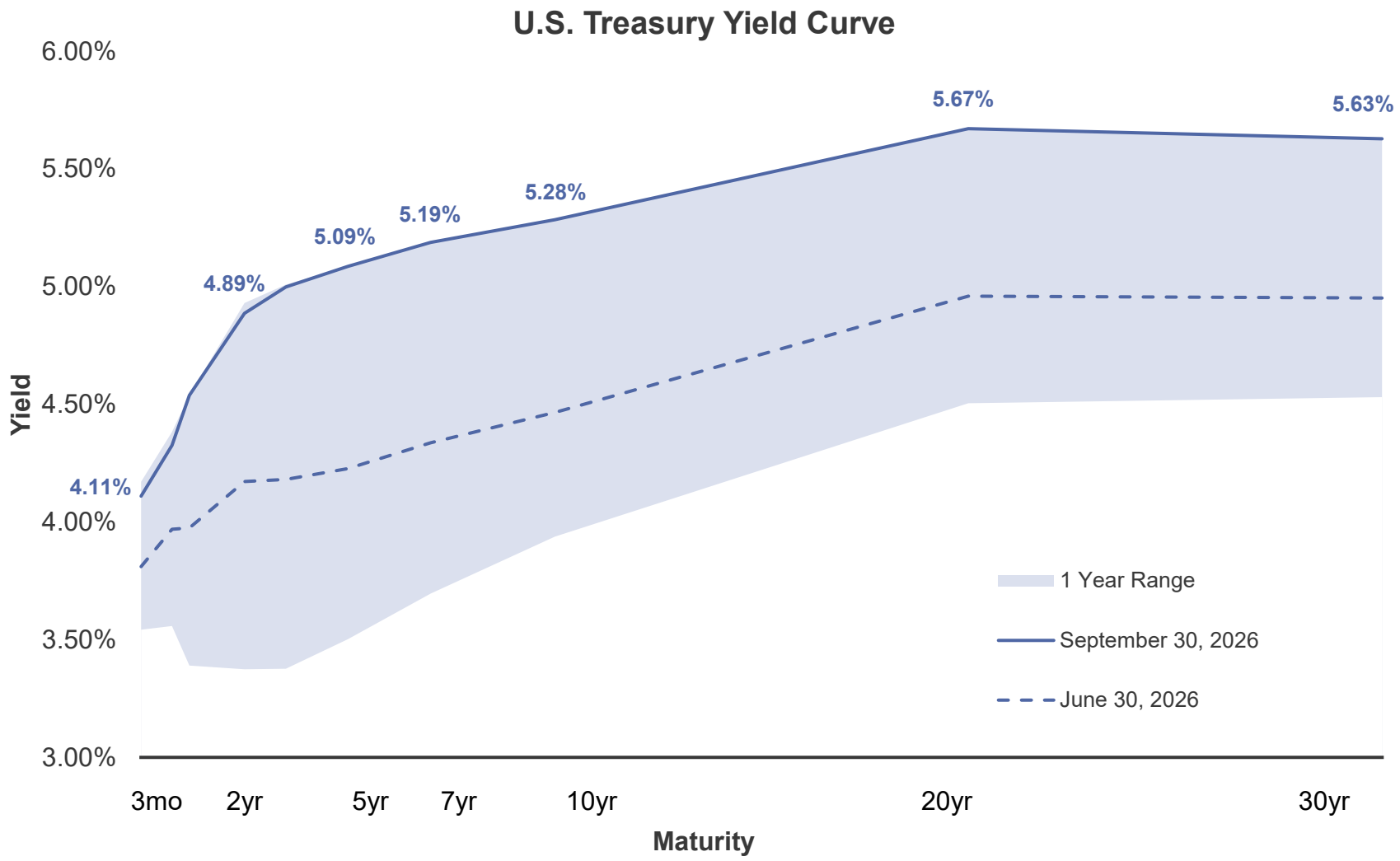
*Sources: FOMC Chair Kevin Warsh Press Conference, September 16, 2026. Bloomberg Finance L.P., Bureau of Labor Statistics as of September 2026, and Bureau of Economic Analysis as of June 2026. Survey responses after September 25, 2026, included in mean and forecast range. Shading represents the central 80% of the forecasts. PDFP include contributions to Real GDP from personal consumption and private fixed investment. *Tech investment contains contributions to GDP from computers and peripheral equipment, information processing equipment, and software.*

2-Year Treasury Yield Surges Higher



Source: Bloomberg Finance L.P., as of September 30, 2026.

Treasury Yields Rise Across the Curve



Source: Bloomberg Finance L.P., as of September 30, 2026.

Factors to Consider for 6-12 Months

Monetary Policy (Global):



- The Federal Reserve raised rates by 25 basis points in September, its first increase since July 2023.
- Chair Warsh described the labor market as "consistent with full employment", allowing the Fed to focus on the inflation side of its dual mandate.
- The "dot plot" showed one additional hike in 2026 with risks skewed towards more increases in 2027.
- Global monetary policy became more synchronized, with the Fed, ECB, and Bank of Japan raising rates in September.

Economic Growth (Global):



- Global growth remained uneven as elevated price pressures, higher borrowing costs, and geopolitical uncertainty continued to weigh on activity.
- U.S. economic activity remained resilient, supported by consumer spending and increased business investment in technology, software, and AI-related infrastructure.
- Risks remain skewed to the downside, although near-trend growth remains our base case.

Inflation (U.S.):



- Core inflation remained sticky, with limited improvement across underlying measures and continued pressure across core goods and services.
- Oil-price volatility increased uncertainty around headline inflation and the potential for broader pressure on business input costs.
- Risks remain to the upside, while a gradual return toward the Fed's target remains our base case.

Financial Conditions (U.S.):



- Financial conditions tightened as Treasury yields and interest-rate volatility increased, although corporate fundamentals and investor demand remained supportive.
- Equity markets remained supported, although gains were concentrated in large-cap technology companies and AI-related investment.
- Credit remained broadly available, but elevated issuance and historically tight spreads reduced the cushion against weaker economic conditions.
- Risks remain balanced, with strong capital markets offset by heavy Treasury supply, expanding fiscal deficits, and rising term premia.

Consumer Spending (U.S.):



- Consumer spending remained resilient given steady employment conditions and wealth gains.
- Slower job creation and moderating wage and income growth may weigh on household purchasing power.
- A lower saving rate and higher energy costs leave consumers with less cushion against future pressures.
- Risks remain skewed to the downside, although continued spending growth remains our base case.

Labor Markets (U.S.):



- Labor-market conditions remained broadly balanced, although hiring momentum continued to slow across several sectors.
- Job creation remained near the breakeven rate needed to keep unemployment stable, suggesting normalization rather than sharp deterioration.
- Higher labor-force participation contributed to a modest increase in unemployment, while moderating wage growth may weigh on household income.
- Risks remain skewed toward gradual softening and additional slack, although a material rise in unemployment is not our base case.

● **Current outlook** ○ **Outlook one quarter ago**

Stance Unfavorable to Risk Assets | **Negative** | **Slightly Negative** | **Neutral** | **Slightly Positive** | **Positive** | **Stance Favorable to Risk Assets**

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg Finance L.P. and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (9/30/2026) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

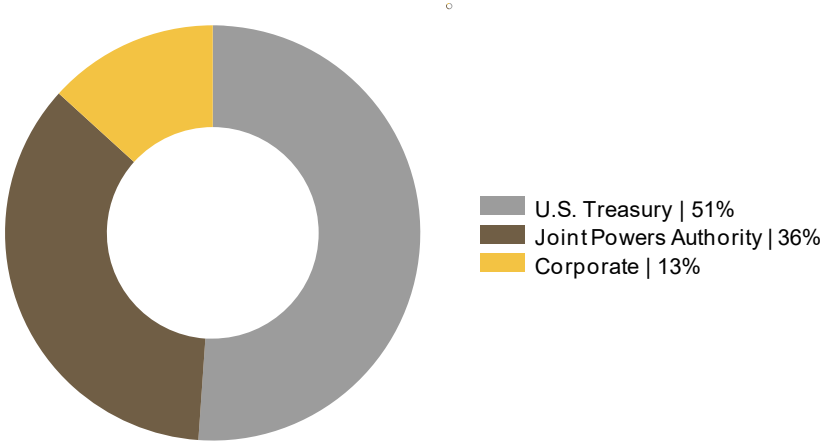
Portfolio Review:

Portfolio Snapshot - CAMP-EL TORO WATER DISTRICT OPERATING FUND[1]

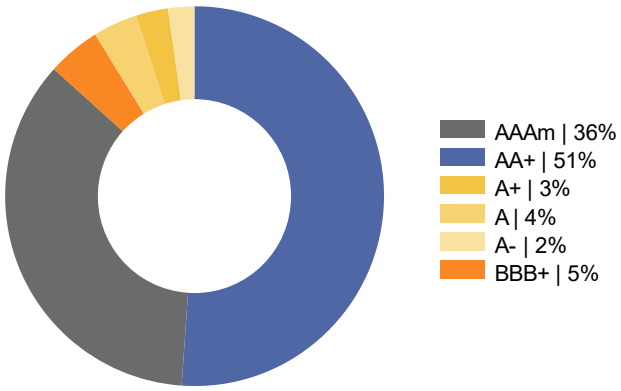
Portfolio Statistics

Total Market Value	$7,209,822.62
Managed Account Sub-Total	*$4,621,084.03*
Accrued Interest	*$36,729.86*
Pool	*$2,552,008.73*
Portfolio Effective Duration	1.12 years
Benchmark Effective Duration	1.32 years
Yield At Cost	4.11%
Yield At Market	4.73%
Portfolio Credit Quality	AA

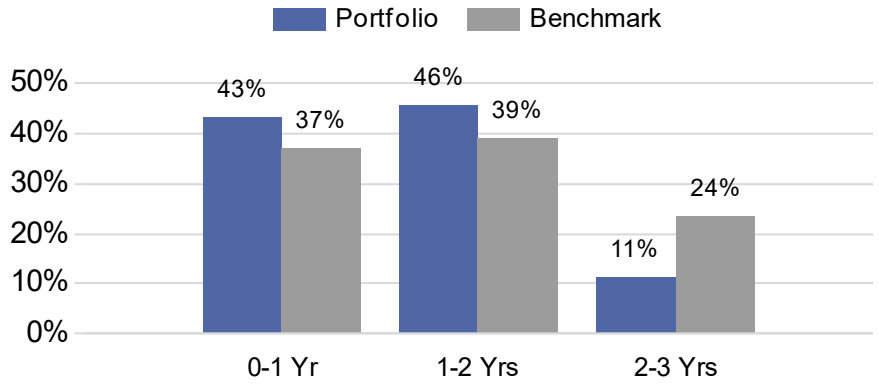
Sector Allocation



Credit Quality - S&P

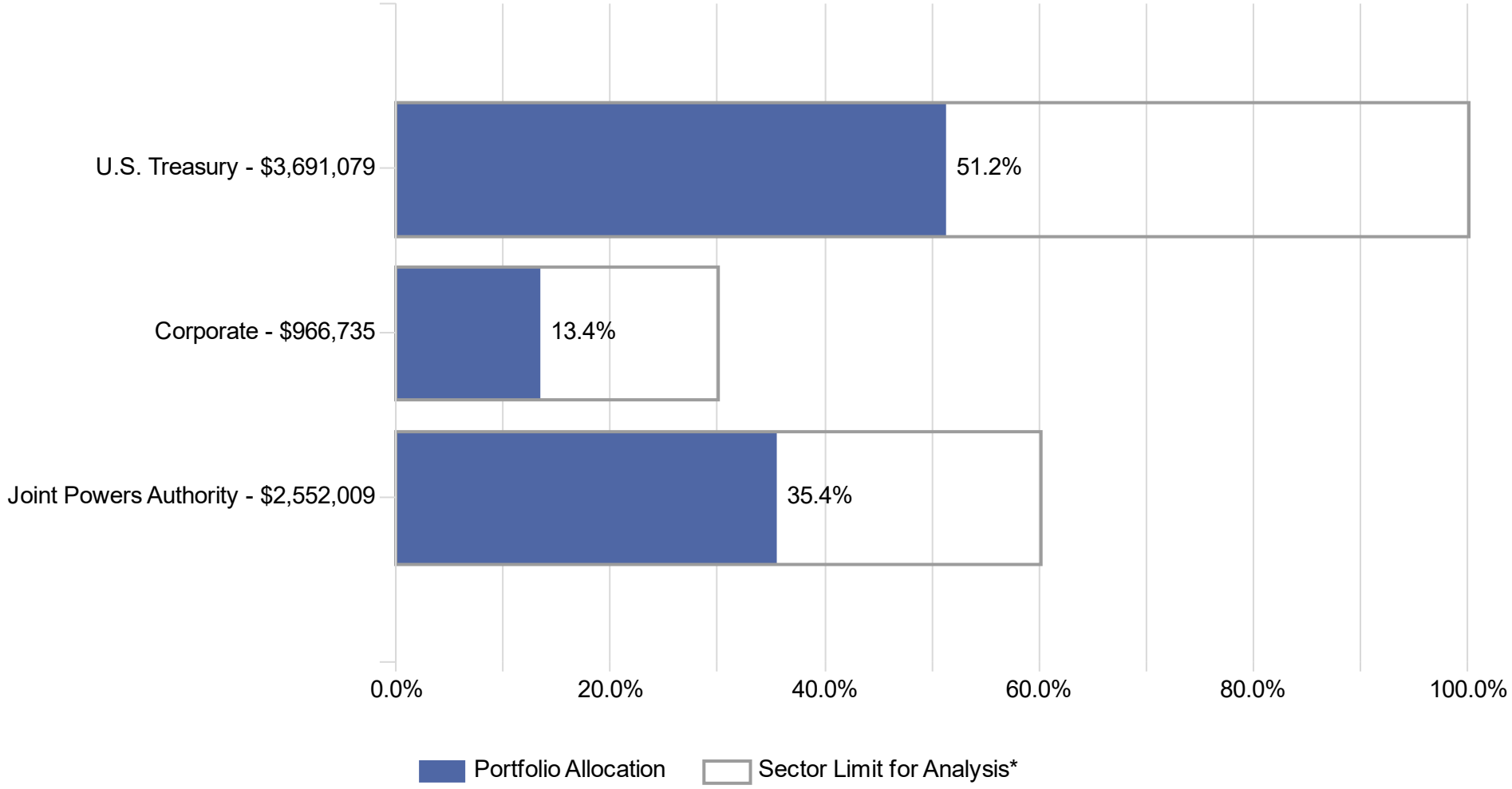


Duration Distribution



1. *Total market value includes accrued interest and balances invested in CAMP, as of September 30, 2026.*
   Yield and duration calculations exclude balances invested in CAMP.
   The portfolio's benchmark was *the ICE BofA 0-3 Year U.S. Treasury Index. Source: Bloomberg Financial LP.*
   An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

**Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.*

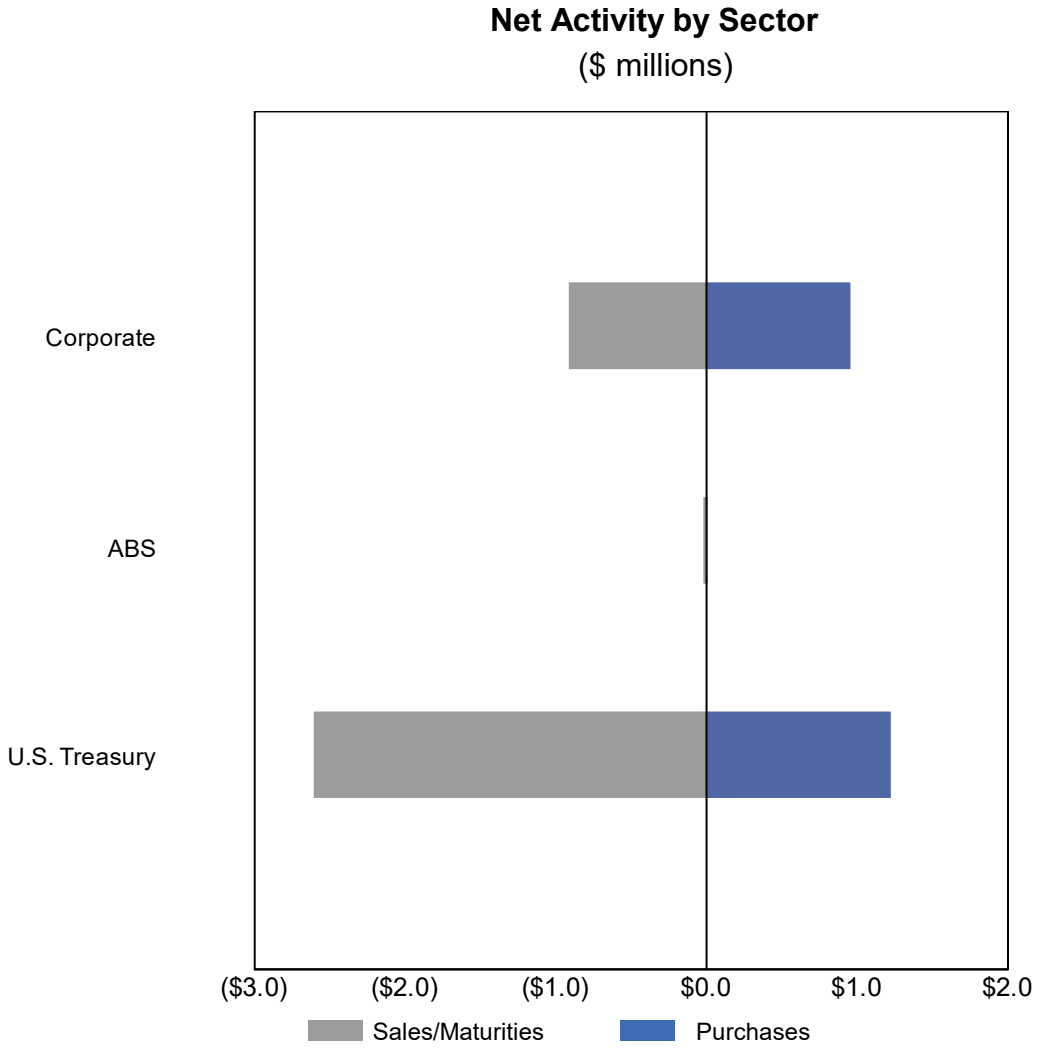
Certificate of Compliance

During the reporting period for the quarter ended September 30, 2026, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc.*

Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Financial LP Asset and Investment Management ("AIM").

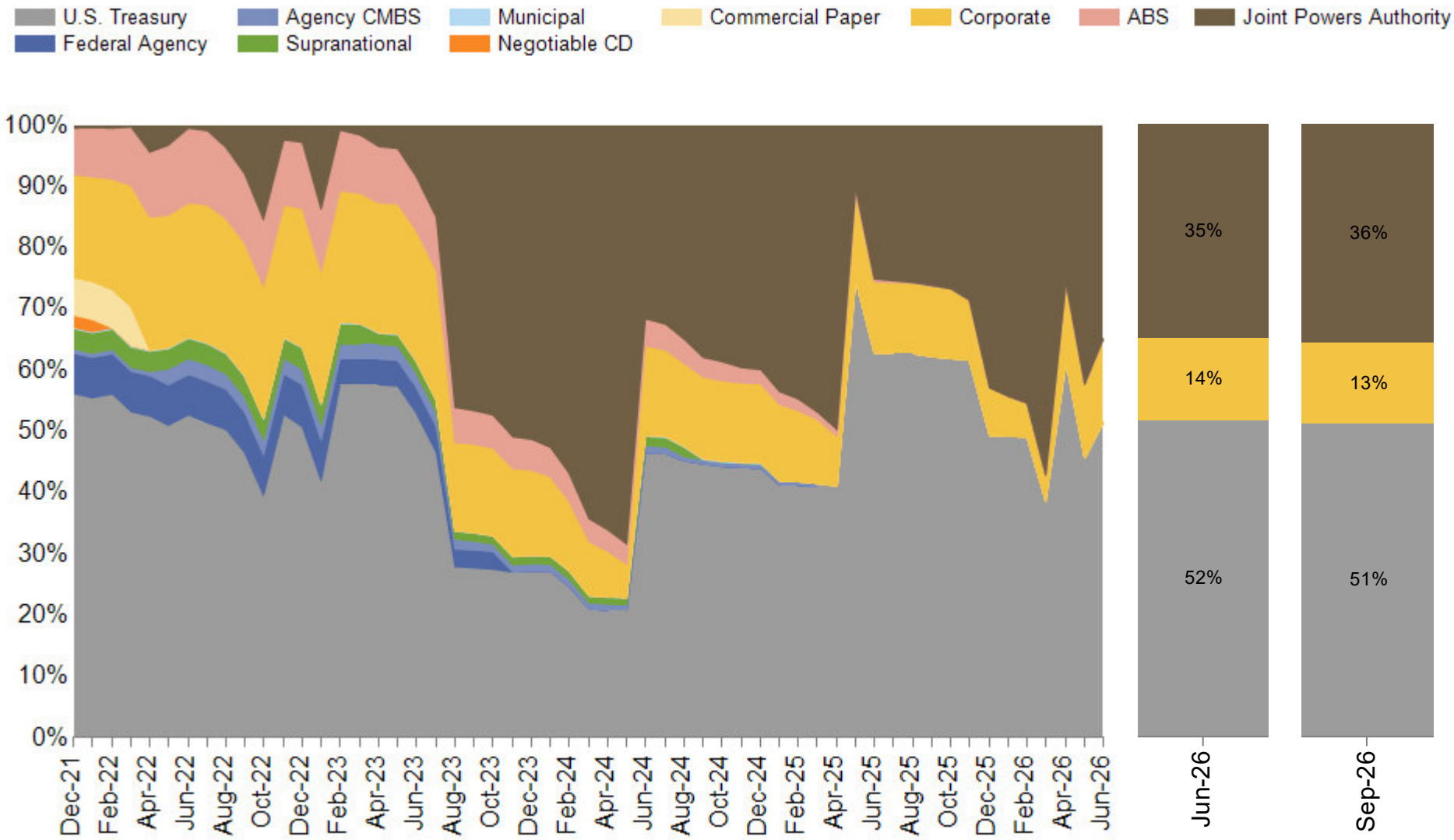
Portfolio Activity (12 Months) - CAMP-EL TORO WATER DISTRICT OPERATING FUND



Sector	Net Activity
Corporate	$44,039
ABS	($5,563)
U.S. Treasury	($1,384,270)
Total Net Activity	**($1,345,794)**

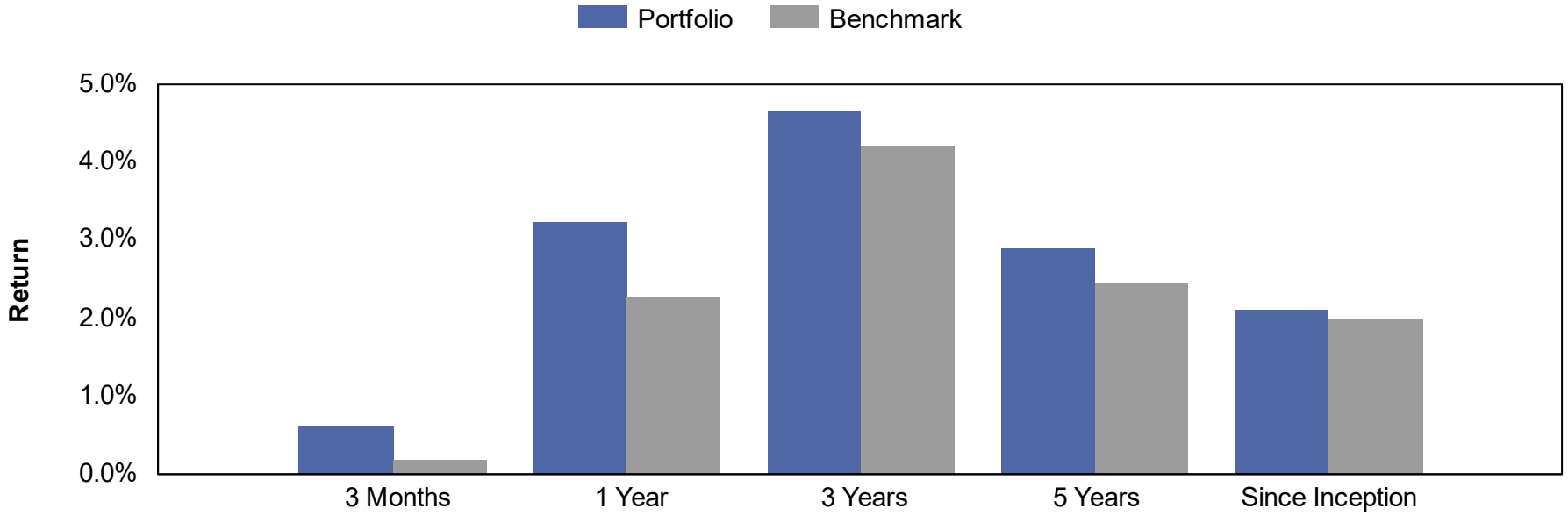
Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Historical Sector Allocation - CAMP-EL TORO WATER DISTRICT OPERATING FUND



Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM.

Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception[1]
Interest Earned[2]	$67,162	$325,110	$1,343,184	$1,643,391	$2,307,137
Change in Market Value	($23,996)	($41,749)	$283,826	$53,160	($9,107)
Total Dollar Return	**$43,166**	**$283,361**	**$1,627,010**	**$1,696,551**	**$2,298,030**
Total Return[3]					
Portfolio	0.60%	3.25%	4.66%	2.89%	2.09%
Benchmark[4]	0.18%	2.27%	4.22%	2.43%	1.98%
Difference	0.42%	0.97%	0.45%	0.46%	0.11%

1. *The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is September 30, 2016.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.*
4. *The portfolio's benchmark* was *the ICE BofA 0-3 Year U.S. Treasury Index. Source: Bloomberg Financial LP.*

Important Disclosures

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- Generally, PFMAM's market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services. There may be differences in the values shown for investments due to accrued but uncollected income and the use of differing valuation sources and methods. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFMAM believes the prices to be reliable, the values of the securities may not represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for a registered investment company or local government investment program is contained in the appropriate fund offering documentation or information statement.

- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.

- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. **Past performance is not indicative of future returns.**

- ICE Bank of America Indices provided by Bloomberg Financial Markets.

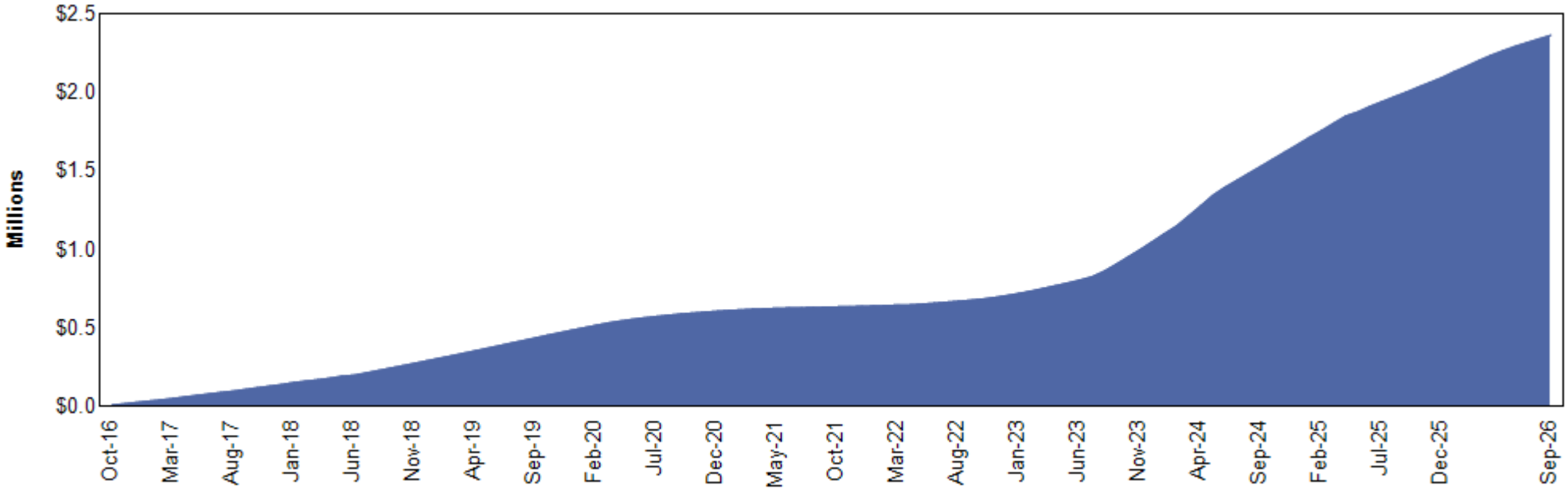
- Money market fund/cash balances are included in performance and duration computations.

- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.

- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.

- MBS maturities are represented by expected average life.

Accrual Basis Earnings - CAMP-EL TORO WATER DISTRICT OPERATING FUND



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception[1]
Interest Earned[2]	$67,162	$325,110	$1,343,184	$1,643,391	$2,307,137
Realized Gains / (Losses)[3]	$0	$0	($13)	($3,639)	($35,750)
Change in Amortized Cost	$4,576	$37,527	$114,349	$90,526	$93,114
Total Earnings	**$71,739**	**$362,638**	**$1,457,519**	**$1,730,278**	**$2,364,501**

1. The lesser of 10 years or since inception is shown. Performance inception date is September 30, 2016.
2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
3. Realized gains / (losses) are shown on an amortized cost basis.

Issuer Distribution

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	**79.2%**	
United States Treasury	79.2%	AA / Aa / AA
Corporate	**20.8%**	
American Express Co	0.7%	A / A / A
Bank of America Corp	2.8%	A / A / AA
Bank of New York Mellon Corp	2.7%	A / Aa / AA
Citigroup Inc	4.3%	BBB / A / A
Goldman Sachs Group Inc	2.8%	BBB / A / A
JPMorgan Chase & Co	3.2%	A / A / AA
Salesforce Inc	4.3%	A / A / NR
Total	**100.0%**	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Portfolio Transactions

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount ($)	Yield at Market	Realized G/L (BV)
INTEREST									
7/20/2026	7/20/2026		025816EJ4	AMERICAN EXPRESS CO (CALLABLE)	4.35%	7/20/2029	761.43		
7/22/2026	7/22/2026		06406RCG0	BANK OF NY MELLON CORP (CALLABLE)	4.02%	1/22/2030	2,616.90		
7/31/2026	7/31/2026		91282CGH8	US TREASURY N/B	3.50%	1/31/2028	8,750.00		
8/15/2026	8/15/2026		912828V98	US TREASURY N/B	2.25%	2/15/2027	5,625.00		
9/4/2026	9/4/2026		17327CAW3	CITIGROUP INC (CALLABLE)	4.78%	3/4/2029	4,786.00		
9/15/2026	9/15/2026		79466LAQ7	SALESFORCE INC (CALLABLE)	4.50%	3/15/2028	4,550.00		
9/30/2026	9/30/2026		91282CFM8	US TREASURY N/B	4.12%	9/30/2027	20,625.00		
Total INTEREST		**0.00**					**47,714.33**		**0.00**

Portfolio Holdings

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY N/B DTD 02/15/2017 2.250% 02/15/2027	912828V98	500,000.00	AA+	Aa1	11/30/2022	11/30/2022	464,531.25	4.10	1,436.82	496,840.56	496,323.00
US TREASURY N/B DTD 06/30/2022 3.250% 06/30/2027	91282CEW7	500,000.00	AA+	Aa1	2/22/2023	2/23/2023	480,273.44	4.25	4,106.66	496,621.14	495,551.00
US TREASURY N/B DTD 09/30/2022 4.125% 09/30/2027	91282CFM8	500,000.00	AA+	Aa1	2/22/2023	2/23/2023	497,929.69	4.22	56.66	499,551.43	497,711.00
US TREASURY N/B DTD 09/30/2022 4.125% 09/30/2027	91282CFM8	500,000.00	AA+	Aa1	11/30/2022	11/30/2022	502,500.00	4.01	56.66	500,515.58	497,711.00
US TREASURY N/B DTD 10/31/2025 3.500% 10/31/2027	91282CPE5	1,200,000.00	AA+	Aa1	4/24/2026	4/27/2026	1,195,078.13	3.78	17,576.09	1,196,445.06	1,185,609.60
US TREASURY N/B DTD 01/31/2023 3.500% 01/31/2028	91282CGH8	500,000.00	AA+	Aa1	2/22/2023	2/23/2023	485,332.03	4.16	2,948.37	496,038.10	491,992.00
Security Type Sub-Total		**3,700,000.00**					**3,625,644.54**	**4.03**	**26,181.26**	**3,686,011.87**	**3,664,897.60**
Joint Powers Authority											
CAMP Pool		2,552,008.73	AAAm	NR			2,552,008.73		0.00	2,552,008.73	2,552,008.73
Security Type Sub-Total		**2,552,008.73**					**2,552,008.73**		**0.00**	**2,552,008.73**	**2,552,008.73**
Corporate											
SALESFORCE INC (CALLABLE) DTD 03/13/2026 4.500% 03/15/2028	79466LAQ7	200,000.00	A+	A2	4/24/2026	4/27/2026	200,588.00	4.33	400.00	200,452.60	198,086.60
CITIGROUP INC (CALLABLE) DTD 03/04/2025 4.786% 03/04/2029	17327CAW3	200,000.00	BBB+	A3	4/24/2026	4/27/2026	201,428.00	4.51	717.90	201,108.65	198,685.60
AMERICAN EXPRESS CO (CALLABLE) DTD 07/25/2025 4.351% 07/20/2029	025816EJ4	35,000.00	A-	A2	7/30/2025	7/31/2025	34,951.70	4.39	300.34	34,965.11	34,443.82
BANK OF NY MELLON CORP (CALLABLE) DTD 01/22/2026 4.026% 01/22/2030	06406RCG0	130,000.00	A	Aa3	4/24/2026	4/27/2026	129,036.70	4.24	1,003.15	129,139.64	126,082.06

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate											
GOLDMAN SACHS GROUP INC (CALLABLE) DTD 04/20/2026 4.594% 04/20/2030	38141GE83	130,000.00	BBB+	A2	4/24/2026	4/27/2026	130,206.70	4.55	2,670.90	130,178.87	126,566.31
BANK OF AMERICA CORP (CALLABLE) DTD 04/23/2026 4.477% 04/23/2030	06051GMY2	130,000.00	A-	A1	4/22/2026	4/23/2026	130,054.60	4.47	2,554.38	130,047.32	126,490.39
JPMORGAN CHASE & CO (CALLABLE) DTD 04/23/2026 4.408% 04/23/2030	46647PFL5	150,000.00	A	A1	4/22/2026	4/23/2026	149,937.00	4.42	2,901.93	149,943.74	145,831.65
Security Type Sub-Total		**975,000.00**					**976,202.70**	**4.42**	**10,548.60**	**975,835.93**	**956,186.43**
Managed Account Sub Total		**4,675,000.00**					**4,601,847.24**	**4.11**	**36,729.86**	**4,661,847.80**	**4,621,084.03**
Securities Sub Total		**$7,227,008.73**					**$7,153,855.97**	**4.11%**	**$36,729.86**	**$7,213,856.53**	**$7,173,092.76**
Accrued Interest											**$36,729.86**
Total Investments											**$7,209,822.62**

Important Disclosures

This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

PFMAM professionals have exercised reasonable professional care in the preparation of this performance report. Information in this report is obtained from sources external to PFMAM and is generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness or suitability. We rely on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur. References to particular issuers are for illustrative purposes only and are not intended to be recommendations or advice regarding such issuers. Fixed income manager and index characteristics are gathered from external sources. When average credit quality is not available, it is estimated by taking the market value weights of individual credit tiers on the portion of the strategy rated by a NRSRO.

It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon certain assumptions and current opinion as of the date of issue and are also subject to change. Some, but not all assumptions are noted in the report. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Opinions and data presented are not necessarily indicative of future events or expected performance.

PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

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- MBS maturities are represented by expected average life.

Glossary

- Accrued Interest: Interest that is due on a bond or other fixed income security since the last interest payment was made.
- Agencies: Federal agency securities and/or Government-sponsored enterprises.
- Amortized Cost: The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- Asset-Backed Security: A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- Bankers' Acceptance: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- Commercial Paper: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- Contribution to Total Return: The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- Effective Duration: A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- Effective Yield: The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- FDIC: Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- Interest Rate: Interest per year divided by principal amount and expressed as a percentage.
- Market Value: The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- Maturity: The date upon which the principal or stated value of an investment becomes due and payable.
- Negotiable Certificates of Deposit: A CD with a very large denomination, usually $1 million or more, that can be traded in secondary markets.
- Par Value: The nominal dollar face amount of a security.
- Pass-through Security: A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

Agenda Item No. 10

STAFF REPORT

To: BOARD OF DIRECTORS **Meeting Date: October 19, 2026**

From: Vishav Sharma, Chief Financial Officer

Subject: Other Post-Employment Benefits (OPEB) Update

Attached to this memo please find the GASB 75 (OPEB) report for the year ended June 30, 2026. To comply with this mandated requirement, the District engaged the services of the actuarial consulting firm Foster & Foster, Inc to prepare the report for the District. This report illustrates the change in the District's Other Post-Employment Benefits (OPEB) liability. The report summarizes the change in the District's OPEB liability and provides the information necessary for financial reporting purposes.

GASB requires periodic actuarial valuations of OPEB obligations, generally at least every two years, with updated information reflected in the District's annual financial statements. In intervening years, the District must update its OPEB information in accordance with applicable GASB requirements. This report is intervening year report.

Fiscal year (FY) 2026 report is based on the FY 2025 information.

Attachment:

El Toro Water District Retiree Healthcare Plan June 30, 2026 GASB 75 Accounting Information Report with measurement date of June 30, 2025 based on the June 30, 2024 actuarial valuation from Foster & Foster, Inc

El Toro Water District
Retiree Healthcare Plan

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

June 30, 2026 GASBS 75 Accounting Information
As of Measurement Date June 30, 2025
Based on the June 30, 2024 Actuarial Valuation

Drew Ballard, FSA, EA, MAAA
Braeleen Ballard, FSA, EA, MAAA
Foster & Foster, Inc.

June 30, 2026

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Actuarial Certification	15
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Applicable Dates and Periods

	Fiscal Year Ended June 30, 2026
■ Measurement date	June 30, 2025
■ Measurement period	July 1, 2024 to June 30, 2025
■ Actuarial valuation date	June 30, 2024

Update procedures were used to roll forward the Total OPEB Liability from the valuation date (June 30, 2024) to the measurement date (June 30, 2025).

Plan Information

	Fiscal Year Ended June 30, 2026
■ Plan type	Single Employer
■ OPEB trust	No
■ Special funding situation	No
■ Nonemployer contributing entities	No

Covered Participants*

At June 30, 2025, the measurement date, the following numbers of participants were covered by the benefit terms:

	Number of Covered Participants
■ Inactives currently receiving benefits	32
■ Inactives entitled to but not yet receiving benefits	-
■ Active employees	58
■ Total	90

* As reported by the District.

Total OPEB Liability

	Fiscal Year Ended	
	6/30/25	6/30/26
	Measurement Date 6/30/24	Measurement Date 6/30/25
■ Total OPEB Liability (TOL)	$ 11,650,813	$ 10,226,158

Changes in Total OPEB Liability

	Total OPEB Liability
■ Balance at 6/30/25 (6/30/24 measurement date)	$11,650,813
■ Changes for the year	
● Service Cost	233,212
● Interest	457,917
● Changes of benefit terms	-
● Actual vs. expected experience	-
● Assumption changes	(1,651,410)
● Benefit payments*	(464,374)
■ Net Changes	(1,424,655)
■ Balance at 6/30/26 (6/30/25 measurement date)	$10,226,158

* See the measurement period column on page 16 for details.

Sensitivity of Total OPEB Liability

■ Changes in the Discount Rate

	Discount Rate		
	1% Decrease (4.20%)	Current Rate (5.20%)	1% Increase (6.20%)
■ Total OPEB Liability	$ 11,492,586	$ 10,226,158	$ 9,170,618

■ Changes in the Healthcare Trend Rate

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
■ Total OPEB Liability	$ 9,008,294	$ 10,226,158	$ 11,706,904

OPEB Expense/(Income) for Fiscal Year

	2025/26 Measurement Period 2024/25
■ OPEB Expense/(Income)*	$ (542,529)

* See page 21 for OPEB expense/(income) detail, which is not a required disclosure.

Deferred Outflows/Inflows Balances at June 30, 2026

	June 30, 2026	
	Deferred Outflows of Resources	Deferred Inflows of Resources
■ Differences between expected and actual experience	$ 352,745	$ 3,645,969
■ Changes in assumptions	469,810	2,621,431
■ Employer contributions made subsequent to the measurement date*	485,397	-
■ Total	1,307,952	6,267,400

* See page 16 for details.

Recognition of Deferred Outflows and Inflows of Resources in Future OPEB Expense

FYE June 30	Deferred Outflows/(Inflows) of Resources
■ 2027	$ (1,350,669)
■ 2028	(1,583,864)
■ 2029	(1,606,846)
■ 2030	(373,128)
■ 2031	(220,648)
■ Thereafter	(309,690)

Significant Actuarial Assumptions Used for Total OPEB Liability

Actuarial Assumption	June 30, 2025 Measurement Date
■ Actuarial Valuation Date	■ June 30, 2024
■ Contribution Policy	■ No pre-funding
■ Discount Rate	■ 5.20% at June 30, 2025 (Bond Buyer 20-Bond Index) ■ 3.93% at June 30, 2024 (Bond Buyer 20-Bond Index)
■ General Inflation	■ 2.50% annually
■ Mortality, Retirement, Disability, Termination	■ CalPERS 2000-2019 Experience Study (2% @ 55 rates for Tier 1, modified rates for Tier 2)
■ Mortality Improvement	■ Mortality projected fully generational with Scale MP-2021

Significant Actuarial Assumptions Used for Total OPEB Liability

Actuarial Assumption	June 30, 2025 Measurement Date
■ Salary Increases	■ Aggregate - 2.75% annually ■ Merit - CalPERS 2000-2019 Experience Study
■ Medical Trend	■ Non-Medicare - 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 ■ Medicare (Non-Kaiser) - 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 ■ Medicare (Kaiser) - 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076
■ Healthcare Participation at Retirement	■ Actives: 95% Tier 1, 90% Tier 2 ■ Retirees: 100%
■ Spouse Healthcare Participation at	■ 100% Tier 1, 50% Tier 2, if spouse currently ■ 0% if spouse not currently covered
■ Medical Plan Election at Retirement	■ Same as currently elected

Changes Since June 30, 2024 Measurement Date

	June 30, 2025 Measurement Date
■ Changes of assumptions	■ Discount rate was updated based on municipal bond rate as of the measurement date
■ Changes of benefit terms	■ None

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

	2025/26 Measurement Period 2024/25
■ Changes in Total OPEB Liability	
● Service Cost	$ 233,212
● Interest	457,917
● Changes of benefit terms	-
● Actual vs. expected experience	-
● Assumption changes	(1,651,410)
● Benefit payments	(464,374)
■ Net Changes	(1,424,655)
■ Total OPEB Liability (beginning of year)	11,650,813
■ Total OPEB Liability (end of year)	10,226,158

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

	2025/26 Measurement Date 6/30/25
■ Total OPEB Liability	$ 10,226,158
■ Covered employee payroll*	7,672,522
■ Total OPEB Liability as a percentage of covered employee payroll	133.3%

* For the 12-month period ended on June 30, 2025 (Measurement Date).
As reported by the District.

Actuarial Certification

This report presents the El Toro Water District Retiree Healthcare Plan 2025/26 disclosure under Governmental Accounting Standards Board Statement No. 75 (GASBS 75). This report may not be appropriate for other purposes, although it may be useful to the District for the Plan's financial management.

This report is based on information provided by the District which we relied on and did not audit. Additional information on the actuarial valuation can be found in the June 30, 2024 actuarial valuation report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the assumptions; changes in assumptions; changes expected as part of the natural progression of the plan; and changes in plan provisions or applicable law. Actuarial models necessarily rely on the use of estimates and are sensitive to changes. Small variations in estimates may lead to significant changes in actuarial measurements. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such measurements.

The Journal Entries in this report are provided for the District's convenience and are not an actuarial communication. Therefore, this actuarial certification does not apply to the Journal Entries.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices and complies with applicable Actuarial Standards of Practice. Additionally, in our opinion, actuarial methods and assumptions comply with GASBS 75. As the actuary, we have recommended the assumptions used in this report, and we believe they are reasonable. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,

Drew Ballard, FSA, EA, MAAA
Foster & Foster, Inc.
June 30, 2026

Braeleen Ballard, FSA, EA, MAAA
Foster & Foster, Inc.
June 30, 2026

Supporting Calculations

Employer Contributions

	Measurement Period	Measurement Date to FYE	Prior Measurement Date to Prior FYE
	7/1/24 to 6/30/25	7/1/25 to 6/30/26	Same as Measurement Period
■ Cash benefit payments	$ 349,496	$ 380,536	$ 349,496
■ Implicit subsidy benefit payments	114,878	104,861	114,878
■ Total benefit payments	464,374	485,397	464,374
■ Administrative expenses	-	-	-
■ Total employer contributions	464,374	485,397	464,374

Measurement period (7/1/24 to 6/30/25): $464,374
Fiscal year (7/1/25 to 6/30/26): $485,397

Average of the Expected Remaining Service Lives

As of July 1, 2024 (beginning of the measurement period):

Valuation Date	Total expected remaining service lives*	Covered participants*	Average of the expected remaining service lives as of valuation date	Average of the expected remaining service lives as of 7/1/24 (not less than 1 yr)
6/30/24	637.0 years	86	7.4 years	7.4 years

* Participants with no liability excluded for the purpose of calculating the average.

Recognition of Deferred Outflows/Inflows at June 30, 2026

Differences between Expected and Actual Experience

Fiscal Year	Initial Amt	Initial Recog Period	Amount Recognized in OPEB Expense for FY							Deferred Balances June 30, 2026	
			25/26	26/27	27/28	28/29	29/30	30/31	31/32+	Outflows	(Inflows)
20/21	(1,334,563)	7.0	(190,652)	(190,651)	-	-	-	-	-	-	(190,651)
21/22	-	-	-	-	-	-	-	-	-	-	-
22/23	(7,913,790)	7.1	(1,114,618)	(1,114,618)	(1,114,618)	(1,114,618)	(111,464)	-	-	-	(3,455,318)
23/24	-	-	-	-	-	-	-	-	-	-	-
24/25	485,855	7.3	66,555	66,555	66,555	66,555	66,555	66,555	19,970	352,745	-
25/26	-	-	-	-	-	-	-	-	-	-	-
Total			(1,238,715)	(1,238,714)	(1,048,063)	(1,048,063)	(44,909)	66,555	19,970	352,745	(3,645,969)

Supporting Calculations

Recognition of Deferred Outflows/Inflows at June 30, 2026

Changes of Assumptions

Fiscal Year	Initial Amt	Initial Recog Period	Amount Recognized in OPEB Expense for FY							Deferred Balances June 30, 2026	
			25/26	26/27	27/28	28/29	29/30	30/31	31/32+	Outflows	(Inflows)
19/20	923,090	7.1	130,013	12,999	-	-	-	-	-	12,999	-
20/21	2,875,924	7.0	410,846	410,848	-	-	-	-	-	410,848	-
21/22	160,868	7.0	22,981	22,981	22,982	-	-	-	-	45,963	-
22/23	(1,818,868)	7.1	(256,179)	(256,179)	(256,179)	(256,179)	(25,615)	-	-	-	(794,152)
23/24	(160,615)	7.3	(22,002)	(22,002)	(22,002)	(22,002)	(22,002)	(6,601)	-	-	(94,609)
24/25	(419,300)	7.3	(57,438)	(57,438)	(57,438)	(57,438)	(57,438)	(57,438)	(17,234)	-	(304,424)
25/26	(1,651,410)	7.4	(223,164)	(223,164)	(223,164)	(223,164)	(223,164)	(223,164)	(312,426)	-	(1,428,246)
Total			5,057	(111,955)	(535,801)	(558,783)	(328,219)	(287,203)	(329,660)	469,810	(2,621,431)

Supporting Calculations

Recognition of Deferred Outflows/Inflows in Future OPEB Expense

	26/27	27/28	28/29	29/30	30/31	Thereafter 31/32+
■ Differences between Expected and Actual Experience	(1,238,714)	(1,048,063)	(1,048,063)	(44,909)	66,555	19,970
■ Changes of Assumptions	(111,955)	(535,801)	(558,783)	(328,219)	(287,203)	(329,660)
■ Total	(1,350,669)	(1,583,864)	(1,606,846)	(373,128)	(220,648)	(309,690)

Supporting Calculations

Components of GASBS 75 OPEB Expense

	2025/26 Measurement Period 2024/25
■ Service Cost	$ 233,212
■ Interest on Total OPEB Liability	457,917
■ Administrative expense	-
■ Changes of benefit terms	-
■ Recognition of deferred outflows/(inflows)	
● Experience	(1,238,715)
● Assumptions	5,057
■ OPEB Expense/(Income)	(542,529)

Supporting Calculations

Components of GASBS 75 OPEB Expense
Calculation of Interest on Total OPEB Liability
2024/25 Measurement Period

	Dollar Amount	Discount Rate	Portion of Year	Interest
■ Total OPEB Liability	$ 11,650,813	3.93%	100%	$ 457,877
■ Service Cost	233,212	3.93%	100%	9,165
■ Changes of benefit terms	-	3.93%	0%	-
■ Experience	-	3.93%	0%	-
■ Assumption changes*	(1,651,410)	3.93%	0%	-
■ Benefit payments	(464,374)	3.93%	50%	(9,125)
■ Total interest				457,917

* Liability determined as of the end of the measurement period, so no interest charge is applicable.

GASBS 75 Balance Equation

	Fiscal Year Ended	
	6/30/25	6/30/26
	Measurement Date 6/30/24	Measurement Date 6/30/25
■ Total OPEB Liability	$ 11,650,813	$ 10,226,158
■ Fiduciary Net Position	-	-
■ Net OPEB Liability	11,650,813	10,226,158
■ Deferred inflows of resources	6,480,043	6,267,400
■ Deferred (outflows) of resources	(1,452,950)	(822,555)
■ Balance Sheet	16,677,906	15,671,003

Check:

■ Balance Sheet 6/30/25	$ 16,677,906
● OPEB Expense/(Income)	(542,529)
● Employer Contributions*	(464,374)
■ Balance Sheet 6/30/26	15,671,003

* See the measurement period column on page 16 for details.

Supporting Calculations

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Employer Contributions

The entries below assume cash benefit payments, Trust contributions, and administrative expenses have been charged to OPEB Expense when paid, and that no accounting entries have been made for the current year implicit subsidy payment, which is recorded as a reduction to active employee health care costs. See page 16 for details.

Following records the impact of employer contributions as deferred outflows of resources and as a reduction to Net OPEB Liability.

	Debit	(Credit)
■ Net OPEB Liability - (for Contributions paid 7/1/24 to 6/30/25)	$ 464,374	$ -
■ OPEB Expense - (for admin fees paid 7/1/24 to 6/30/25)	-	-
■ Deferred Outflow - 7/1/24 to 6/30/25 contributions	-	(464,374)
■ Deferred Outflow - 7/1/25 to 6/30/26 contributions	485,397	-
■ Active employee health care costs - (implicit subsidy payments 7/1/25 to 6/30/26)	-	(104,861)
■ OPEB Expense - (for contributions paid 7/1/25 to 6/30/26)	-	(380,536)
Check	*949,771*	*(949,771)*

Summary Journal Entries - OPEB Expense

Following records the impact of current year OPEB expense

	Debit	(Credit)
■ Deferred Outflows*	$ -	$ (630,395)
■ Deferred Inflows**	1,305,270	(1,092,627)
■ OPEB Expense/Credit	-	(542,529)
■ Net OPEB Liability	960,281	-
Check	*2,265,551*	*(2,265,551)*

* See page 28 ('Subtotal' row) for details.

** See page 29 for details.

Ending Balances at June 30, 2026

	Debit	(Credit)
■ Deferral: Differences between expected and actual experience	$ 352,745	$ (3,645,969)
■ Deferral: Changes of assumptions	469,810	(2,621,431)
■ Total deferred outflow/inflow	822,555	(6,267,400)
■ Net OPEB Liability (NOL)	-	(10,226,158)
■ Contributions after the Measurement Date	485,397	-
■ Net Impact	15,185,606	-
Check:	*16,493,558*	*(16,493,558)*
■ Total OPEB expense/(income) for FYE 2026	-	(542,529)

Reconciliation of Deferred Outflows

Detail for page 26

Deferred Outflows	Opening Balance - Debit	Journal Entry - Debit	Journal Entry - (Credit)	Ending Balance - Debit
■ Differences between actual and expected experience	$ 419,300	$ -	$ (66,555)	$ 352,745
■ Change in assumptions	1,033,650	-	(563,840)	469,810
■ Subtotal - actuarial deferrals	1,452,950	-	(630,395)	822,555
■ Contributions after the Measurement Date	464,374	485,397	(464,374)	485,397
■ Total Deferred Outflows	1,917,324	485,397	(1,094,769)	1,307,952

Reconciliation of Deferred Inflows

Detail for page 26

Deferred Inflows	Opening Balance - (Credit)	Journal Entry - (Credit)	Journal Entry - Debit	Ending Balance - (Credit)
■ Differences between actual and expected experience	$ (4,951,239)	$ -	$ 1,305,270	$ (3,645,969)
■ Change in assumptions	(1,528,804)	(1,092,627)	-	(2,621,431)
■ Total Deferred (Inflows)	(6,480,043)	(1,092,627)	1,305,270	(6,267,400)

Reconciliation of Deferred Outflows/(Inflows)

Summary of Balances

	Fiscal Year Ended	
	6/30/25	6/30/26
	Measurement Date 6/30/24	Measurement Date 6/30/25
■ Total OPEB (Liability)	$ (11,650,813)	$ (10,226,158)
■ Fiduciary Net Position	-	-
■ Net OPEB (Liability)	(11,650,813)	(10,226,158)
■ Deferred (inflows) of resources	(6,480,043)	(6,267,400)
■ Deferred outflows of resources	1,917,324	1,307,952
■ Balance Sheet Impact	(16,213,532)	(15,185,606)

Deferred Outflows include contributions after the measurement date.

Agenda Item No. 11

STAFF REPORT

To: **Board of Directors** **Meeting Date: October 19, 2026**

From: **Dennis Cafferty, General Manager**

Subject: **Fiscal Year 2025-26 Financial Reconciliation**

Following the close of the 2025-26 fiscal year, staff performed a budget to actual reconciliation of the revenues and expenses for each of the water, sewer and recycled water enterprises. The following is a summary of the reconciliation results for each enterprise as well as the combined total.

Water Enterprise

In total, the Water Enterprise experienced a deficit of $372,300. The 2025-26 budget anticipated a surplus of $75,212. The Water Enterprise deficit, relative to budget, was therefore $447,512. The deficit is attributable to the following factors:

- Operating Revenues tracked below budget due to lower water sales.
- Investment Income exceeded budget by approximately $70,000.
- Miscellaneous Revenues exceeded budget by approximately $125,000 largely due to the recognized return on investment from the Reverse Cyclic program.
- O&M Expenses were under budget by approximately $225,000 due to lower purchased water costs associated with lower sales. Certain items tracked higher than budget including writing off approximately $95,000 of uncollectible accounts.
- Water sales revenue, net of purchased water costs, incurred a deficit of $221,476.

FY 2526 CASH FLOW RECONCILIATION (O&M)
WATER

	Budget 2025-26	Actual 2025-26
O&M REVENUES		
Revenue from Potable Commodity Rate	10,734,833	9,946,878
Revenue from Potable Fixed Meter Rate	5,386,177	5,306,198
Revenue from Fire / Flooding Meters	72,969	76,999
Total Unrestricted Rate Revenue	**16,193,978**	**15,330,075**
Other Sources of Cash		
Restricted Reserves Funding of Conservation Program	200,000	200,000
Property Taxes	520,000	553,288
Miscellaneous Revenue	39,000	163,958
Cellular Site Lease Revenue	280,000	248,025
Other Income (R-6 Partners)	125,000	122,969
Investment Income	350,000	418,569
Subtotal Other Sources of Cash	**1,514,000**	**1,706,810**
TOTAL O&M REVENUES	**17,707,978**	**17,036,885**
O&M REVENUE REQUIREMENTS		
Total O & M Expense Budget	17,632,766	17,409,184
Operations & Maintenance Reserve	25,000	
Rate Stabilization Reserve	25,000	
Working Capital Reserve	25,212	
TOTAL O&M REVENUE REQUIREMENTS	**17,707,978**	**17,409,184**
ANNUAL O&M SURPLUS (DEFICIT)	**1**	**(372,300)**
ANNUAL O&M BUDGET TO ACTUAL		**(447,512)**

Sewer Enterprise

In total, the Sewer Enterprise achieved a surplus of $1,083,024. The 2025-26 budget anticipated a surplus of nearly $110,000. The Sewer Enterprise surplus, relative to budget, was therefore $974,107. The surplus is attributable to the following factors:

- Operating Revenues were approximately $168,000 under budget
- Miscellaneous Revenues were approximately $30,000 over budget
- Investment Income was approximately $70,000 over budget
- Property Taxes were approximately $43,000 over budget
- O&M Expenses were approximately $1 million under budget. This was due largely to electrical power and labor coming in well under budget.

FY 2526 CASH FLOW RECONCILIATION (O&M)
SEWER

	Budget 2025-26	Actual 2025-26
O&M REVENUES		
Revenue from Sewer Service Rate	10,013,671	9,845,530
Total Unrestricted Rate Revenue	**10,013,671**	**9,845,530**
Other Sources of Cash		
Property Taxes	676,000	719,274
Miscellaneous Revenue	30,600	59,250
Investment Income	350,000	418,569
Subtotal Other Sources of Cash	**1,056,600**	**1,197,094**
TOTAL O&M REVENUES	**11,070,271**	**11,042,624**
O&M REVENUE REQUIREMENTS		
Total O & M Expense Budget	10,961,355	9,959,600
Operations & Maintenance Reserve	36,200	
Rate Stabilization Reserve	36,500	
Working Capital Reserve	36,217	
TOTAL O&M REVENUE REQUIREMENTS	**11,070,272**	**9,959,600**
ANNUAL O&M SURPLUS (DEFICIT)	**(0)**	**1,083,024**
ANNUAL O&M BUDGET TO ACTUAL		**974,107**

Recycled Water Enterprise

In total, the Recycled Water Enterprise achieved a surplus of $1.21 million. The 2025-26 budget anticipated a surplus of approximately $560,000. The Recycled Water Enterprise surplus, relative to budget, was therefore $655,297. The $1.21M surplus will be transferred to replenish the Tiered Conservation Fund. The surplus is attributable to the following factors:

- Revenue from Recycled Water Sales exceeded budget by approximately $455,000 due to increased recycled water demand
- Revenue from the MWD LRP Rebate exceeded budget by approximately $66,000
- Expenses were under budget by approximately $125,000 driven largely by lower power costs.

FY 2526 CASH FLOW RECONCILIATION (O&M)
RECYCLED WATER

	Budget 2025-26	Actual 2025-26
O&M REVENUES		
Revenue from Recycled Water Commodity Rate	1,782,345	2,236,945
Revenue from Recycled Water Fixed Meter Rate	521,055	523,273
Total Unrestricted Rate Revenue	**2,303,400**	**2,760,218**
Other Sources of Cash		
MWD LRP Rebate	264,825	330,851
Property Taxes	104,000	110,658
Miscellaneous Revenue		160
MNWD Payment for RW Service to Golf Course	11,000	11,000
Subtotal Other Sources of Cash	**379,825**	**452,669**
TOTAL O&M REVENUES	**2,683,225**	**3,212,887**
O&M REVENUE REQUIREMENTS		
Total O & M Expense Budget	2,125,118	1,999,483
ANNUAL O&M SURPLUS (DEFICIT)	**558,107**	**1,213,404**
ANNUAL O&M BUDGET TO ACTUAL		**655,297**

Total Reconciliation

In total, the District achieved a surplus of $1,924,128. The 2025-26 budget anticipated a surplus of $742,236. The total surplus, relative to budget, was therefore approximately $1,400,000. Of the total net surplus, approximately $1.21 was generated by the Recycled Water Enterprise and will be transferred to replenish the Tiered Conservation Fund Reserve. The remaining total surplus of approximately $711,000 enhanced the District Committed Reserves. The total surplus is attributable to the following factors:

- Potable commodity revenue was less than budget by approximately $788,000 due to lower water demand
- Fixed revenues were lower than budget by approximately $244,000 (1.6%)
- Property Taxes exceeded budget by $76,562
- Miscellaneous Revenue exceeded budget by $153,609
- Investment Income exceeded budget by $137,139
- Labor Expense was under budget by approximately $342,000
- Purchased Water Expense was under budget by approximately $430,000
- Electrical Power Expense was under budget by approximately $394,000
- General and Administration Expense exceeded budget by approximately $193,000
- Total Revenue was approximately $700,000 under budget
- Total Expense was approximately $1.22 million under budget
- The Budgeted Surplus was $184,129
- The Actual Surplus was $710,724, exceeding budget by $526,595

	Budget 2025-26	Actual 2025-26
O&M REVENUES		
Revenue from Potable Commodity Rate	10,734,833	9,946,878
Revenue from Potable Fixed Meter Rate	5,386,177	5,306,198
Revenue from Fire / Flooding Meters	72,969	76,999
Revenue from Sewer Service Rate	10,013,671	9,845,530
Total Unrestricted Rate Revenue	**26,207,650**	**25,175,605**
Other Sources of Cash		
Restricted Reserves Funding of Conservation Program	200,000	200,000
Property Taxes	1,196,000	1,272,562
Miscellaneous Revenue	69,600	223,209
Cellular Site Lease Revenue	280,000	248,025
Other Income (R-6 Partners)	125,000	122,969
Investment Income	700,000	837,139
Subtotal Other Sources of Cash	**2,570,600**	**2,903,904**
TOTAL O&M REVENUES	**28,778,250**	**28,079,509**
O&M REVENUE REQUIREMENTS		
Total O & M Expense Budget	28,594,120	27,368,784
Reserve Replenishment	184,129	184,129
TOTAL O&M REVENUE REQUIREMENTS	**28,778,249**	**27,552,913**
ANNUAL O&M SURPLUS (DEFICIT)	**1**	**526,595**
ANNUAL O&M BUDGET TO ACTUAL		**526,595**
RESERVE REPLENISHMENT		**710,724**

STAFF REPORT

To: Board of Directors **Meeting Date: October 19, 2026**

From: Vishav Sharma, Chief Financial Officer

Subject: September 2026 Financial Report and Analysis

The attached report provides an overview of the District's financial performance for the month of September 2026. It includes a comparison of Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and actual revenues and expenses analysis to the budgeted figures, as well as highlights key financial trends and variances to assist the Board in monitoring the District's financial health and performance.

Assets

- **Current Assets**:
  - The District's total cash and investments as of September 30, 2026, were $25,144,842. This represents a decrease of $174,376 from the previous month.
  - The District's Current ratio is 6.7, indicating strong ability for the District to meet its short-term obligations. The Current ratio is a liquidity ratio that measures a company's ability to pay its short-term liabilities using its current assets. It is calculated by dividing Current Assets by Current Liabilities. The Districts target is a current ratio that exceeds 3.0.
  - Days Cash on Hand stands at 253 days, showing the District's ability to fund operations for that period using available cash based on budgeted annual O&M and debt service expenses excluding depreciation expense. The District continues to maintain strong liquidity levels to support operations and capital needs. The Districts target of Cash on Hand target is 180 days.
  - Accounts receivable balance at the end of the month was $6,434,335, this balance increased by $1,132 compared with the prior month. Accounts receivable increased primarily due to the timing of customer payments and scheduled billing.
  - As of September 2026, the year-to-date accounts receivable turnover ratio is 33 days, which is within the District's target range of 30 to 35 days. The ratio is calculated by dividing year-to-date net sales by the average utility customer accounts receivable balance, net of accruals. This metric measures how effectively the District collects customer receivables and manages its cash flow.
  - Material and supply inventory decreased by $217,478 to a total of $1,484,562, reflecting use of material and supply inventory.
  - Prepaid Expenses decreased by $114,357 to a total of $569,947, reflecting amortization of prepaid insurance, supplies, and services (including software subscriptions).

Overall, Current Assets totaled $33,633,686, reflecting a decrease of $505,078 from the previous month.

Noncurrent Assets:

- Construction in Progress increased by $526,505 due to increase in project investments/spending, reflecting continued progress on the District's capital improvement program.
- Accumulated Depreciation increased by $434,062, as expected.

The Noncurrent Assets balance is $111,401,629, reflecting a net increase of $92,443.

Liabilities

- **Current Liabilities**:
    - Accounts Payable and Accrued Expenses decreased by $299,338. Accounts payable decreased primarily due to the timing of vendor invoice processing and scheduled payments.
    - Accrued salaries and related payables decreased from $229,148 in prior month to a reported negative balance of $12,717 in current month, a decrease of $241,865.
    - As of September 2026, the year-to-date accounts payable turnover ratio is 18 days, below the District's target of 30-35 days. This indicates that the District is paying its accounts payable relatively quickly. The ratio is calculated by dividing year-to-date net purchases and employee benefit cost, net of payroll cost. This metric measures how effectively the District pays its bills and manages its cash flow.
    - Accrued Interest Payable increased by $165,402 to $640,780.

Overall, Total current liabilities decreased by $375,901 during the current month, to $5,008,475. The decrease was primarily attributable to a $299,338 reduction in accounts payable and accrued expenses and a $241,865 reduction in accrued salaries and related payables. These decreases were partially offset by a $165,402 increase in accrued interest payable. Customer deposits decreased by $100.

- **Non-Current Liabilities**:
    - Loans Payable decreased by $40,875 to $45,554,886. This reflects an amortization of bond premium as expected.

Total liabilities decreased by $416,776 during September to $62,376,677, primarily due to reductions in accounts payable and accrued expenses and accrued salaries and related payables, partially offset by an increase in accrued interest payable.

Summary of Revenues

For September 2026 and year to date, the District’s total revenues were $4,167,032 and 12,311,774 respectively. This represents 28.7% of the total budgeted revenue for the fiscal year.

Key Revenues Categories:

- **Commodity Supply Charges**:
  This month's revenue was $1,680,247, with a YTD total of $4,987,822 (34.1% of budget). This category continues to perform in line with expectations. Commodity supply charges include recycled water revenues. This month recycled revenue is $351,799 and year to date revenue is $1,083,430 or 50.34% of the budget. This category is performing as expected.
- **Service Charges**:
  This month's revenue was $1,461,991, and the YTD total stands at $4,282,775 which is 25.4% of the budget. This is in line with expectations.
- **Capital Facility Charges**:
  This month's revenue is $698,575, and the YTD total stands at $1,943,083, which is 24.9% of the annual budget. The District is on track with respect to capital facilities charge.
- **Investment Income**:
  The District earned $42,056 in investment income this month and YTD $147,316 respectively. which is 36.8% of the annual budget. The District earned an approximate return on investment of 3.90%.
- **Capital contribution/ Capacity Facilities Fees**:
  The District received YTD total of $221,520, in capital facilities fees. There is more than usual activity in new development applications.
- **Miscellaneous Revenue**:
  Miscellaneous revenue this month is $29,202, and YTD $188,537 represent 51.9% of the budget. Miscellaneous revenue fluctuates from month to month due to some revenues collected only once a year. This category includes plan check fees and cell tower lease revenues. Overall, miscellaneous revenue is performing better than budget.

Summary of Expenses

Total expenses for September 2026 are $4,212,573 and $8,827,437 YTD, which is 22.3% of the annual budget.

Key Expenses Categories:

- **Salary Expenses**:
  Monthly salary-related expenses were $569,074, resulting in a YTD total of $1,753,668 (21.1% of budget). Salary expenses are in line with expectations, Staff is paying a close attention to the overtime cost and analyzing it every pay period.
- **Benefit Expenses**:
  Benefit expenses totaled $433,690 for the month, with a YTD total of $770,407 (25.2%). Retirement contribution and medical insurance expenses are the main drivers of this category.
- **Water Purchased for Resale**:
  Water purchased for resale totaled $2,715,541, for year to date, representing 23.4% of the annual budget.
- **Contracted/Purchased Services**:
  Monthly expenses for contracted and purchased services totaled were $544,286, and $1,266,437 year to date, representing 17.6% of the annual budget. The District continues to manage contracts efficiently.
- **Commodities/Purchased Supplies**:
  Commodity and purchased supply expenses totaled $135,846 for the month and $346,593

year to date, representing 25.0% of the annual budget. The District continues to manage its purchases efficiently.

- **Other Expenses**:
  This category includes costs related to retiree health insurance, depreciation, and debt interest. YTD expenses total $1,835,183, representing 24.1% of the annual budget. Notably, debt service and depreciation are on track as expected.

Net Position

The District's net position as of September 2026 is $74,264,117. The net position increased by $4,141 from prior month. Year to date, net position has increased by $3,484,337.

Conclusion

Through September 2026, the District remains in a strong financial position. Revenues are progressing in line with the annual budget, while expenditures remain below budget across most operating categories. Strong liquidity, disciplined spending, and continued investment in capital infrastructure position the District well to meet its operational and long-term strategic objectives.

Attachment 1

Statement of Net Position for the period ended September 2026

Interim Statement of Net Position for the Month of September, 2026

	6/30/2026 Draft	8/31/2026 Revised Interim	9/30/2026 Interim	Change
Assets				
Current Assets				
Cash & Cash Equivalents	1,496,225	20,600,324	20,447,196	(153,127)
Investments	22,515,296	4,642,335	4,621,084	(21,251)
Accounts Receivable	5,254,213	6,433,203	6,434,335	1,132
Materials & Supply Inventory	1,655,071	1,702,040	1,484,562	(217,478)
Prepaid Expenses	727,541	684,304	569,947	(114,357)
Restricted - Cash & Investments	76,558	76,559	76,561	2
Current Assets - Sub-total	31,724,904	34,138,765	33,633,686	(505,078)
Non-Current Assets				
Lease Receivable	3,890,786	3,890,786	3,890,786	-
Land & Easements	7,451,585	7,451,585	7,451,585	-
Capacity Rights	197,450	228,255	228,255	-
Capital Assets				
Water System	62,032,584	62,104,934	62,104,934	-
Wastewater System	63,294,850	63,827,982	63,827,982	-
Recycled System	55,554,540	55,554,540	55,554,540	-
Combined Assets	15,953,684	20,610,052	20,610,052	-
Construction in Progress	10,989,436	6,078,777	6,605,282	526,505
Accumulated Depreciation	(107,553,491)	(108,437,724)	(108,871,787)	(434,062)
Non-Current Assets - Sub-total	111,811,423	111,309,186	111,401,629	92,443
Total Assets	**143,536,327**	**145,447,950**	**145,035,315**	**(412,635)**
Deferred Outflows of Resources				
OPEB Deferred Outflow of Resources	1,307,952	1,307,952	1,307,952	-
Liabilities				
Current Liabilities				
Accounts Payable & Accrued Expenses	4,097,472	2,316,033	2,016,695	(299,338)
Accrued Salaries & Related Payables	231,836	229,148	(12,717)	(241,865)
Customer Deposits	50,000	16,500	16,400	(100)
Accrued Interest Payable	144,575	475,378	640,780	165,402
Long Term Liabilities - Due in One Year				-
Compensated Absences	243,078	243,078	243,078	-
OPEB Liability	485,397	-	-	-
Loans Payable	2,104,239	2,104,239	2,104,239	-
Current Liabilities - Sub-total	7,356,597	5,384,377	5,008,475	(375,901)
Non-Current Liabilities				
Compensated Absences	1,587,158	1,587,158	1,587,158	0
Other Post-Employment Benefits Liability	9,740,761	10,226,158	10,226,158	-
Loans Payable	45,677,510	45,595,761	45,554,886	(40,875)
Non-Current Liabilities - Sub-total	57,005,429	57,409,076	57,368,202	(40,875)
Total Liablities	**64,362,026**	**62,793,453**	**62,376,677**	**(416,776)**
Deferred Inflows of Resources				
Deferred Amounts from Leases	3,435,073	3,435,073	3,435,073	-
Deferred Amounts from OPEB	6,267,400	6,267,400	6,267,400	-
Total Deferred Inflows of Resources	9,702,473	9,702,473	9,702,473	-
Net Position				
Net Investment in Capital Assets	58,940,456	63,609,186	63,742,504	133,318
Depreciation adjustment - change in estimate				-
Restricted - Capital Projects	76,555	-	-	-
Restricted - Debt Service	-	-	-	-
Unrestricted	11,762,769	10,650,790	10,521,613	(129,177)
Total Net Position	**70,779,780**	**74,259,976**	**74,264,117**	**4,141**

Attachment 2

Statement of Revenues, Expenses, and Changes in Net Position

for September 2026

Statement of Revenues, Expenses, and Changes in Net Position for the Month of September, 2026

	District		Water System		Wastewater System		Recycled System		Capital Improvments	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Operating Revenues										
Commodity Supply Charges	$ 14,626,532	$ 4,987,822	$ 12,474,196	$ 3,904,392	$ -	$ -	$ 2,152,336	$ 1,083,430	$ -	$ -
Service Provision Charges	16,861,783	4,282,775	5,995,831	1,463,416	10,289,594	2,678,200	576,358	141,159	-	-
Capital Facilities Charge	7,807,208	1,943,083	-	-	-	-	-	-	7,807,208	1,943,083
Charges for Services	140,000	-	140,000	-	-	-	-	-	-	-
Miscellaneous Operating Income	45,900	96,657	31,000	68,754	14,900	27,904	-	-	-	-
Grants, Rebates, Reimbursements	1,302,300	190,720	-	46,016	5,300	1,479	297,000	143,225	1,000,000	-
Total Operating Revenues	40,783,722	11,501,058	18,641,027	5,482,578	10,309,794	2,707,583	3,025,694	1,367,814	8,807,208	1,943,083
Operating Expenses										
General & Administrative	6,303,672	1,198,968	2,706,157	525,014	3,117,867	584,888	479,648	89,067	-	-
Operations & Maintenance	25,599,700	5,722,675	16,105,054	3,799,880	7,895,946	1,554,274	1,598,700	368,522	-	-
Operating Capital Expenses	60,399	70,611	-	-	-	-	-	-	60,399	70,611
Other Operating Expenses	451,000	130,504	180,400	52,202	234,520	67,862	36,080	10,440	-	-
Depreciation & Amortization	5,250,900	1,331,098	-	-	-	-	-	-	5,250,900	1,331,098
Total Operating Expenses	37,665,671	8,453,856	18,991,611	4,377,095	11,248,332	2,207,023	2,114,428	468,029	5,311,299	1,401,709
Operating Income/(Loss)	3,118,051	3,047,202	(350,584)	1,105,483	(938,538)	500,559	911,265	899,785	3,495,909	541,374
Non-operating Revenues										
Property Taxes	1,400,000	350,000	560,000	140,000	728,000	182,000	112,000	28,000	-	-
Investment Earnings	400,000	147,316	200,000	66,876	200,000	80,433	-	-	-	7
Miscellaneous Revenue	312,400	91,880	291,000	63,755	10,400	17,093	11,000	11,032	-	-
Interest Expense	(1,915,000)	(373,581)	-	-	-	-	-	-	(1,915,000)	(373,581)
Net Non-Operating Revenues	197,400	215,615	1,051,000	270,630	938,400	279,527	123,000	39,032	(1,915,000)	(373,574)
Income/(Loss) before Contributions & Transfers	3,315,451	3,262,817	700,416	1,376,113	(138)	780,086	1,034,265	938,817	1,580,908	167,801
Transfers										
Transfers In	1,879,100	-	-	-	-	-	-	-	1,879,100	-
Transfers Out	(1,879,100)	-	(881,880)	-	-	-	(997,220)	-	-	-
Net Transfers	-	-	(881,880)	-	-	-	(997,220)	-	1,879,100	-
Capital Contributions										
Donations & Contributions	-	221,520	-	-	-	-	-	-	-	221,520
Total Capital Contributions	-	221,520	-	-	-	-	-	-	-	221,520
Change in Net Position	3,315,451	3,484,337	(181,464)	1,376,113	(138)	780,086	37,045	938,817	3,460,008	389,321
Beginning Net Position	70,779,780	70,779,780								
Depr. adj - change in estimate										
Ending Net Position	$ 74,095,231	$ 74,264,117								

Attachment 3

Summary of Revenues and Expenses for the period ended September 2026

Revenue & Expense Report -September 2026

Account - Description	Month Actual	YTD Actual	2026-2027 Budgeted	Budget Remaining	% of Budget Earned/Spent
Summary of Total District Revenues					
District Totals					
Commodity Supply Charges	1,680,247	4,987,822	14,626,532	9,638,710	34.1%
Service Charges	1,461,991	4,282,775	16,861,783	12,579,007	25.4%
Capital Facility Charges	698,575	1,943,083	7,807,208	5,864,124	24.9%
Charges for Services	-	-	140,000	140,000	0.0%
Miscellaneous Revenue	29,202	188,537	363,600	175,063	51.9%
Grants, Rebates, Reimbursements	138,295	190,720	1,297,000	1,106,280	14.7%
Property Taxes	116,667	350,000	1,400,000	1,050,000	25.0%
Investment Income	42,056	147,316	400,000	252,684	36.8%
Donations & Capital Contributions	-	221,520	-	(221,520)	N/A
Total Revenue	4,167,032	12,311,774	42,896,122	30,584,348	28.7%
Summary of Total District Expenses					
Salary Expenses					
Directors Fees	11,804	34,931	144,616	109,686	24.2%
Exempt Salaries	127,713	371,618	1,669,300	1,297,682	22.3%
Non-exempt Salaries	392,487	1,237,504	5,630,200	4,392,696	22.0%
Other Salary Payments	-	-	279,034	279,034	0.0%
Overtime	26,288	79,146	378,500	299,354	20.9%
Stipend - On-call	6,300	17,568	87,300	69,732	20.1%
Stipends/Allowances	4,481	12,751	116,200	103,449	11.0%
Employee Service Awards	-	150	-	(150)	N/A
Salary Expenses Sub-total	569,074	1,753,668	8,305,150	6,551,482	21.1%
Benefit Expenses					
Medical Insurance	286,581	385,836	1,231,300	845,464	31.3%
HSA Contributions	-	-	29,100	29,100	0.0%
Dental Insurance	22,503	30,441	97,200	66,759	31.3%
Vision Insurance	3,132	4,182	12,300	8,118	34.0%
Life Insurance	-	3,413	41,869	38,456	8.2%
Disability Insurance	8,972	17,226	43,500	26,274	39.6%
Long-term Care Insurance	7,536	11,069	22,000	10,931	50.3%
Workers Compensation Insurance	11,034	33,103	149,400	116,297	22.2%
State Unemployment Insurance	-	-	3,000	3,000	0.0%
401k Retirement Contributions	51,552	157,361	712,000	554,639	22.1%
401k Matching Contributions	34,285	100,667	302,600	201,933	33.3%
457b Matching Contributions	5,927	15,563	289,400	273,837	5.4%
Medicare Insurance	8,273	23,852	120,900	97,048	19.7%
FICA	490	1,710	4,700	2,990	36.4%
Capitalized Benefits	(6,595)	(14,016)	-	14,016	N/A
Benefit Expenses Sub-total	433,690	770,407	3,059,269	2,288,862	25.2%
Commodity Purchased for Resale					
Water Purchases - MWDOC	911,605	1,509,910	5,493,590	3,983,680	27.5%
Water Purchases - MWDOC Fixed	172,231	258,346	1,430,068	1,171,722	18.1%
Water Purchases - AMP/SAC	14,364	16,379	47,192	30,813	34.7%
Regional Water Supply Expenses	847	1,271	-	(1,271)	N/A
Water Purchases - Baker WTP	634,896	848,326	3,321,592	2,473,266	25.5%
Water Purchases - Baker O&M	(21,190)	(21,190)	1,138,197	1,159,387	-1.9%
Water Purch - Other Agencies	65,438	65,438	-	(65,438)	N/A
MWDOC Service Connect Charge	12,475	37,061	152,600	115,539	24.3%
Commodity Purchased for Resale Sub-total	1,790,666	2,715,541	11,583,239	8,867,698	23.4%

Revenue & Expense Report -September 2026

Account - Description	Month Actual	YTD Actual	2026-2027 Budgeted	Budget Remaining	% of Budget Earned/Spent
Contracted/Purchased Services					
Consultants	9,913	12,557	150,000	137,443	8.4%
Engineering Services	2,106	10,386	59,000	48,614	17.6%
Audit & Accounting Services	18,200	18,200	50,350	32,150	36.1%
Technology Consultants	832	2,496	52,000	49,504	4.8%
SOCWA Contract	27,103	194,243	1,225,000	1,030,757	15.9%
Contractors	27,233	53,936	396,250	342,314	13.6%
Contracted Employees	-	-	12,000	12,000	0.0%
Legal Svcs - General Counsel	-	5,146	100,000	94,854	5.1%
Legal Svcs - Specialty Counsel	1,597	1,703	22,100	20,397	7.7%
Other Legal Services	-	-	600	600	0.0%
Employee Recruitmnt/Compliance	764	1,846	14,350	12,504	12.9%
Employee Health & Wellness	124	234	1,000	766	23.4%
Employee Relations Expenses	989	2,466	10,000	7,534	24.7%
Professional Services	-	-	-	-	N/A
Landscaping Services	15,813	48,131	180,566	132,435	26.7%
Janitorial Contracts	10,057	15,108	60,748	45,640	24.9%
Equipment Rental	974	2,816	25,500	22,684	11.0%
Uniform Rental	4,163	4,163	16,782	12,619	24.8%
Laboratory Services	5,555	7,365	28,000	20,635	26.3%
Disposal Services	6,685	13,130	92,200	79,070	14.2%
Security Services	536	11,277	60,780	49,503	18.6%
Insurance	47,716	135,384	495,700	360,316	27.3%
Financial Service Fees	5,819	17,215	69,000	51,785	24.9%
Printing & Reproduction	504	504	43,000	42,496	1.2%
Advertising & Publicity Svcs	-	-	7,200	7,200	0.0%
Postage	-	-	16,600	16,600	0.0%
Public Relations/Education	629	1,523	35,250	33,727	4.3%
Water Efficiency Services	1,973	17,302	60,600	43,298	28.6%
Licenses & Permits	15,351	49,592	278,020	228,428	17.8%
Software Maintenance/Licenses	19,166	49,960	360,450	310,490	13.9%
Electrical Power	195,644	420,479	2,261,100	1,840,621	18.6%
Natural Gas	174	355	2,100	1,745	16.9%
Cable Service	349	1,054	10,000	8,946	10.5%
Telecommunications	3,067	3,779	50,000	46,221	7.6%
Mobile Telecommunications	3,586	5,882	50,000	44,118	11.8%
Data Access	4,243	10,198	65,000	54,802	15.7%
Equipment Maintenance & Repair	34,323	56,300	234,200	177,900	24.0%
Pump Maintenance & Repair	12,656	12,656	57,500	44,844	22.0%
Motor Maintenance & Repair	-	-	130,150	130,150	0.0%
Electrical Maintenance/Repair	-	1,306	116,850	115,544	1.1%
Meter Maintenance & Repair	-	-	55,300	55,300	0.0%
Structure Maintenance & Repair	2,366	3,545	55,100	51,555	6.4%
Asphalt Maintenance & Repair	64,077	74,202	189,000	114,798	39.3%
Contracted/Purchased Services Sub-total	544,286	1,266,437	7,199,346	5,932,909	17.6%
Commodities					
Repair Parts & Materials	48,058	135,004	500,550	365,546	27.0%
Tools & Small Equipment	6,720	15,449	81,900	66,451	18.9%
Safety Equipment	4,511	10,481	30,475	19,994	34.4%
Employee Tools/Safety Equip	358	1,885	21,000	19,116	9.0%
Laboratory Tools & Small Equip	-	-	20,000	20,000	0.0%
Technology Tools/Small Equip	-	-	40,000	40,000	0.0%
Chemicals	31,152	93,396	351,000	257,604	26.6%
Laboratory Chemicals	4,233	6,437	36,000	29,563	17.9%
Gasoline & Oil	27,073	49,900	140,000	90,100	35.6%
Operating Supplies/Accessories	6,384	9,529	37,650	28,121	25.3%
Office Supplies & Accessories	1,111	1,980	21,520	19,540	9.2%
Technology Supplies/Components	896	10,741	30,000	19,259	35.8%
Lab Supplies & Accessories	3,348	8,236	19,500	11,264	42.2%
Meeting/Event Supplies & Food	1,997	3,546	35,800	32,254	9.9%
Water Use Efficiency Supplies	8	8	20,000	19,992	0.0%
Commodities Sub-total	135,846	346,593	1,385,395	1,038,802	25.0%

Revenue & Expense Report -September 2026

Account - Description	Month Actual	YTD Actual	2026-2027 Budgeted	Budget Remaining	% of Budget Earned/Spent
Professional Development					
Education & Training	5,235	12,116	61,505	49,389	19.7%
Education/Training - Directors	-	-	-	-	N/A
Licenses & Certifications	-	-	1,800	1,800	0.0%
Dues & Memberships	7,772	26,901	126,025	99,124	21.3%
Dues & Memberships - Directors	-	-	-	-	N/A
Meetings & Conferences	3,437	3,662	33,270	29,608	11.0%
Meetings/Conferences-Directors	4,346	6,288	18,000	11,712	34.9%
Travel Reimbursement	569	8,717	32,900	24,183	26.5%
Travel Reimbursement-Directors	4,622	8,882	35,000	26,118	25.4%
Publications & Subscriptions	93	2,430	5,773	3,343	42.1%
Professional Development Sub-total	26,074	68,998	314,273	245,275	22.0%
Miscellaneous Expenses					
Employee Appreciation Expenses	-	-	-	-	N/A
Internal/External Event Expenses	-	-	11,000	11,000	0.0%
Election Expense	-	-	20,000	20,000	0.0%
Reimbursable Repair Expense	-	-	-	-	N/A
Property Taxes	-	-	3,000	3,000	0.0%
Uncollectible Accounts	-	-	20,000	20,000	0.0%
NSFs & Miscellaneous Fees	-	-	200	200	0.0%
Refund Overcharges	-	-	1,500	1,500	0.0%
Damage/Repair Reimbursements	-	-	1,000	1,000	0.0%
Misc Exp	-	-	-	-	N/A
Miscellaneous Sub-total	-	-	56,700	56,700	0.0%
Sub Total - General and O&M Expanses	3,499,637	6,921,643	31,903,372	24,981,729	21.7%
Capital Improvement Expenses					
Water System Projects					
Supply/Storage Projects	56	865	9,399	8,534	9.2%
Pumping Projects	-	-	26,000	26,000	0.0%
Main/Service Line Projects	-	-	-	-	N/A
Wastewater System Projects	-	-		-	N/A
Pumping Projects	78	78	-	(78)	N/A
Wastewater Treatment Projects	-	-	-	-	N/A
Main/Service Line Projects	-	-	-	-	N/A
Recycled System Projects	-			-	N/A
Pumping Projects	-	-	-	-	N/A
Tertiary Treatment Projects	-	-	-	-	N/A
Main/Service Line Projects	-	-	-	-	N/A
General Projects		-		-	N/A
Operating Equipment Purchases	-	-	-	-	N/A
Vehicle & Related Equipment Purchases	14,040	14,040	-	(14,040)	N/A
Technology Projects & Purchases	17,025	17,025	15,000	(2,025)	113.5%
Building & Structure Improvements	-	-	-	-	N/A
General Capital Projects	26,023	38,602	10,000	(28,602)	386.0%
Construction in Progress	-		-	-	N/A
Capital Improvement Expenses Sub-total	57,222	70,611	60,399	(10,212)	116.9%
Other Expenses					
Retiree Health Insurance	97,126	130,504	451,000	320,496	28.9%
Compensated Absence Charge	-	-	-	-	N/A
OPEB Charges	-	-	-	-	
Depreciation	434,062	1,331,098	5,250,900	3,919,802	25.3%
Debt Interest Expense	124,527	373,581	1,915,000	1,541,419	19.5%
Other Expenses Sub-total	655,715	1,835,183	7,616,900	5,781,717	24.1%
Total Expenses	4,212,573	8,827,437	39,580,671	30,753,234	22.3%
Change in Net Position	(45,541)	3,484,337	3,315,451		

Attachment 4

Check Register September 2026

El Toro Water District

Check/ACH Payment Register for the Month of September 2026

Check/ ACH Number	Vendor	Date	Amount
15776	Angel Z Lopez	09/02/2026	5,003.56
15777	Arlhey Nunez	09/02/2026	586.90
15778	ATS Communications	09/02/2026	2,568.75
15779	Best Best & Krieger, LLP	09/02/2026	105.45
15780	Bluebeam, Inc.	09/02/2026	715.00
15781	County of Orange - OC Waste & Recycling	09/02/2026	233.16
15782	Daniel Orozco	09/02/2026	500.99
15783	David Hayden	09/02/2026	469.74
15784	Edward Peterson	09/02/2026	549.20
15785	Environmental Resource Associates, Inc	09/02/2026	972.22
15786	Eversoft Inc	09/02/2026	736.22
15787	Fisher Scientific Company, LLC	09/02/2026	1,682.16
15788	GEI Consultants Inc.	09/02/2026	10,385.75
15789	Hach Company	09/02/2026	2,948.67
15790	Jeff Webster	09/02/2026	25.00
15791	Kesri Singh Sekhon	09/02/2026	31,830.00
15792	LSL, LLP	09/02/2026	3,400.00
15793	Marc Avila, Jr.	09/02/2026	498.39
15794	Mark Bastia	09/02/2026	195.03
15795	Onesource Distributors, LLC.	09/02/2026	6,434.30
15796	Saddleback Environmental Equipment, Inc	09/02/2026	2,155.00
15797	Sierra Analytical Labs, Inc	09/02/2026	1,909.50
15798	Sims-Orange Welding Supply, Inc	09/02/2026	307.92
15799	South Coast Water District	09/02/2026	809.10
15800	South Orange County Wastewater Authority	09/02/2026	595,267.70
15801	Southern California Gas Company	09/02/2026	180.70
15802	U.S. Bank National Association	09/02/2026	13,856.25
15803	Verizon Communications Inc.	09/02/2026	9,151.41
15804	Waste Management, Inc of California	09/02/2026	862.40
15805	William Wesson	09/02/2026	60.00
15806	South Coast Air Quality Management District	09/08/2026	6,126.36
15807	Alicia Air Conditioning & Heating, Inc.	09/09/2026	1,118.00
15808	Daniel Lopez	09/09/2026	409.21
15809	Diane Bennett	09/09/2026	55.75
15810	Hach Company	09/09/2026	77.90
15811	Hannah Ford	09/09/2026	347.34
15812	McMaster-Carr Supply Company	09/09/2026	36.97
15813	Moulton Niguel Water District	09/09/2026	269.16
15814	Mutual Liq. Gas & Equip. Co.	09/09/2026	59.45
15815	RockSpark Inc	09/09/2026	4,650.00
15816	Site One Landscape Supply	09/09/2026	564.85
15817	State Water Resources Control Board	09/09/2026	5,525.00
15818	Sully-Miller Contracting Co.	09/09/2026	1,534.17
15819	Underground Service Alert of SO CA	09/09/2026	1,501.68
15820	UNUM Life Insurance - EAP	09/09/2026	108.81
15821	Vu Chu	09/09/2026	176.59
15822	West Coast Safety Supply, Inc	09/09/2026	416.68
15823	Bluetriton Brands, Inc	09/11/2026	942.47
15824	Southern California Edison Company	09/11/2026	192,450.88
15825	American Family Life Assurance Company of Columbus	09/16/2026	1,292.36
15826	AT&T	09/16/2026	2,378.51
15827	ATS Communications	09/16/2026	2,531.25
15828	Best Best & Krieger, LLP	09/16/2026	74.85
15829	California Air Resources Board	09/16/2026	1,267.50
15830	California Water Environment Association	09/16/2026	259.00
15831	Cheyne Madero	09/16/2026	349.99
15832	Citibank N.A.	09/16/2026	1,992.69
15833	Colantuono, Highsmith & Whatley, PC	09/16/2026	1,522.50
15834	County of Orange	09/16/2026	290.54
15835	Cox Communications Inc	09/16/2026	1,023.11
15836	Employee Relations, Inc	09/16/2026	222.54
15837	Fisher Scientific Company, LLC	09/16/2026	20.73

Check/ ACH Number	Vendor	Date	Amount
15838	FleetCrew	09/16/2026	400.00
15839	Hach Company	09/16/2026	493.67
15840	Jurupa Community Services District	09/16/2026	2,024.17
15841	Kathryn Freshley	09/16/2026	255.80
15842	Kesri Singh Sekhon	09/16/2026	11,000.00
15843	Life Insurance Company of North America	09/16/2026	146.25
15844	LW SHELL INC.	09/16/2026	39.64
15845	Mark Monin	09/16/2026	1,270.13
15846	McClean Wyatt	09/16/2026	880.53
15847	Michael Gaskins	09/16/2026	678.55
15848	MICHAEL MORRISON	09/16/2026	16.68
15849	Moulton Niguel Water District	09/16/2026	73,414.53
15850	New World Language Services	09/16/2026	4,823.06
15851	Norman Industrial Materials, Inc.	09/16/2026	146.23
15852	GUSTAVO PIZANA	09/16/2026	375.61
15853	Rincon Truck Center, Inc	09/16/2026	1,925.86
15854	Santa Margarita Ford	09/16/2026	2,036.47
15855	Sierra Analytical Labs, Inc	09/16/2026	227.50
15856	South Coast Water District	09/16/2026	847.08
15857	Syn-Tech Systems Inc	09/16/2026	1,275.00
15858	Verizon Communications Inc.	09/16/2026	5,340.63
15859	Nyhuis Holdings	09/16/2026	1,707.30
15860	Waste Management, Inc of California	09/16/2026	791.07
15861	Water Environment Federation	09/16/2026	399.00
15862	Wienhoff & Associates, Inc	09/16/2026	15.00
15863	TK Burgers	09/23/2026	1,232.24
15864	Altec Products, LLC	09/24/2026	504.14
15865	County of Orange - OC Waste & Recycling	09/24/2026	1,021.08
15866	CR&R Incorporated	09/24/2026	1,060.51
15867	Delta Motor Co. Inc	09/24/2026	10,416.00
15868	Haaker Equipment Company	09/24/2026	1,298.68
15869	Hach Company	09/24/2026	18,358.34
15870	Harrington Industrial Plastics, LLC	09/24/2026	1,350.06
15871	Ideco, Inc	09/24/2026	6,820.20
15872	J.R. Filanc Construction Company Inc	09/24/2026	404,825.40
15873	Jeff Webster	09/24/2026	333.00
15874	Roll Off Solutions, Inc	09/24/2026	1,889.00
15875	Shaw Law Group, PC	09/24/2026	2,500.00
15876	South Coast Water District	09/24/2026	56.24
15877	Southern California Gas Company	09/24/2026	173.88
15878	The Lincoln National Life Insurance Company	09/24/2026	16,507.72
15879	The Sherwin Williams Co.	09/24/2026	107.75
15880	U.S. Bank National Association	09/24/2026	18,902.19
15881	United Industries, LLC	09/24/2026	284.46
15882	We Save Bees	09/24/2026	300.00
15883	West Coast Safety Supply, Inc	09/24/2026	1,400.00
15884	West Coast Sand and Gravel, Inc	09/24/2026	2,586.07
15885	Western Oilfields Supply Company	09/24/2026	1,342.10
15886	Angel Z Lopez	09/30/2026	5,003.56
15887	Aramark Services, Inc	09/30/2026	734.21
15888	Citibank N.A.	09/30/2026	1,303.49
15889	CR&R Incorporated	09/30/2026	1,060.51
15890	Eversoft Inc	09/30/2026	580.88
15891	Harrington Industrial Plastics, LLC	09/30/2026	784.85
15892	Kesri Singh Sekhon	09/30/2026	8,775.00
15893	Mingoia's Faxworld, Inc	09/30/2026	666.62
15894	Powerflo Products Inc.	09/30/2026	559.29
15895	Underground Service Alert of SO CA	09/30/2026	497.90
			1,547,762.44

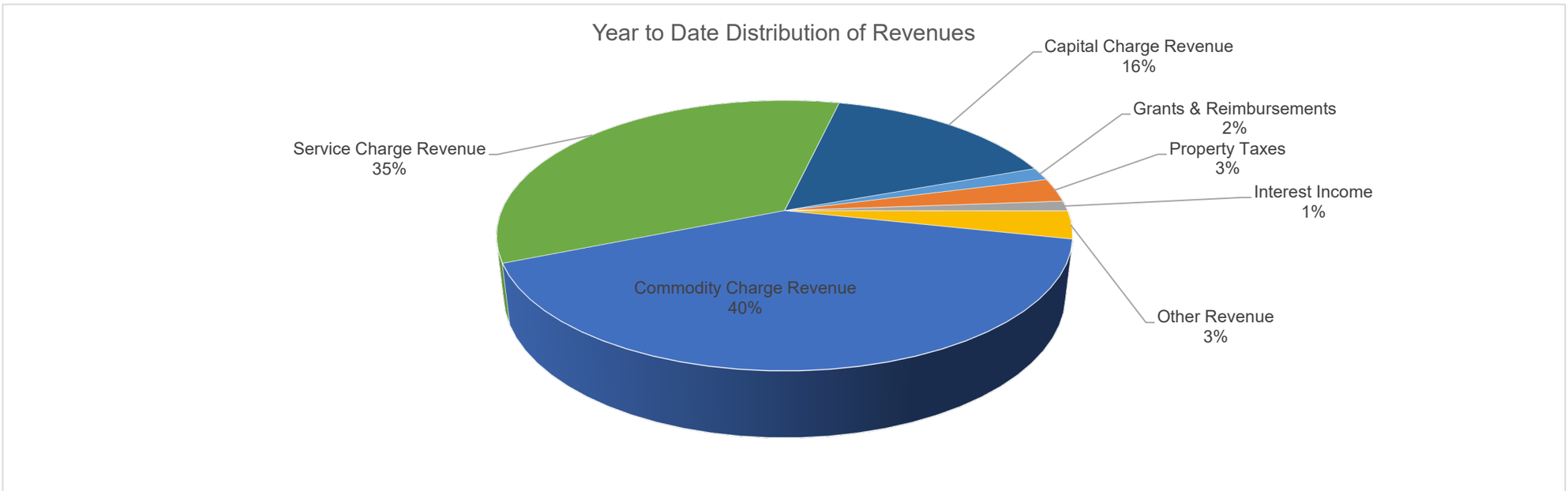
Check/ ACH Number	Vendor	Date	Amount
ACH	Butier Engineering, Inc	09/02/2026	75,122.00
ACH	Carollo Engineers, Inc	09/02/2026	44,070.50
ACH	Nieves Landscape, Inc	09/02/2026	32,317.19
ACH	JCI Jones Chemicals, Inc	09/02/2026	11,857.25
ACH	Universal Corrosion Services, LLC	09/02/2026	9,172.50
ACH	Johnson Controls US Holdings LLC	09/02/2026	3,548.12
ACH	Hill Brothers Chemical Co	09/02/2026	2,644.20
ACH	TerraVerde Energy LLC	09/02/2026	1,020.37
ACH	Red Wing Brands of America Inc	09/02/2026	598.79
ACH	Ferguson US Holdings, Inc	09/02/2026	463.44
ACH	W.W. Grainger, Inc	09/02/2026	361.47
ACH	Springbrook Holdings Company, LLC	09/02/2026	134.25
ACH	RapidScale, Inc	09/02/2026	11.50
ACH	Municipal Water District of Orange County	09/09/2026	694,408.36
ACH	Irvine Ranch Water District	09/09/2026	273,421.23
ACH	Santiago Aqueduct Commission	09/09/2026	8,198.00
ACH	Vestis Group, Inc.	09/09/2026	1,808.11
ACH	HEBT West Los Angeles 1, LLC	09/09/2026	1,590.00
ACH	Corporate Business Interiors, Inc	09/09/2026	1,089.03
ACH	Red Wing Brands of America Inc	09/09/2026	794.33
ACH	Ferguson US Holdings, Inc	09/09/2026	423.64
ACH	Rose Paving LLC	09/16/2026	19,351.44
ACH	LSL, LLP	09/16/2026	14,800.00
ACH	Municipal Water District of Orange County	09/16/2026	11,951.38
ACH	Parkhouse Tire Service Inc	09/16/2026	3,394.48
ACH	Eurofins Environment Testing Southwest, LLC	09/16/2026	1,727.00
ACH	Ferguson US Holdings, Inc	09/16/2026	146.16
ACH	RapidScale, Inc	09/16/2026	11.50
ACH	ACWA JPIA	09/24/2026	443,457.84
ACH	SC Commercial LLC	09/24/2026	20,193.26
ACH	Hazen and Sawyer, DPC	09/24/2026	10,415.00
ACH	Ferguson US Holdings, Inc	09/24/2026	5,449.41
ACH	Pearson Food Company, Inc	09/24/2026	2,989.00
ACH	HEBT West Los Angeles 1, LLC	09/24/2026	1,590.00
ACH	Red Wing Brands of America Inc	09/24/2026	1,181.40
ACH	Vestis Group, Inc.	09/24/2026	1,019.49
ACH	W.W. Grainger, Inc	09/24/2026	671.99
ACH	Infosend, Inc	09/24/2026	126.21
ACH	JCI Jones Chemicals, Inc	09/30/2026	17,141.78
ACH	Nieves Landscape, Inc	09/30/2026	12,343.46
ACH	Hill Brothers Chemical Co	09/30/2026	5,880.34
ACH	Ferguson US Holdings, Inc	09/30/2026	5,276.13
ACH	W.W. Grainger, Inc	09/30/2026	1,940.11
ACH	Omega Industrial Supply Inc	09/30/2026	1,155.88
ACH	Sims-Orange Welding Supply, Inc	09/30/2026	436.59
	Total Checks & ACH issued from General and Payroll Accounts:		1,745,704.13

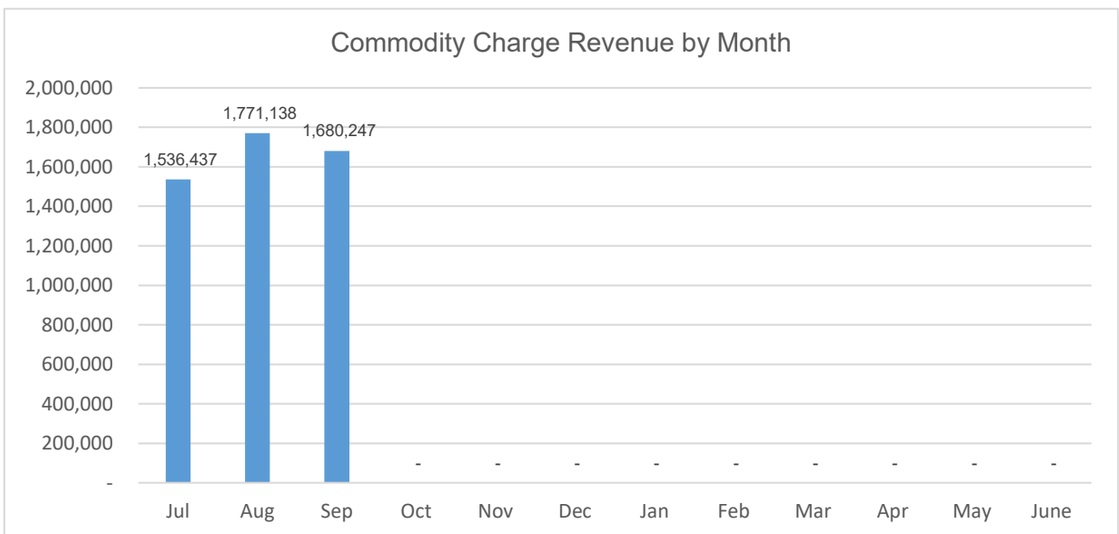
Check/ ACH Number	Vendor	Date	Amount
Direct Debits			
ACH	Health Equity	09/30/2026	1,027.68
ACH	Health Equity	09/23/2026	724.88
ACH	Health Equity	09/16/2026	201.37
ACH	Health Equity	09/09/2026	85.53
ACH	Health Equity	09/09/2026	86.35
ACH	Health Equity	09/02/2026	52.83
ACH	ADP, Inc.	09/25/2026	863.56
ACH	ADP, Inc.	09/18/2026	36.75
ACH	ADP, Inc.	09/11/2026	418.26
ACH	US Bank Trust Company, National Association	09/15/2026	2,567.13
ACH	Xpress Solutions	09/10/2026	960.65
	Total Automatic ACH or Wire payments from General and Payroll Accounts:		7,024.99
	Grand total of Checks, ACH and Direct Debits		3,300,491.56

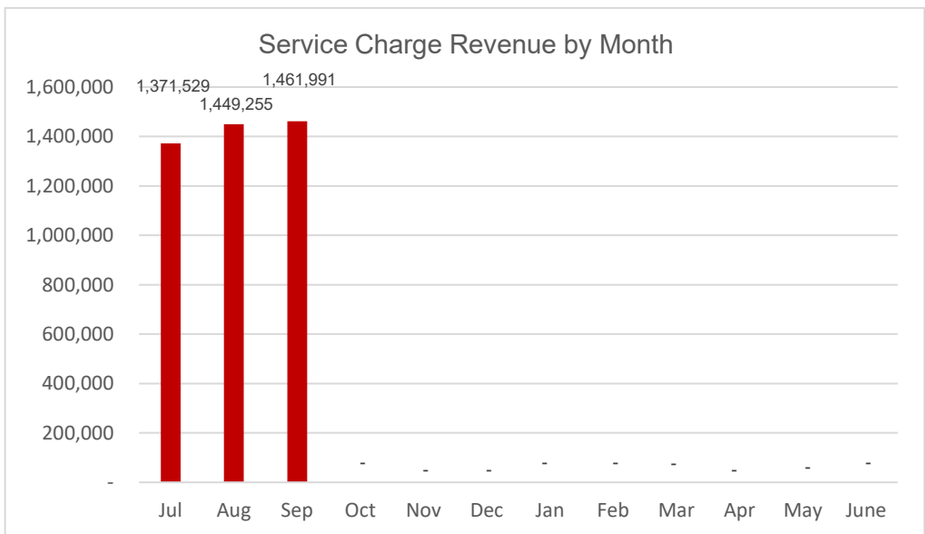
Attachment 5

Revenue and Expense Charts for September 2026

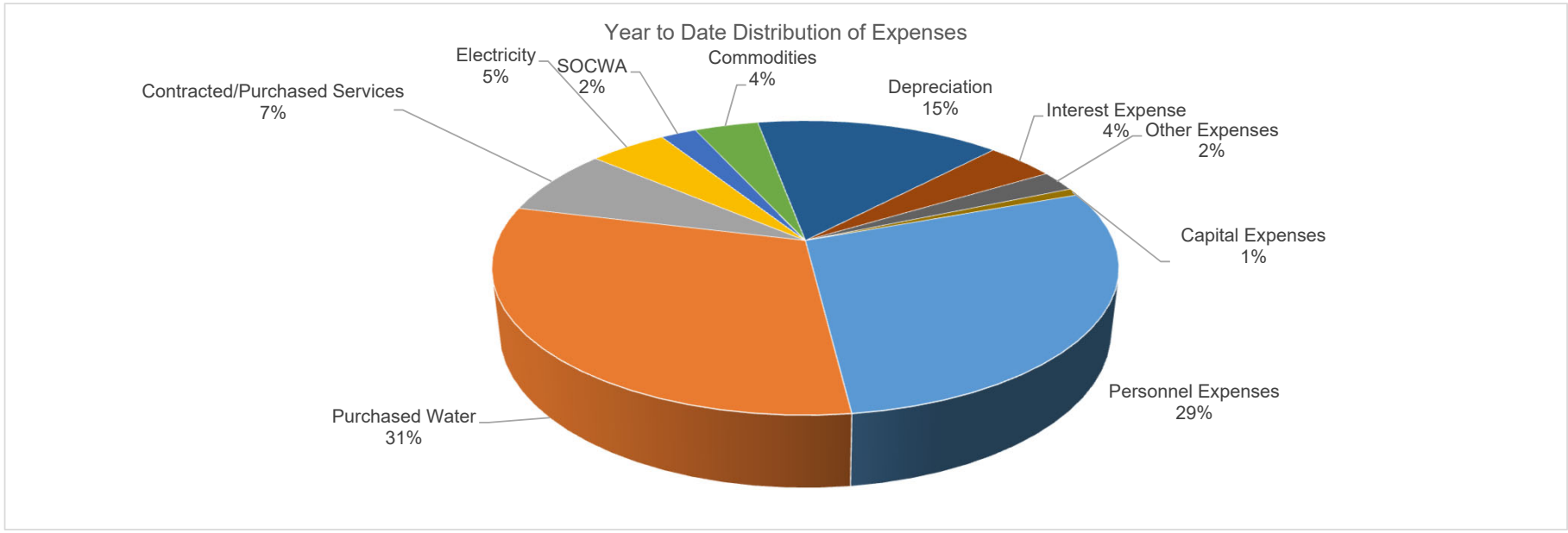
Revenue Charts -September 2026 Financial Report

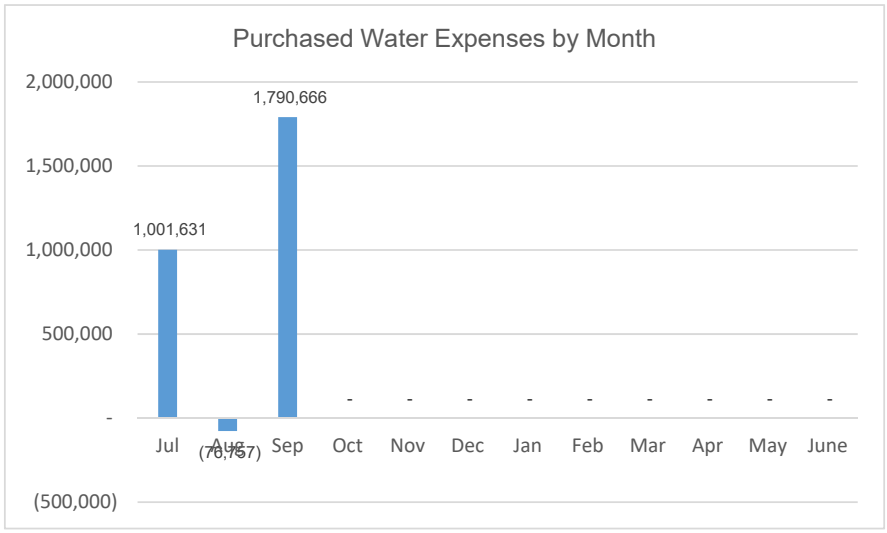


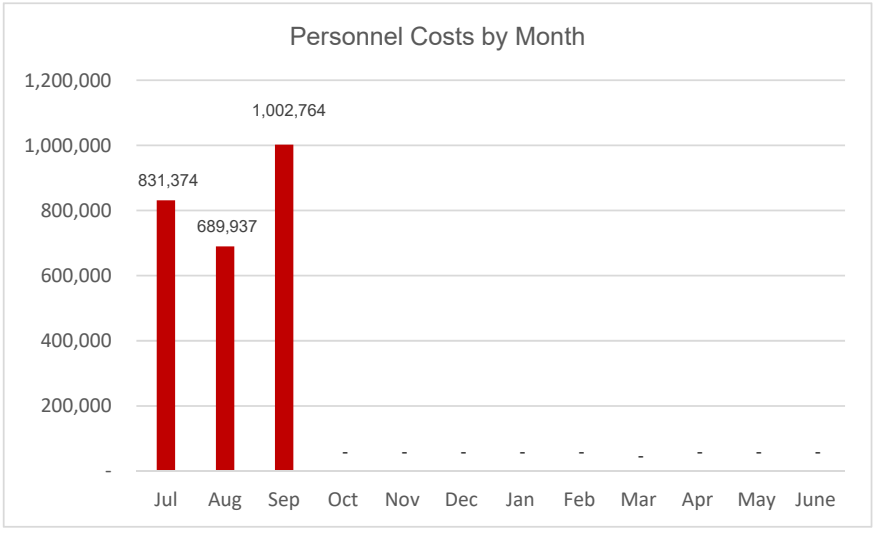




Expense Charts -September 2026 Financial Report







Attachment 6

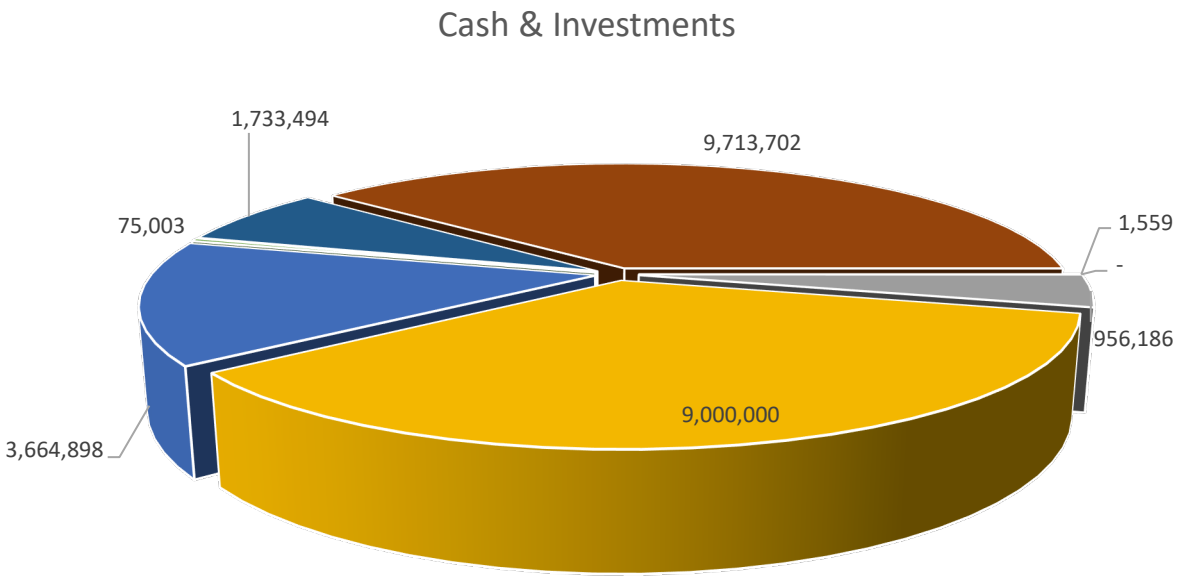
Summary of Cash & Investments at the end of September 2026

Cash & Investments

as of September 30, 2026

Summary of Cash & Investments	
Cash & Equivalents	
Unrestricted - Cash & Equivalents	9,713,702
Unrestricted - Cash & Equivalents USB	1,733,494
Restricted - Cash & Equivalents	75,003
Investments	
Government Securities	3,664,898
CAMP -Term	9,000,000
Corporates Bonds/Notes	956,186
Asset Backed Securities	-
2022 Bond Money Market	1,559
Total Cash & Investments	25,144,842

Operating Cash & Investments	**25,068,280**
2022 Bond Proceeds Cash & Investments	**1,559**
Restricted - Cash & Equivalents	**75,003**



Cash & Equivalents

	Account Balance	Current Yield
Cash & Equivalents		
Demand Deposit Accounts		
US Bank - Checking Account	1,733,494	
US - Bank Capital Facilities Fee	75,003	
US Bank - 2022 Bond Proceeds/Interest/Principal	1,559	
Petty Cash	700	
Money Market Accounts		
CAMP Unsetted Transactions	-	
CAMP Money Market	2,552,009	
LAIF Money Market	7,160,993	
Total Cash & Equivalents	11,523,758	

Investments

	Purchase Cost	Par Amount	Premium/ (Discount)	Market Value	Unrealized Gain/(Loss)	Coupon Rate	Yield to Maturity	Purchase Date	Maturity
Governmental Securities									
United States Treasury Bond									
US Treasury N/B - AA+	464,531	500,000	(35,469)	496,323	31,792	2.250%	4.10%	11/30/2022	2/15/2027
US Treasury N/B - AA+	480,273	500,000	(19,727)	495,551	15,278	3.250%	4.25%	2/22/2023	6/30/2027
US Treasury N/B - AA+	502,500	500,000	2,500	497,711	(4,789)	4.125%	4.01%	11/30/2022	9/30/2027
US Treasury N/B - AA+	497,930	500,000	(2,070)	497,711	(219)	4.125%	4.22%	2/22/2023	9/30/2027
US Treasury N/B - AA+	1,195,078	1,200,000	(4,922)	1,185,610	(9,469)	3.500%	3.78%	4/27/2026	10/31/2027
US Treasury N/B - AA+	485,332	500,000	(14,668)	491,992	6,660	3.500%	4.16%	2/22/2023	1/31/2028
United States Treasury Bond - Totals	3,625,645	3,700,000	(74,355)	3,664,898	39,253				

Investments (Continue)

	Purchase Cost	Par Amount	Premium/ (Discount)	Market Value	Unrealized Gain/(Loss)	Coupon Rate	Yield to Maturity	Purchase Date	Maturity Date
Supra-National Agency Bond / Note									
Supra-National Agency Bond / Note Totals	-	-	-	-	-				
Municipal Bond / Note									
			-		-				
Municipal Bond / Note Totals	-	-	-	-	-				
Federal Agency Commercial Mortgage-Backed Security									
			-		-				
Federal Mortgage-Backed Security Totals	-	-	-	-	-				
Federal Agency Bond / Note									
			-		-				
			-		-				
Federal Agency Bond / Note Totals	-	-	-	-	-				
Governmental Securities - Total Balances	3,625,645	3,700,000	(74,355)	3,664,898	39,253				

Investments (continued)

	Purchase Cost	Par Amount	Premium/ (Discount)	Market Value	Unrealized Gain/(Loss)	Coupon Rate	Yield to Maturity	Purchase Date	Maturity Date
Corporate Notes									
Salesforce Inc. (Callable)	200,588	200,000	588	198,087	(2,501)	4.500%	4.33%	4/27/2026	3/15/2028
Citigroup Inc. (Callable)	201,428	200,000	1,428	198,686	(2,742)	4.786%	4.51%	4/27/2026	3/4/2029
American Express Co (Callable)	34,952	35,000	(48)	34,444	(508)	4.351%	4.39%	7/25/2025	7/20/2029
Bank of NY Mellon Corp (Callable)	129,037	130,000	(963)	126,082	(2,955)	4.026%	4.24%	4/26/2026	1/22/2030
Goldman Sachs Group Inc (Callable)	130,207	130,000	207	126,566	(3,640)	4.594%	4.55%	4/26/2026	4/20/2030
Bank of America Corp Notes (Callable)	130,055	130,000	55	126,490	(3,564)	4.477%	4.47%	4/23/2026	4/23/2030
JPMorgan Chase & Co (Callable)	149,937	150,000	(63)	145,832	(4,105)	4.408%	4.42%	4/23/2026	4/23/2030
Corporate Bonds - Total Balances	976,203	975,000	1,203	956,186	(20,016)				

Investments (continued)

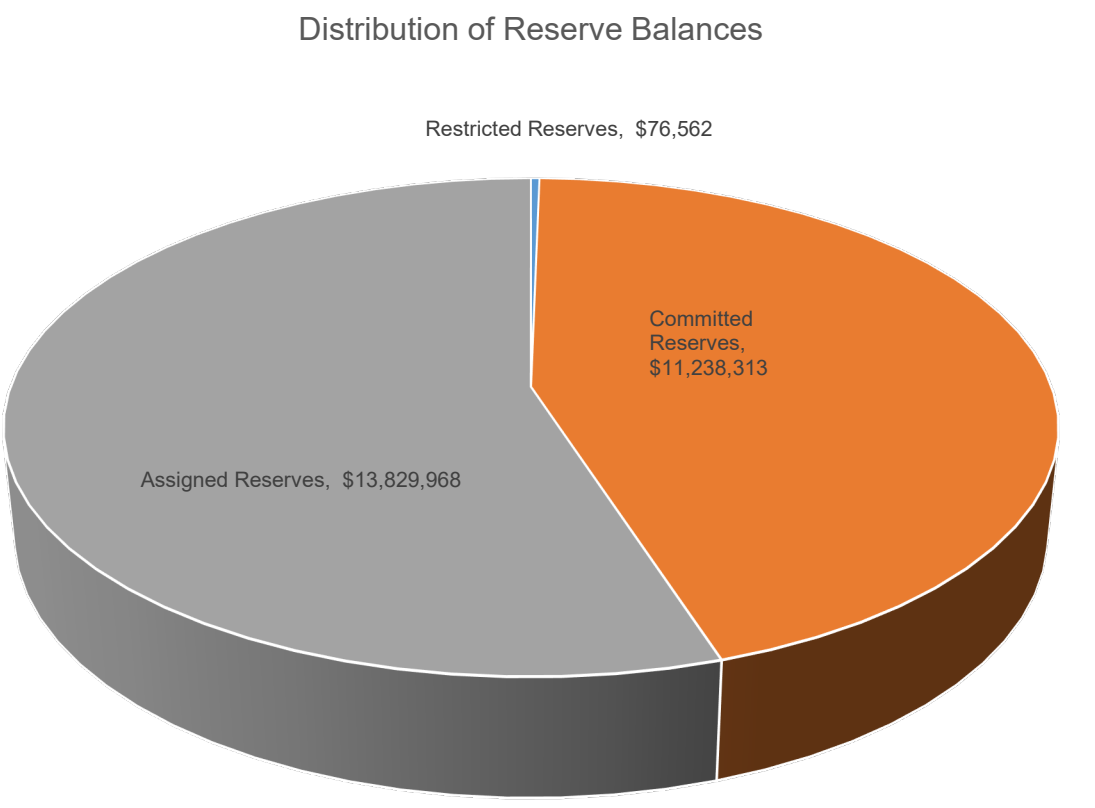
	Purchase Cost	Par Amount	Premium/ (Discount)	Market Value	Unrealized Gain/(Loss)	Coupon Rate	Yield to Maturity	Purchase Date	Maturity Date
Asset Backed Securities									
Corporate Bonds - Total Balances	-	-	-	-	-				

Attachment 7

Cash Reserve Balances for September 2026

El Toro Water District
Preliminary Cash Reserve Status Report
as of September 30, 2026

	Cash Reserve Balances	Reserve Targets
Reconciled Cash Balance	**$ 25,144,842**	
Restricted Reserves		
2022 Revenue Bonds Fund	1,559	-
Capital Facilities Charge Reserve	75,003	-
Sub Total Restricted Reserve	**76,562**	**-**
Committed Reserves		
Capital Construction Reserve	3,000,000	3,000,000
Rate Stabilization Reserve	2,500,000	2,500,000
Operational Continuity Reserve	2,500,000	2,500,000
Working Capital Reserve (1)	3,238,313	2,500,000
Sub Total Committed Reserves	**11,238,313**	**10,500,000**
Assigned Reserves		
CIP Reserves		
Capital Carryover	3,194,022	-
Accumulated Capital Reserve	345,094	-
CIP - Revenue Bond Unrestricted Reserve	5,981,791	-
SOCWA Capital Projects	3,627,694	-
Recycled Water Capital / Debt Service	290,764	
Capital Plan Working Capital Reserve	4,021,104	
Sub Total CIP Reserves	**17,460,469**	**-**
Water Supply Program Reserves		
Tiered Conservation Fund	(3,471,605)	-
Reverse Cyclic Water Purchase Program	(158,896)	
Sub Total Assigned Reserves	**13,829,968**	
Total Cash Reserves	**25,144,842**	
Adjusted Cash Reserves[(2)]	**25,068,280**	**10,500,000**



* The District Investment portfolio is in compliance with the District's Invesment policy.
* The District has the ability to meet its expenditure requirements for the next six months.

(1) Working Capital reserve amount is net of outstanding checks

(2) The Adjusted Cash Reserves excludes Capital Facilities Charge Reserve and 2022 Revenue Bond fund.

(3) The cyclic water purchase program started delivering water in January 2026.

Attachment 8

Capital Project Expense Report through September 2026

2026-2027 Capital Program Budget Information

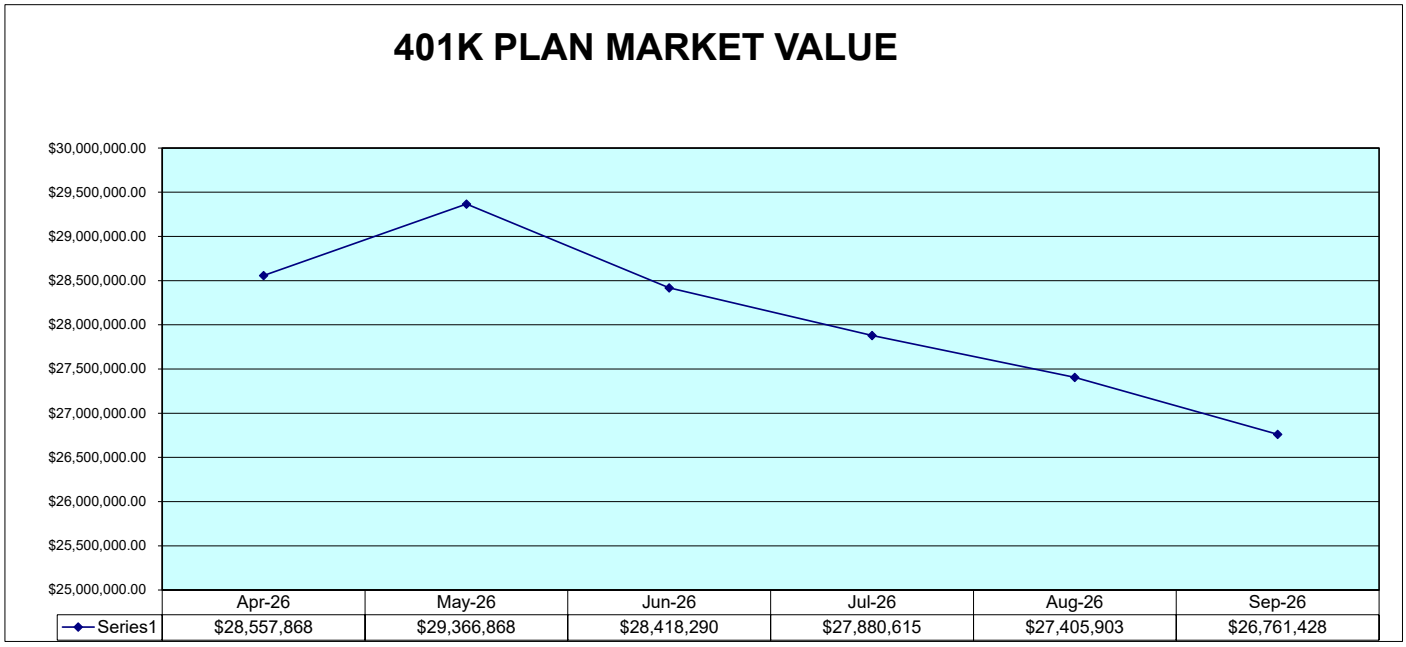
			2026 - 2027 Expenses												
PM Task Code	Account	Prior Year Ending Balance	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Total
Total per Work Order															
GEN-0121 Main Office Bathroom Rehab	40-000-15040	434.46	-	467.88	-	-	-	-	-	-	-	-	-	-	467.88
GEN-0122 Field Office Floor and Chair Replacement	40-000-15040	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GEN-0123 Main Office MTS Installation	40-830-66200	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RCE-0013 JRWSS Capital Budget	40-710-66120	1,884.30	-	809.10	56.24	-	-	-	-	-	-	-	-	-	865.34
RCE-0014 Baker WTP Capital Fund	40-810-66120	47,053.50	-	-	14,040.25	-	-	-	-	-	-	-	-	-	14,040.25
RCE-0015 SOCWA Capital Expenses	40-000-15020	54,561.97	-	176,608.69	-	-	-	-	-	-	-	-	-	-	176,608.69
RCE-0016 MNWD Regional Treatment Plant	40-000-15020	189,602.19	-	779.58	-	-	-	-	-	-	-	-	-	-	779.58
RES-0016 Moulton/El Toro Cathodic Protection Repair	40-000-15010	57,471.91	-	1,932.50	1,969.51	-	-	-	-	-	-	-	-	-	3,902.01
RES-0020 R-6 Reservoir SCE Meter Box Replacement at Seepag	40-000-15010	3,813.28	1,835.01	-	-	-	-	-	-	-	-	-	-	-	1,835.01
RES-0021 R-6 Reservoir Southern Slope Stabilization	40-000-15010	262,322.30	-	2,633.94	4,878.46	-	-	-	-	-	-	-	-	-	7,512.40
RES-0022 R-5 Reservoir Rehabilitation	40-000-15010	434.46	-	-	-	-	-	-	-	-	-	-	-	-	-
RES-0025 PRV-4 Rehabilitation	40-000-15010	-	-	9,473.38	-	-	-	-	-	-	-	-	-	-	9,473.38
RES-0026 Low 1 Zone Hydraulic Mod	40-000-15010	865.00	-	4,754.48	1,740.37	-	-	-	-	-	-	-	-	-	6,494.85
RES-0027 R-6 Chlorine and Ammonia Injection System Replacem	40-000-15010	-	-	155.88	-	-	-	-	-	-	-	-	-	-	155.88
SLS-0115 Aliso Creek Pump Rehab 932-115	40-000-15020	762,511.62	-	312.00	155.88	-	-	-	-	-	-	-	-	-	467.88
SLS-0120 Freeway Electrical Equip Repl	40-000-15020	201,862.28	948.03	13,844.22	11,393.88	-	-	-	-	-	-	-	-	-	26,186.13
SLS-0122 Westline Generator Unit 213 Replacement	40-000-15020	492.80	-	-	6,594.00	-	-	-	-	-	-	-	-	-	6,594.00
SLS-0123 4920 Lift Station Pump Replace	40-000-15020	20,567.25	-	-	-	-	-	-	-	-	-	-	-	-	-
SLS-0124 Freeway Lift Station Survey	40-000-15020	4,144.48	-	-	1,599.54	-	-	-	-	-	-	-	-	-	1,599.54
SLS-0125 Northline Lift Station Flow Meter	40-000-15020	11,976.99	-	-	-	-	-	-	-	-	-	-	-	-	-
SLS-0126 Aliso Creek VFD Replacement	40-000-15020	19,331.23	-	-	-	-	-	-	-	-	-	-	-	-	-
SPS-0050 Asset Management Study 31-050	40-840-55110	332,071.92	-	-	-	-	-	-	-	-	-	-	-	-	-
SPS-0053 System Arc Flash Coord Study	40-840-55110	209,225.90	-	5,127.96	10,415.00	-	-	-	-	-	-	-	-	-	15,542.96
SPS-0056 Website Redesign, Hosting, and Maintenance Services	40-820-55100	39,600.00	-	-	-	-	-	-	-	-	-	-	-	-	-
SPS-0059 Potable Reuse Implementation	40-710-55100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPS-0060 Energy Consulting Services	40-840-55110	22,441.52	-	-	-	-	-	-	-	-	-	-	-	-	-
SPS-0062 Radio Communications Conversion from Cellular	40-000-15040	19,500.00	-	467.76	1,016.13	-	-	-	-	-	-	-	-	-	1,483.89
SPS-0063 Cathodic System Monitoring	40-840-55110	-	-	7,240.00	15,607.50	-	-	-	-	-	-	-	-	-	22,847.50
SPS-0064 Fortinet Firewall Replacement	40-000-15040	-	-	16,430.28	-	-	-	-	-	-	-	-	-	-	16,430.28
SPS-0065 Distribution System Condition Assessments	40-760-55110	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GEN-0123 Main Office MTS Installation	40-830-66200	25,381.92	-	-	-	-	-	-	-	-	-	-	-	-	-
SPS General Studies Fund	TBD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TCP-0012 Geolocator	40-820-66120	14,464.63	-	-	-	-	-	-	-	-	-	-	-	-	-
TCP-0013 GIS Data Updates	40-820-66120	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VEH-TBD Vehicle Purchases	TBD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WPS-0095 P-3 Pump Station Rehab	40-000-15010	11,172.32	-	-	-	-	-	-	-	-	-	-	-	-	-
WPS-0099 P-1 Battery Project	40-000-15010	84,665.45	-	510.19	-	-	-	-	-	-	-	-	-	-	510.19
WPS-0100 Shenandoah BS Pump & Motor	40-000-15010	132,475.74	-	-	-	-	-	-	-	-	-	-	-	-	-
WPS-0101 P-3 Motor Replacement	40-000-15010	6,020.83	-	-	-	-	-	-	-	-	-	-	-	-	-
WPS-0102 P-1 Chlorine Tank Replacement	40-000-15010	24,513.20	-	-	-	-	-	-	-	-	-	-	-	-	-
WPS-0103 Spartan Booster Station Main Switchboard Retrofit	40-000-15010	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WPS-0104 Cherry & Shenandoah Spare Motor	40-740-66120	-	-	-	77.94	-	-	-	-	-	-	-	-	-	77.94
WRP-0134 Hach WIMS Implementation Proje	40-000-15020	42,357.12	120.75	-	952.73	-	-	-	-	-	-	-	-	-	1,073.48
WRP-0137 Tertiary Disinfection Optimization Project	40-000-15030	219,870.57	847.35	546.00	2,565.65	-	-	-	-	-	-	-	-	-	3,959.00
WRP-0142 Headworks and Secondary Clarifier No. 1 Rehabilitatic	40-000-15020	2,559,462.57	771.92	118,498.08	488,060.04	-	-	-	-	-	-	-	-	-	607,330.04
WRP-0143 New Turbo Blower	40-000-15020	575,208.94	331.74	-	-	-	-	-	-	-	-	-	-	-	331.74
WRP-0144 OOPS MCC and Valve Rehabilitation Project	40-000-15020	132,955.54	1,505.67	-	-	-	-	-	-	-	-	-	-	-	1,505.67
WRP-0147 DAF No 1 MCC Replacement	40-000-15020	115,009.81	-	-	-	-	-	-	-	-	-	-	-	-	-
WRP-0149 ETM Trail Bridge Mitigation Project	40-000-15020	8,018.60	-	-	-	-	-	-	-	-	-	-	-	-	-
WRP-0153 RAS Pump and Moter Replacement	40-000-15020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WRP-0154 OOPS Battery Project	40-000-15020	67,413.04	-	510.18	-	-	-	-	-	-	-	-	-	-	510.18
WRP-0155 Regional ETM Reliability and Resilience Project	40-000-15020	6,054.40	20.00	779.70	6,843.94	-	-	-	-	-	-	-	-	-	7,643.64
WRP-0156 DAF No. 2 Transformer Replacement Project	40-000-15020	7,199.00	-	-	-	-	-	-	-	-	-	-	-	-	-
WRP-0157 New OOPS VFD	40-000-15020	29,724.23	355.83	1,905.00	-	-	-	-	-	-	-	-	-	-	2,260.83
WRP-0160 WRP Network Segmentation Study	40-840-55110	204.96	-	211.72	-	-	-	-	-	-	-	-	-	-	211.72
WRP-0161 Holding Pond Asphalt Repair	40-000-15020	-	-	37,300.00	-	-	-	-	-	-	-	-	-	-	37,300.00
WRP-0162 Lab Fume Hoods	40-000-15020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WRP-0163 Recycled Water Pump 3 VFD Replacement	40-000-15030	-	-	156.00	952.73	-	-	-	-	-	-	-	-	-	1,108.73
Contigency	TBD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		6,410,932.15	6,736.30	401,454.52	568,919.79	-	-	-	-	-	-	-	-	-	977,110.61

Attachment 9

Interim Report on 401k Plan Holdings
As of September 2026

EL TORO WATER DISTRICT

401K PLAN SUMMARY



MARKET VALUE SUMMARY

	Under 40 yrs. Old	40 to 44 yrs. Old	45 to 49 yrs. Old	50 to 54 yrs. Old	55 to 59 yrs. Old	60 to 64 yrs. Old	65 yrs. & Older
Balance at June 30, 2026	$3,357,664.68	$1,722,232.37	$3,401,631.85	$2,093,441.15	$6,080,674.88	$6,306,020.62	$5,456,623.99
	Under 40 yrs. Old	**40 to 44 yrs. Old**	**45 to 49 yrs. Old**	**50 to 54 yrs. Old**	**55 to 59 yrs. Old**	**60 to 64 yrs. Old**	**65 yrs. & Older**
Balance at September 30, 2026	$3,440,625.99	$906,584.77	$4,360,929.39	$2,100,227.57	$5,235,434.81	$6,231,744.57	$4,485,880.43

Disrict Staff is working with Highmark and Empower to design a new 401k report. Once the data for the portfolios is being generated by Empower, the District portfolio information by age group will be updated.

Investments	Beginning Balance	Contributions	Withdrawals	Interest, Dividends and Appreciation Net of Fees & Charges	Ending Balance
American Beacon AHL Mgd Futs Strat A	1.35	0.00	0.00	0.07	1.42
Cohen & Steers Instl Realty Shares	1,029,187.75	7,064.34	0.00	(62,275.28)	973,976.81
Columbia Contrarian Core Instl 3	2,285,234.11	20,473.28	0.00	(31,622.40)	2,274,084.99
DFA Large Cap International I	1,794,713.34	15,256.50	0.00	(80,479.24)	1,729,490.60
Dodge & Cox Income - I	3,816,186.74	24,121.90	0.00	(137,622.68)	3,702,685.96
Dodge & Cox International Stock - I	337,958.30	3,038.93	0.00	(14,472.31)	326,524.92
Dodge & Cox Stock - I	1,129,786.53	10,028.90	0.00	(81,115.28)	1,058,700.15
DoubleLine Core Fixed Income R6	3,824,473.55	24,121.78	0.00	(126,456.20)	3,722,139.13
Emerald Growth Institutional	2.60	0.00	0.00	(0.09)	2.51
Fidelity Mid Cap Index	274,903.80	2,112.97	0.00	(13,333.91)	263,682.86
Guaranteed Income Fund	838,161.14	5,442.05	0.00	(7,971.77)	835,631.42
Harbor Capital Appreciation Retirement	7.43	0.00	0.00	0.13	7.56
Lazard Global Listed Infras Port Inst	767,746.99	5,922.78	0.00	(29,742.50)	743,927.27
MFS International Growth R6	348,903.84	3,038.93	0.00	(16,862.11)	335,080.66
Nomura Small Cap Core R6	5.70	0.00	0.00	(0.28)	5.42
PGIM Total Return Bond R6	1,913,447.35	12,061.18	0.00	(63,557.90)	1,861,950.63
PIMCO Income Instl	380,563.80	2,677.00	0.00	(14,585.72)	368,655.08
PIMCO RAE US Instl	8.07	0.00	0.00	(0.19)	7.88
Undiscovered Mgrs Behavioral Value R6	2.12	0.00	0.00	(0.12)	2.00
Vanguard 500 Index Admiral	1,957,368.48	17,546.53	0.00	(27,045.23)	1,947,869.78
Vanguard Emerging Mkts Stock Idx Adm	674,067.10	6,254.53	0.00	(12,947.99)	667,373.64
Vanguard Growth & Income Adm	2,282,260.30	20,470.00	0.00	(30,183.51)	2,272,546.79
Vanguard Long-Term Investment-Grade Adm	902,035.50	5,626.63	0.00	(40,335.96)	867,326.17
Vanguard Morningstar Growth Index Adm	1,068,088.13	9,743.37	0.00	13,319.17	1,091,150.67
Vanguard Morningstar Mid-Cap Index Adm	2.67	0.00	0.00	(0.12)	2.55
Vanguard Morningstar Small-Cap Index Adm	1,780,786.37	16,280.73	0.00	(78,466.44)	1,718,600.66
Grand Total	**27,405,903.06**	**211,282.33**	**0.00**	**(855,757.86)**	**26,761,427.53**

STAFF REPORT

To: BOARD OF DIRECTORS **Meeting Date: October 19, 2026**

From: Vishav Sharma, Chief Financial Officer

Subject: Presentation of the Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2026

Attached to this memo please find the Annual Comprehensive Financial Report for the El Toro Water District for the Fiscal Year ended June 30, 2026. Also attached are two documents that communicate information related to the internal control over financial reporting & compliance, and any significant findings from the auditors to our Board of Directors.

Finance staff is pleased to report that the audit opinion is clean or Unmodified. (excerpt from page 14 of the Annual Comprehensive Financial Statements):

> "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, 2026, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."

In addition to the unmodified opinion in the Annual Comprehensive Financial Report, the Additional Communication Letter also communicates the auditor's opinion of working with the Finance Staff:

> *"Difficulties Encountered in Performing the Audit*
>
> We encountered no significant difficulties in dealing with management in performing and completing our audit.
>
> *Corrected and Uncorrected Misstatements*
>
> Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures, corrected by management, adjusted the values of leases receivable and the related deferred inflows of resources, resulting in an increase in net position.
>
> *Disagreements with Management*
>
> For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit."

Recommended Action: Staff recommends that the Board of Directors Receive and File the District's Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2026.

Attachments

- Attachment 1 – Auditor presentation
- Attachment 2 - Audit Communication Letter
- Attachment 3 – Report on Internal Control over Financial Statements
- Attachment 4 - Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2026

Presentation of the Annual Financial Audit for the Fiscal Year Ended June 30, 2026

October 19, 2026



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Annual Financial Audit

Auditors' and Management's Responsibilities for the Audit

Management's Responsibilities

- The preparation and fair presentation of the financial statements in accordance with US GAAP
- Design and implementation of internal controls
- Evaluate if there are any conditions which indicate doubt of continued financial viability

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Auditors' Responsibilities

- Conduct the audit in accordance with:
  - Generally accepted auditing standards
  - Government Auditing Standards
  - State Controller's Minimum Audit Standards for California Special Districts
- Exercise professional judgment, and professional skepticism
- Conduct a risk-based approach to the audit
- Understand the district's internal control structure
- Evaluate significant accounting estimates for reasonableness
- Evaluate if there are any conditions which indicate doubt of continued financial viability

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Annual Financial Audit

Structure of the Annual Financial Report

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Introductory Section

- Provides a letter from management highlighting key financial information
- Includes an overview of the organization's mission and structure
- Summarizes major achievements and challenges during the fiscal year
- Presents a message on the financial health and outlook
- Sets context for detailed financial statements and audit results

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Financial Section

- Presents detailed financial statements including balance sheet and income statement
- Includes notes explaining accounting policies and significant financial details
- Shows changes in financial position through cash flow statements
- Provides management’s analysis of financial performance and condition
- Presents detailed information on required supplementary information:
  - OPEB schedules
- Presents other supplementary information
  - Schedule of Revenue by Category
  - Schedule of Expenses by Category

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Statistical Section

- Provides additional context and historical data to help users understand the financial statements.
- Content:
  - Financial Trends: Shows how the government's financial position has changed over time.
  - Revenue Capacity: Provides information on the government's ability to generate revenue.
  - Debt Capacity: Offers insights into the government's debt levels and ability to issue additional debt.
  - Demographic and Economic Information: Includes data on the population, employment, and economic conditions.
  - Operating Information: Details on the government's operations and resources.

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Annual Financial Audit

Audit Results

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Audit Results

- **Unmodified** auditors' opinion
- Report on Internal Controls and Compliance
  - No material weaknesses identified
  - No significant deficiencies identified
  - No material noncompliance identified
- Change in accounting policies for GASB 103, *Financial Reporting Model Improvements,* GASB 104, *Disclosure of Certain Capital Assets* and GASB 105, *Subsequent Events*
  - Presentation changes to the financial statements
- Estimates are reasonable
  - OPEB liability
- No difficulties encountered during the audit
- Corrected and uncorrected misstatements:
  - One audit adjustment to correct balance for lease deferred inflows, lease receivables, and lease revenues
- No disagreements with management
- No fraud, waste, or abuse identified

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Questions?

Contact Us



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(949) 829-8299

LSL

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October 8, 2026

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

We have audited the financial statements of the El Toro Water District (hereafter, the District) for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 12, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the net other post-employment benefits liability is based on actuarial valuations. We evaluated the methods, assumptions, and data used to develop the total other post-employment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis and other post-employment benefits schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Revenue by Category and the Schedule of Expenses by Category which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

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

Future GASB Pronouncements

The following Government Accounting Standards Board (GASB) pronouncements will be effective for the following fiscal years' audits and should be reviewed for proper implementation by management:

Future Projects

Comprehensive Project, *Revenue and Expense Recognition.*

Major Project, *Going Concern Uncertainties and Severe Financial Stress.*

Major Project, *Infrastructure Assets.*

Restriction on Use

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

Very truly yours,

LSL, LLP
Irvine, California

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of El Toro Water District (hereafter, the District), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LSL, LLP

Irvine, California
October 8, 2026

El Toro Water District











ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2026

EL TORO WATER DISTRICT

Lake Forest, California

Annual Comprehensive Financial Report

For Fiscal Year ended June 30, 2026

El Toro Water District
Lake Forest, California

Board of Directors
Kathryn Freshley, President
Kay Havens, Vice President
Wyatt McClean, Director
Mark Monin, Director
Mike Gaskins, Director

General Manager
Dennis P. Cafferty

Prepared by:
El Toro Water District
Finance Department

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INTRODUCTORY SECTION

Board of Directors

Kathryn Freshley
President

Kay Havens
Vice President

Mike Gaskins
Director

Mark L. Monin
Director

Wyatt McClean
Director

General Manager
Dennis P. Cafferty

El Toro Water District

"A District of Distinction"

Serving the Public – Respecting the Environment

October 8, 2026

To the Board of Directors and citizens of the El Toro Water District

Submitted for your review and consideration are the Annual Comprehensive Financial Statements for the El Toro Water District (the "District"), for the fiscal year ended June 30, 2026 (FY 2025-26). California Statute requires special purpose governments to publish a complete set of financial statements within 180 days of the close of each fiscal year. The enclosed FY 2026 Comprehensive Financial Statements are issued by the District to comply with this requirement and to enable the District Board and District residents, customers and stakeholders to obtain 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, 2026. 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. District staff 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 LSL, 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, 2026 are fairly presented in accordance with GAAP. The independent auditors' 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.

El Toro Water District

Profile of the El Toro Water District

The El Toro Water District was formed in 1960 and serves approximately 54,000 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 the entirety 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.

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 establishes policy and makes decisions based on the District's mission, goals, and strategic plan. 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 District Board takes its responsibilities as sound fiscal stewards seriously. Every quarter the District has an Agreed Upon Procedure (AUP) performed by the District's auditors to focus in detail on an aspect of internal controls. Each AUP focuses on different internal control risk areas. Additionally, in the event of a rate increase, the District prepares a full cost of service analysis to determine the fairness, justification 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. The District achieved the Platinum level of the District of Distinction Award during the fiscal year 2024-25.

Significant Accomplishments during Fiscal Year 2025-26

During each budget cycle the District Board participates in a goal setting discussion for the purpose of establishing or redefining key financial goals and objectives for the upcoming budget year. District Staff utilizes the established budget goals and objectives to guide operations and spending throughout each fiscal year. The achievements in the 2025-26 fiscal year were a result of the goals and objectives established by the Board during the annual budget process and are described below:

<u>General Accomplishments</u>

- The District successfully implemented a new fixed asset software module during the fiscal year. The implementation of the system started towards the end of the 2024-25 fiscal year and continued into the 2025-26 fiscal year.
- The District continued its transition to a new Enterprise Resource Planning software system to integrate multiple stand-alone software systems into one District wide financial system. The migration to a new purchase order module was completed during the fiscal year 2025-26.
- The District continued to make investments in infrastructure improvements, technology and security, in order to provide uninterrupted, safe and reliable service to its customers.
- The District staff attended various community events on water conservation, sewer safety, and recycled water use; expanded presence at local community events.

Financial Management

- Continued the District's commitment to superb financial management practices as demonstrated by the receipt of the Certificate of Achievement for Excellence in Financial Reporting for the FY 2025 Annual Comprehensive Financial Report, a national recognition of the District's financial reporting by the Government Finance Officers Association (GFOA) of the United States.
- The District completed a Cost of Service Study to establish fair and equitable rates for potable water and recycled water usage. The District also completed an analysis of capital, operations, and maintenance charges for water, wastewater, and recycled water services.
- The District also continued its commitment to fiscal discipline by approving a budget for the 2026-2027 fiscal year that is balanced and includes funding for several significant capital projects.

Infrastructure Improvements

The District is dedicated to investing in infrastructure improvements to ensure the community can rely on its water, wastewater, and recycled water utilities including the following:

- Invested in its water distribution system by repairing the southern slope of the R-6 Reservoir.
- Replaced pumps and motors at the Shenandoah Booster Station.
- Replaced the chlorine tank at the R-1/R-2 Reservoir Management System.
- Finalized its Water Distribution System Asset Management Plan to support long-term planning and future infrastructure investments.
- Invested in its wastewater collection system by replacing the main switchboard at the Westline Lift Station.
- Replaced a pump at the 4920 Lift Station.
- Began construction on the Headworks/Secondary Clarifier No. 1 Rehabilitation Project.
- Neared completion of the design for the Aliso Creek Lift Station Improvements Project.
- Purchased a new solids hauling trailer to convey wastewater from the Wastewater Recycling Plant to MNWD's Regional Treatment Plant.

The District obtained regulatory approval and implemented a new control method for its tertiary disinfection system to produce recycled water with less chlorine.

Significant Future Initiatives

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

- Staff has updated the ten-year Capital Improvement Program (CIP) to preserve water, sewer and recycled water infrastructure, meet regulatory requirements, and ensure continuous quality services are provided. Projected Water, Sewer and Recycled Water capital improvement expenses (projects and equipment) for budget year –2026-2027 total $12.5 million. The 2026 – 2027 capital improvement expenses will be funded by revenue from the Capital Facilities charge combined with 2022 Revenue Bond proceeds and capital cash reserves accumulated in prior years.

- Revenue generated from the Recycled Water Capital Facilities charge amounts to approximately $348,000 and will be used to fund recycled water capital projects and to offset the cost of Recycled Water System debt service.
- The water distribution system 2026-2027 capital budget includes rehabilitating Pressure Reducing Valve No. 4, the Low Zone 1 Hydraulic Modification Project, installing a new chlorine injection system at the R-6 Reservoir, retrofitting the main switchboard at the Spartan Booster Station, and purchasing a spare motor for Cherry Pump Station.
- The wastewater collection and treatment system 2026-2027 capital budget includes construction for the Headworks and Secondary Clarifier No. 1 Rehabilitation Project at the WRP, coating rehabilitations at several lift stations, design for a new forcemain at the Westline Lift Station, installing a new emergency generator at the Westline Lift Station, replacing the existing electrical equipment at Veeh Lift Station, purchasing a new pump for the Freeway Lift Station, rehabilitating the asphalt at the Holding Pond near the WRP, replacing valves and diffusers in the aeration basins at the WRP, and improving network communications at the WRP.

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 from it, and (2) the valuation of costs and benefits requires estimates and judgments by management. The Board and District staff continue to evaluate the District's internal control framework to determine if improvements are attainable and implement feasible recommendations.

In addition, the District implemented a new purchase order module within its accounting system to strengthen internal controls and streamline the expenditure approval process. The new module enhances budgetary controls by providing improved oversight of purchase commitments and ensuring expenditures are properly authorized and monitored within approved budget limits.

Strategic Planning

In the 2025-26 fiscal year, the District updated its 5-Year Strategic Plan to guide the District in the coming years. The Strategic Plan was developed through a collaborative process with the Board of Directors, management and staff. The Strategic Plan was designed to support the District's vision: "To ensure lasting excellence in water, sewer and recycled water services that our community can rely on today and for generations to come". This vision was intended be accomplished by fulfilling the mission of ETWD to provide its customers with safe and reliable water, sewer, and recycled water services in an environmentally and economically responsible manner. Six goals were established to accomplish the mission and achieve the vision. The management team then developed strategies, objectives, and key performance indicators for each of the goals. The draft plan was presented to the Board and, following revisions, finalized on November 25, 2025.

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 development of the operating and the capital budgets are guided by the Ten-Year Cash Flow and the Ten-Year Capital Improvement Program. The operating and capital budgets serve as the foundation for the District's financial planning and control of District operations and enterprise functions. The District reports its water, wastewater, and recycled water services as a single enterprise fund. On a monthly basis, a budget comparison report is submitted to the Board to provide a year-to-date comparison of the revenues and expenses against the adopted budget, and a capital improvement program progress report is submitted to the Board to provide the status of current capital improvement projects. The budget and reporting processes of the District are consistent with the accrual basis of accounting and financial reporting.

Cash Reserve Policy

The main objective of the Cash Reserve Policy is to set target levels for cash reserves to establish a relationship between current and anticipated future risks. The District's Board of Directors reviews the Cash Reserve Policy periodically and sets reserve levels to make sure adequate reserves are maintained in anticipation of future risk. The Board receives monthly updates on the status of the adopted reserve targets.

Investment Policy

The Board of Directors annually reviews the Investment Policy to ensure it conforms to State law, District ordinances and resolutions, and prudent money management 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 requires that revenues derived from user charges from District customers must support all District operations including capital project funding. Accordingly, water and wastewater rates are reviewed annually to ensure they are sufficient to support the District's operations. Water and wastewater rates are user charges imposed on customers for services and are the primary component of the District's revenue. Potable Water and Recycled Water rates are composed of a commodity (usage) charge and fixed charges including an O&M charge and a capital charge. Similarly, wastewater rates are composed of an O&M charge and a capital 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 LSL, LLP has conducted the audit of the District's financial statements. Their unmodified 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 Financial Statements for the fiscal year ended June 30, 2025. 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 Financial Statements 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 seven 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

Vishav Sharma
Chief Financial Officer



List of Principal Officials

As of June 30, 2026

Board of Directors

Kathryn Freshley, President

Kay Havens, Vice President

Wyatt McClean, Director

Mark Monin, Director

Mike Gaskins, Director

District Management

Dennis P. Cafferty, General Manager

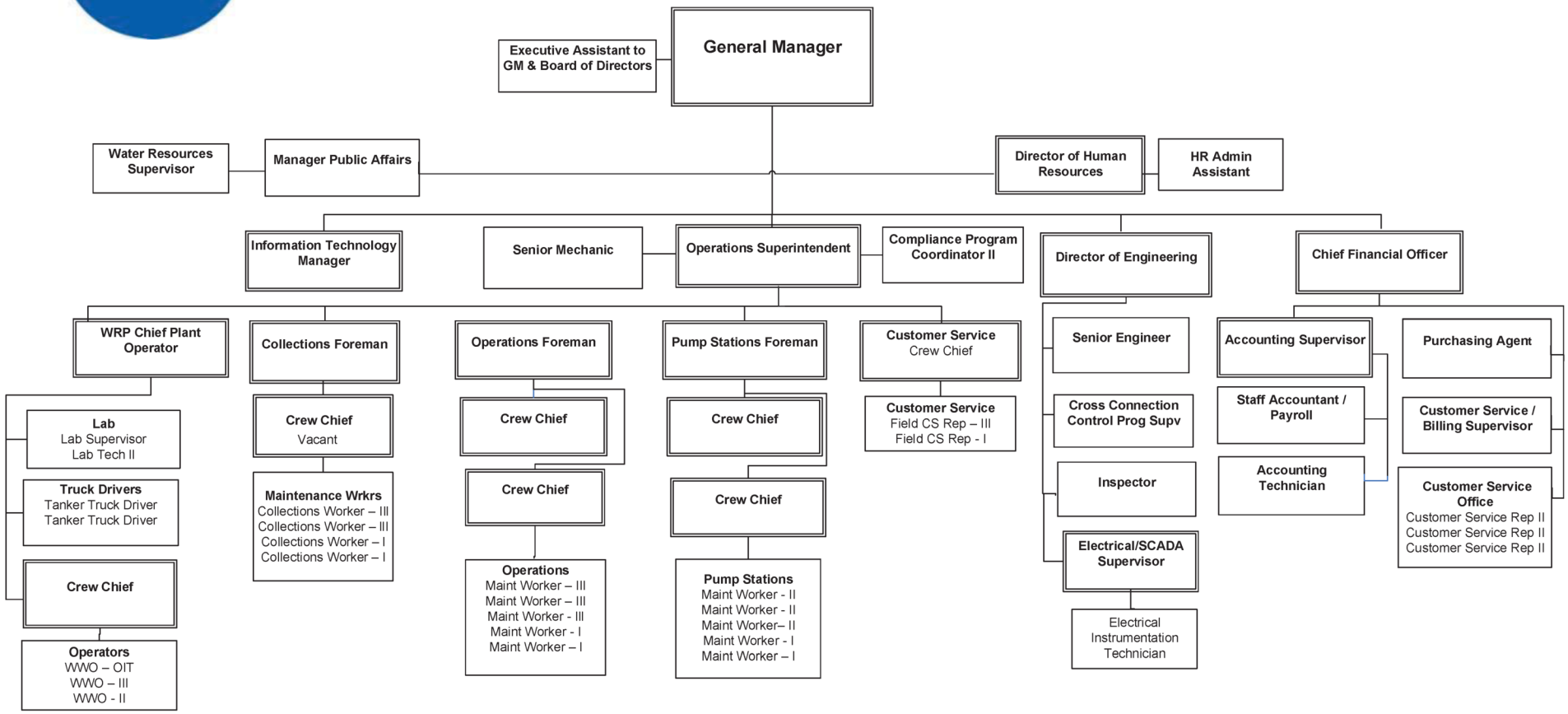
Vishav R. Sharma, Chief Financial Officer

Hannah Ford, Director of Engineering

Judy Cimorell, Director of Human Resources

Michael Miazga, Information Technology Manager

EL TORO WATER DISTRICT
2025 / 2026 ORGANIZATIONAL CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

El Toro Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the El Toro Water District (hereafter, the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2026, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 and the State Controller's Minimum Audit Standards for California Special Districts. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2026, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements. GASB Statement No. 103 modifies certain financial reporting requirements, including management's discussion and analysis and the presentation of proprietary fund financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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To Board of Directors
El Toro Water District

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Standards for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Standards for California Special Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 postemployment benefit (OPEB) liability and related ratios, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To Board of Directors
El Toro Water District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules of revenue and expense by category are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2026, 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 solely 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 effectiveness of the District's 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 District's internal control over financial reporting and compliance.

LSL, LLP

Irvine, California

October 8, 2026

EL TORO WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
Financial Highlights For the Year Ended June 30, 2026

El Toro Water District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2026

The purpose of management's discussion and analysis (MD&A) is to help the District's residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staffs' knowledge of the District's finances.

If you have questions about this report or required further information, contact the District at customerservice@etwd.com or 949-837-7050

Overview of the Financial Statements

This annual report consists of a series of financial statements that provide information about the financial position, operating results, and cash flows of the District. These statements, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, are prepared using the accrual basis of accounting, similar to the accounting methods used by private-sector businesses.

Although each statement presents different financial information, they are closely related and should be considered together. The Statement of Net Position reports what the District owns and owes at year-end and provides a snapshot of its financial condition. The Statement of Revenues, Expenses, and Changes in Net Position explains how the District's financial position changed during the fiscal year by reporting the results of operations. The Statement of Cash Flows complements these statements by explaining how operating, capital, financing, and investing activities affected the District's cash and cash equivalents during the year. Together, these statements provide a comprehensive picture of the District's financial health, operational performance, liquidity, and ability to meet current and future obligations.

The financial statements are accompanied by the Notes to the Financial Statements, which provide additional detail and context necessary for a full understanding of the information presented. The report also includes required supplementary information and other supplementary information that provide additional details regarding the District's financial condition and operations.

- **Statement of Net Position** – The Statement of Net Position depicts the District's financial position as of June 30, 2026, and includes all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District. Deferred inflows and outflows that occurred during the year, or prior years, that will not be reported as expenses and revenues until the future year to which they are related.Net position represents the difference between these amounts and is classified into three components: net investment in capital assets, restricted, and unrestricted. This statement provides a long-term view of the District's

financial strength and can be used to evaluate its capital structure, financial flexibility, and overall ability to meet future obligations.

- **Statement of Revenues, Expenses, and Changes in Net Position** – This statement accounts for all revenues and expenses of the District for the fiscal year ended June 30, 2026. It reports how the District's net position changed during the year as a result of operating and non-operating activities. The statement enables readers to assess whether the District successfully recovered the costs of providing services through rates, charges, and other revenues, and to evaluate the overall financial results of operations.
- **Statement of Cash Flows** – The Statement of Cash Flows provides information about changes in the District's cash and cash equivalents during the reporting period. It reports cash receipts, cash payments, and net changes in cash resulting from operating, non-capital financing, capital and related financing, and investing activities. This statement helps users assess the District's ability to generate sufficient cash to meet its operating needs, finance capital improvements, and satisfy debt and other financial obligations.
- **Notes to the Financial Statements** – The Notes to the Financial Statements provide additional information that is essential to understanding the amounts reported in the financial statements. They describe the District's significant accounting policies, provide detailed explanations of financial statement balances, and disclose other information necessary for a complete understanding of the District's financial position and results of operations.
- **Required Supplementary Information** – The required supplementary information provides additional information regarding the District's progress in funding its obligation to provide Other Post-Employment Benefits (OPEB) and pension benefits, as applicable, and includes other schedules required by generally accepted accounting principles.
- **Other Supplementary Information** – The other supplementary information section provides additional detail regarding the District's revenues, expenses, and other financial information for fiscal years 2025 and 2026 to assist readers in understanding the District's financial operations.

Financial Summary

The following pages present 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.

Condensed Statement of Net Position

Net position is a useful indicator of the District's overall financial condition. The District’s financial position improved during FY 2026, with total net position increasing by $3.1 million, or 4.61%, from $67.7 million to $70.8 million. The increase was primarily reflected in unrestricted net position, which increased $3.5 million, or 41.54%, to $11.8 million, providing additional resources available to support current and future District operations.

Current assets increased $2.3 million, or 7.66%, to $31.6 million. Net capital assets decreased by $2.2 million, or 1.96%, to $107.9 million during the fiscal year. The decrease was primarily attributable to $6.1 million in depreciation expense and $0.3 million in asset retirements, which exceeded capital asset additions. During the year, the District invested approximately $4.0 million in capital assets through construction-in-progress (CIP) additions. In addition, $5.3 million of completed projects were transferred from CIP to fixed assets, reflecting the completion and placement of these projects into service.

Total liabilities decreased $3.3 million, or 4.82%, to $64.4 million, primarily due to a $4.0 million decrease in non-current liabilities resulting from scheduled principal payments on the District's outstanding debt and other changes in long-term obligations. This decrease was partially offset by a $778,269 increase in current liabilities.

Condensed Statement of Net Position

			Increase/(Decrease)	
			$	%
	FY 2025	FY 2026	Change	Change
Assets				
Current Assets	$ 29,397,421	$ 31,648,349	$ 2,250,928	7.66%
Restricted Assets	1,444	76,555	75,111	5201.59%
Non Current Assets - Lease Receivable	4,012,747	3,890,786	(121,961)	-3.04%
Non Current Assets - Capital Assets Net	110,081,528	107,920,637	(2,160,891)	-1.96%
Total Assets	143,493,140	143,536,327	43,187	0.03%
Deferred Outflows of Resources				
Deferred OPEB Outflow	1,917,324	1,307,952	(609,372)	-31.78%
Total Deferred Outflows of Resources	1,917,324	1,307,952	(609,372)	-31.78%
Total Assets & Deferred Outlfows	145,410,464	144,844,279	(566,185)	-0.39%
Liabilities				
Current Liabilities	6,578,328	7,356,597	778,269	11.83%
Non-current Liabilities	61,043,110	57,005,429	(4,037,681)	-6.61%
Total Liabilities	67,621,438	64,362,026	(3,259,412)	-4.82%
Deferred Inflows of Resources				
Deferred Amounts from OPEB/Lease	10,128,266	9,702,473	(425,793)	-4.20%
Total Deferred InFlows of Resources	10,128,266	9,702,473	(425,793)	-4.20%
Net Position				
Net Investment in Capital Assets	59,349,999	58,940,456	(409,543)	-0.69%
Restricted	1,444	76,555	75,111	N/A
Unrestricted	8,309,317	11,762,769	3,453,452	41.56%
Total Net Position	67,660,760	70,779,780	3,119,020	4.61%
Total Liabilities, Deferred Inflows, and Net Position	$ 145,410,464	$ 144,844,279	$ (566,185)	-0.39%

Deferred outflows related to OPEB decreased $609,372, while deferred inflows related to OPEB and leases decreased $425,793. These balances primarily reflect the timing of recognition of actuarial and lease-related amounts in accordance with applicable accounting standards.

The largest component of the District's net position, $58.94 million (83%), represents its net investment in capital assets. These assets include the District's water distribution and wastewater collection systems, treatment facilities, reservoirs, pumping stations, vehicles, and equipment, net of accumulated depreciation and outstanding debt used to finance those assets. During fiscal year 2026, the District continued implementing its capital improvement program to maintain and replace aging infrastructure and improve long-term system reliability.

Unrestricted net position increased from $8.31 million to $11.76 million, an increase of $3.5 million (41.54%). The increase was primarily attributable to operating results during the year, including more than $1.0 million received from Moulton Niguel Water District (MNWD), representing the second of three annual payments for South Orange County Wastewater Authority (SOCWA) capacity rights, and the commencement of Metropolitan Water District's Reverse Cyclic Program water deliveries. These factors contributed to the growth in available resources and strengthened the District's financial flexibility to support ongoing operations, future capital needs, and unforeseen events

Condensed Statement of Revenues, Expenses and Changes in Net Position

Condensed Statement of Revenues, Expenses, and Changes in Net Position			Increase/(Decrease)	
			$	%
	FY 2025	FY 2026	Change	Change
Revenues				
Operating Revenues	$ 33,387,969	$ 36,062,972	$ 2,675,003	8.01%
Non-operating Revenues	4,245,618	1,977,886	(2,267,732)	-53.41%
Total Revenues	37,633,587	38,040,858	407,271	1.08%
Noncapital Subsidies				
Property Taxes	1,308,540	1,383,220	74,680	5.71%
Grants, Rebates, & Reimbursements	24,016	2,006	(22,010)	-91.65%
Total Noncapital Subsidies	1,332,556	1,385,226	52,670	3.95%
Expenses				
Operations Expenses	28,311,625	28,295,087	(16,538)	-0.06%
Other Operating Expenses	196,432	406,109	209,677	106.74%
Depreciation & Amortization	5,104,212	6,117,941	1,013,729	19.86%
Non-operating Expenses	1,554,947	1,487,927	(67,020)	-4.31%
Total Expenses	35,167,216	36,307,064	1,139,848	3.24%
Net Gain/(Loss) prior to Capital Contributions	3,798,927	3,119,020	(679,907)	17.90%
Capital Contributions	-	-	-	N/A
Change in Net Position	2,466,371	3,119,020	652,649	-26.46%
Net Position				
Beginning of year	65,194,389	67,660,760	2,466,371	3.78%
End of Year	$ 67,660,760	$ 70,779,780	3,119,020	4.61%

The District's operating results improved during fiscal year 2026. Operating revenues increased at a greater rate than operating expenses, resulting in an improvement in operating results compared with the prior year.

Total operating revenues increased by approximately $2.17 million, or 6.47%, from $33.52 million in FY 2025 to $35.69 million in FY 2026. The increase was primarily driven by higher capital replacement charges and service charges, as discussed further in the Revenues by Major Category section.

Non-operating revenues decreased approximately $428 thousand, or 15.38%, from $2.78 million in FY 2025 to $2.35 million in FY 2026. The decrease was primarily attributable to lower investment income and rental revenue, partially offset by approximately $1.0 million recognized in connection with the sale of SOCWA treatment plant capacity rights to Moulton Niguel Water District (MNWD), representing the second of three annual payments associated with the transaction.

Property tax revenues, which are classified as noncapital subsidies, increased approximately $53 thousand, or 3.95%, from $1.33 million to $1.39 million.

Total expenses increased by approximately $1.14 million, or 3.24%, from $35.17 million in FY 2025 to $36.31 million in FY 2026. The increase was primarily attributable to higher depreciation and amortization and other operating expenses, partially offset by lower non-operating expenses. Depreciation and amortization increased approximately $1.01 million, or 19.86%, primarily due to the District's implementation of its fixed asset module and the related review and update of depreciation estimates.

Total Operating expenses (including General & Administrative, Source of Supply and Operations) remained substantially consistent with the prior year, decreasing approximately $17 thousand, or 0.06%. Other operating expenses increased approximately $210 thousand, or 106.74%, while non-operating expenses decreased approximately $67 thousand, or 4.31%, primarily reflecting lower interest expense associated with scheduled debt principal payments.

As a result of the changes in revenues and expenses, the District reported net gain prior to capital contributions of $3.12 million in FY 2026, compared with $2.47 million in FY 2025, an increase of approximately $653 thousand, or 26.46%. The District reported no capital contributions during either fiscal year.

The resulting $3.12 million increase in net position increased the District's net position from $67.66 million at June 30, 2025, to $70.78 million at June 30, 2026, representing an increase of approximately 4.61%.

The improvement in the District's financial position was primarily attributable to the 6.47% increase in operating revenues, which exceeded the 3.24% increase in total expenses, together with the financial impact of the SOCWA capacity rights transaction. Additional explanations of the significant year-over-year changes in revenues and expenses are presented in the following sections.

Detailed Analysis of Activities and Balances

Total Revenues by Major Category:

As depicted in the table below, total revenues increased by approximately $1.8 million, or 4.76%, from $37.63 million in FY 2025 to $39.43 million in FY 2026. The increase reflects stronger operating revenues, partially offset by lower non-operating revenues.

Operating revenues increased by approximately $2.17 million, or 6.47%, from $33.52 million to $35.69 million. The principal drivers were:

- Capital replacement charges increased $1.23 million, or 24.45%.
- Service charges increased $889 thousand, or 5.98%.
- Commodity supply charges increased approximately $105 thousand, or 0.82%.
- Reimbursements from others decreased approximately $61 thousand.

The increases in capital replacement and service charges accounted for substantially all of the growth in operating revenues. These charges are an important component of the District's rate structure and provide revenues to support ongoing operations, capital replacement, and system reliability.

Total Revenues by Major Category

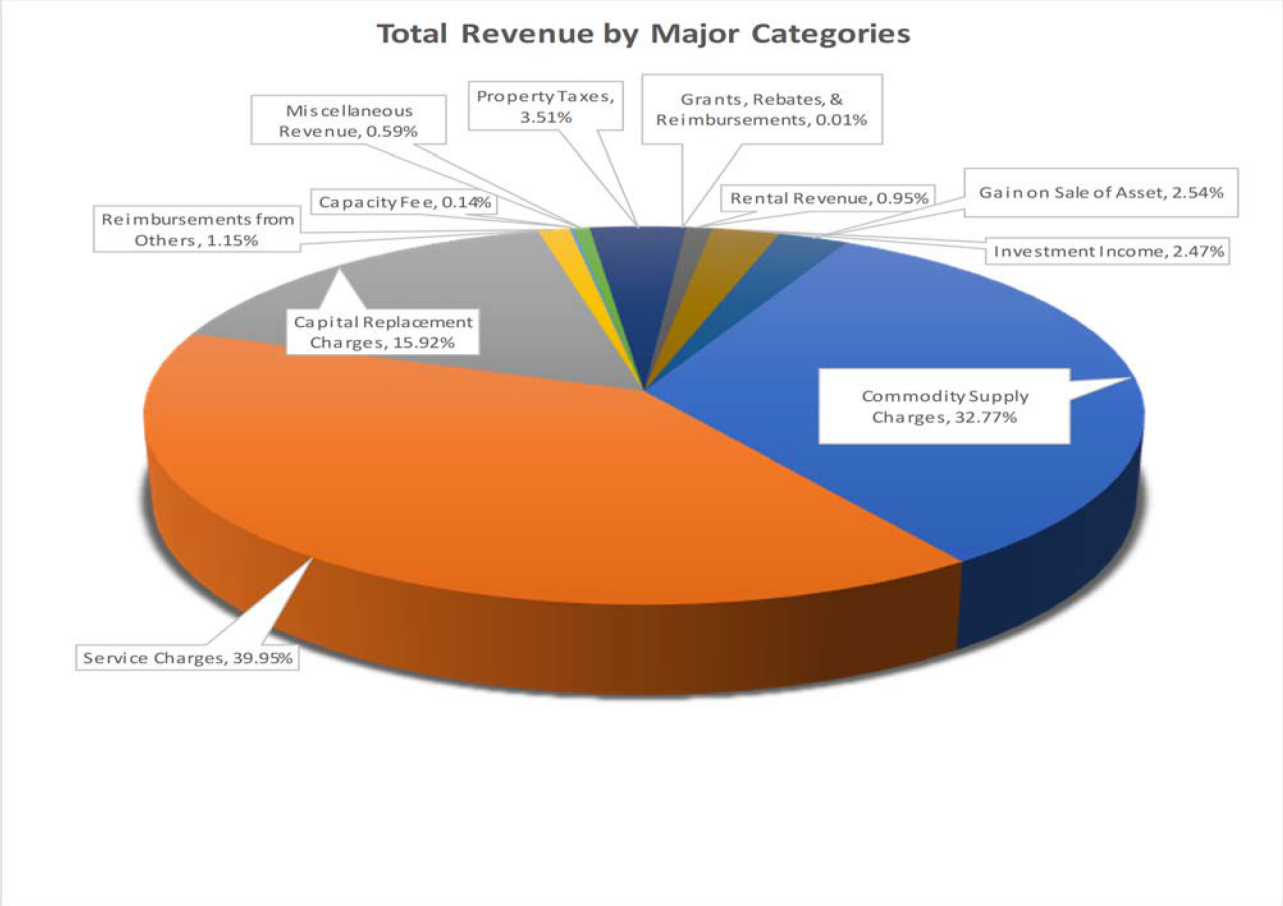
	FY 2025	FY 2026	Increase/(Decrease) $ Change	Increase/(Decrease) % Change
Operating Revenues				
Commodity Supply Charges	$ 12,814,271	$ 12,919,109	$ 104,838	0.82%
Service Charges	14,862,800	15,752,000	889,200	5.98%
Capital Replacement Charges	5,043,025	6,276,199	1,233,174	24.45%
Reimbursements from Others	514,357	453,820	(60,537)	-11.77%
Capacity Fee	83,520	55,611	(27,909)	-33.42%
Rental Revenue	548,958	373,870	(175,088)	-31.89%
Miscellaneous Revenue	203,741	232,363	28,622	14.05%
Total Operating Revenues	34,070,672	36,062,972	1,992,300	5.85%
Noncapital Subsides				
Property Taxes	1,308,540	1,383,220	74,680	5.71%
Grants, Rebates, & Reimbursements	24,016	2,006	(22,010)	-91.65%
Total Noncapital Subsidies	1,332,556	1,385,226	52,670	3.95%
Non-operating Revenues				
Investment Income	1,237,335	974,782	(262,553)	-21.22%
Gain / (Loss) on Sale/Retirement of Asset	993,024	1,003,104	10,080	1.02%
Total Non-operating Revenues	39,718,842	41,417,543	1,698,701	4.28%
Capital Contributions	-	-	-	0.00%
Total Revenue	$ 75,122,070	$ 78,865,741	3,743,671	4.98%

Service Charges and Capital Replacement Charges are paid by all District customers, while Commodity Supply Charges are paid only by water and recycled water customers. This distinction reflects the different components of the District's rate structure and the services provided to its various customer groups.

Noncapital subsidies, consisting of property taxes and grant revenues, increased approximately $52 thousand, or 3.95%, from $1.33 million to $1.39 million. Property taxes are presented separately from operating and other non-operating revenues consistent with the District's implementation of the GASB 103 financial reporting model.

Non-operating revenues decreased approximately $427 thousand, or 15.38%, from $2.78 million in FY 2025 to $2.35 million in FY 2026. Investment income declined approximately $263 thousand, or 21.22%, and rental revenue declined approximately $175 thousand, or 31.89%. These decreases were partially offset by approximately $1.0 million recognized from the sale of SOCWA treatment plant capacity rights to MNWD, representing the second of three annual payments associated with the transaction.

Together, service charges, commodity supply charges, and capital replacement charges represented the majority of the District's revenue in FY 2026. Service charges represented approximately 39.95% of total revenue, commodity supply charges approximately 32.77%, and capital replacement charges approximately 15.92%.



Revenue Distribution

The 3-D pie chart above illustrates the distribution of the District's revenue across its major revenue categories. Service Charges represent the largest source of revenue at 39.95%, followed by Commodity Supply Charges at 32.77% and Capital Replacement Charges at 15.92%. Together, these three categories account for approximately 88.6% of total revenue, highlighting their importance to the District's overall financial resources.

Service Charges and Capital Replacement Charges are paid by all District customers**,** while Commodity Supply Charges are paid only by water and recycled water customers**.** This distinction

reflects the different components of the District's rate structure and the services provided to its various customer groups.

The remaining revenue is generated through property taxes, investment income, gains on the sale of assets, rental revenue, reimbursements, grants, and miscellaneous revenue. Property Taxes contribute 3.51%, while Investment Income accounts for 2.47%. The other categories each contribute less than 3% of total revenue. Overall, the chart demonstrates that the District's revenue is primarily supported by service-related charges, with additional funding provided by taxes and other non-operating revenue sources.

Total Expense by Major Category:

Total expenses increased by approximately $1.14 million, or 3.24%, from $35.17 million in FY 2025 to $36.31 million in FY 2026. The increase was primarily attributable to higher depreciation and amortization, source of supply costs, and general and administrative expenses, partially offset by decreases in operations, other operating expenses, and interest expense.

Total Expenses by Major Category

	FY 2025	FY 2026	Increase/(Decrease) $ Change	Increase/(Decrease) % Change
Operating Expenses				
General & Administrative	$ 5,596,680	$ 5,007,031	(589,649)	-10.54%
Source of Supply	9,467,386	10,313,269	845,883	8.93%
Operations	13,247,559	12,974,787	(272,772)	-2.06%
Other Operating Expenses	196,432	406,109	209,677	106.74%
Depreciation & Amortization	5,104,212	6,117,941	1,013,729	19.86%
Total Operating Expenses	33,612,269	34,819,137	1,206,868	3.59%
Non-operating Expenses				
Interest Expense	1,554,947	1,487,927	(67,020)	-4.31%
Total Non-operating Expenses	1,554,947	1,487,927	(67,020)	-4.31%
Total Expenses	$ 35,167,216	$ 36,307,064	1,139,848	3.24%

Operating expenses increased approximately $1.21 million, or 3.59%, from $33.61 million to $34.82 million.

Depreciation and Amortization

Depreciation and amortization increased approximately $1.01 million, or 19.86%, to $6.12 million. A significant portion of the increase resulted from the District's implementation of its fixed asset module and the related review and update of depreciation estimates. The implementation resulted in approximately $782 thousand of additional depreciation expense resulting from changes in depreciation methodology.

Additional information regarding the District's capital assets and the fixed asset module is presented in the Capital Assets section below.

Source of Supply

Source of supply costs increased approximately $846 thousand, or 8.93%, from $9.47 million to $10.31 million. The increase primarily reflects higher water supply activity, including the commencement of Metropolitan Water District of Southern California's Reverse Cyclic Program water deliveries.

General and Administrative

General and administrative expenses represent the District's cost related administration, finance, human resources, information & technology, public affairs and customer services departments. General and Administrative cost decreased approximately $590 thousand, or 10.54%, to $5.01 million. The decrease was primarily attributable to the net effect of the OPEB-related charges.

Please see the required supplementary information section for additional information regarding the District's obligation to provide Other Post-Employment Benefits (OPEB).

Operations

Operations expenses decreased approximately $273 thousand, or 2.06%. Operations represents the District's largest expense category and includes the departments responsible for operating, maintaining, and supporting the District's water and recycled water systems, facilities, equipment, and infrastructure.

Other Operating Expenses

Other operating expenses increased approximately $210 thousand. Retiree medical costs and vacation accruals contributed to this increase.

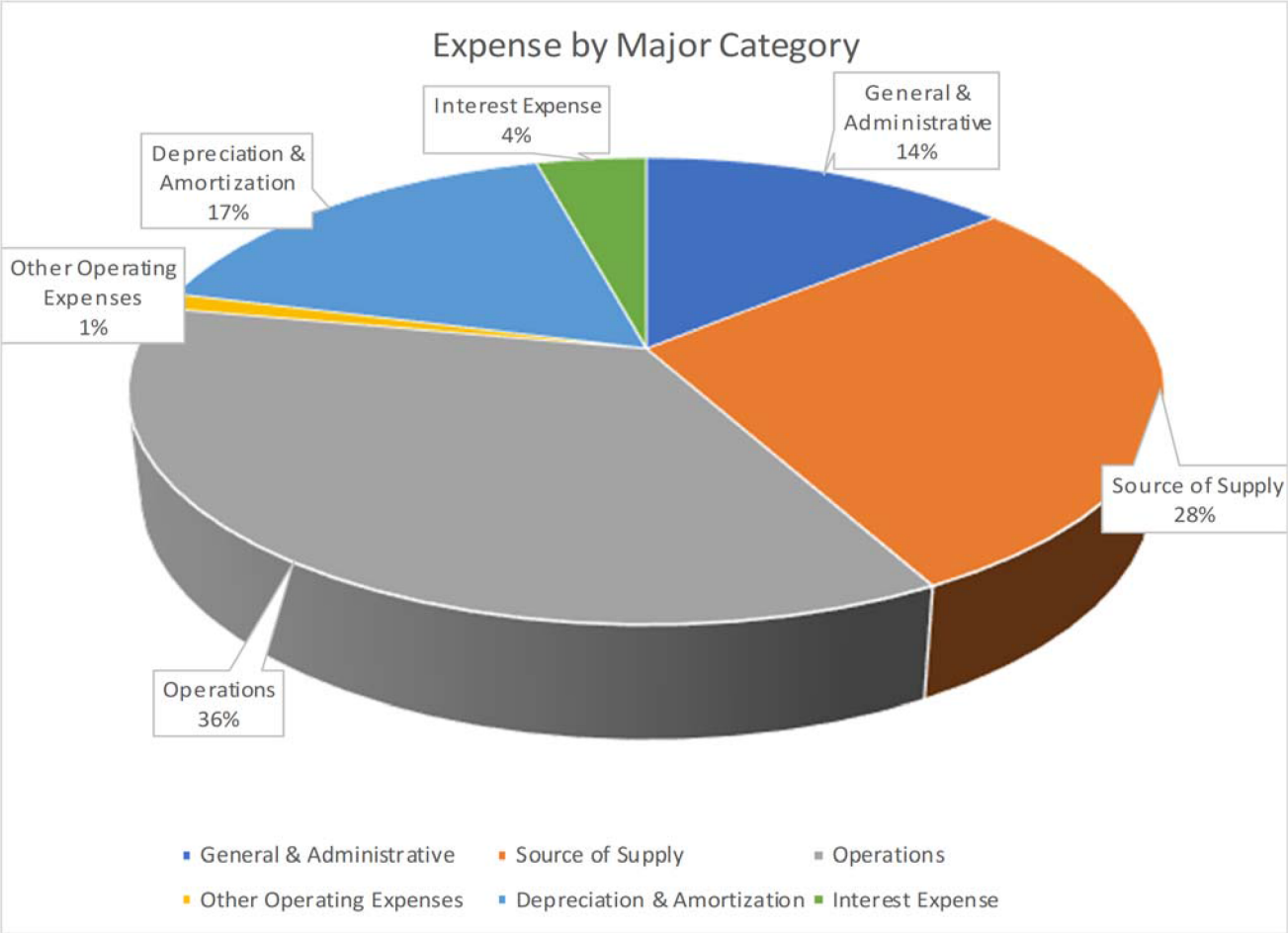
Interest Expense

Interest expense decreased approximately $67 thousand, or 4.31%, from $1.55 million to $1.49 million. The decrease primarily reflects scheduled principal payments on outstanding debt and the resulting reduction in interest costs.

Overall, the FY 2026 increase in expenses was primarily driven by additional depreciation associated with the implementation of the fixed asset module and higher source of supply costs. These increases were partially offset by lower general and administrative, operations, and interest expenses.

Operations represented approximately 36% of total expenses, Source of Supply approximately 28%, Depreciation and Amortization approximately 17%, and General and Administrative approximately 14%. Together, these categories represented approximately 95% of total expenses.

The District's expense structure is primarily driven by the costs of operating and maintaining its systems, securing water supply, and supporting the infrastructure necessary to provide reliable service to customers.



Expense Distribution

The chart above illustrates the distribution of the District's expenses across its major expense categories. The operations are responsible for the largest share of expenses at 36%. Followed by Source of Supply at 28 % and Depreciation & Amortization accounts for 17%.

Operations encompass 11 District departments, including key functions such as Engineering and Fleet Operations. These departments are responsible for the day-to-day activities required to operate, maintain, and support the District's water and recycled water systems, facilities, equipment, and infrastructure. As a result, Operations represents the largest component of the District's expenses.

While General & Administrative expenses represent 14%. Together, these four categories account for approximately 95% of the District's total expenses. General & Administrative (G&A) expenses include six District departments. These departments provide the administrative, financial, human resources, technology, communications, and customer support functions necessary to support the District's overall operations.

Source of Supply expenses primarily reflect the costs associated with securing the water supply necessary to serve the District's customers. Depreciation & Amortization reflects the allocation of

the cost of the District's capital assets over their useful lives, while Interest Expense, at 4.10%, represents the District's financing costs.

Other Operating Expenses are shown as 1.12%, reflecting an offset or credit to operating expenses rather than a traditional expense category. This credit is due to the OPEB charge for fiscal year 2025-26. Overall, the District's expense structure is primarily driven by the costs of operating and maintaining its systems, securing water supply, and supporting the infrastructure necessary to provide reliable service to customers.

Significant Capital Assets and Long-Term Financing Activities

Capital Assets

The Net Investment in Capital balances were as follows:

Capital Assets				
	FY 2025	FY 2026	$ Change	% Change
Capital Assets				
Non-depreciable Assets	$ 14,483,965	$ 13,135,560	$ (1,348,405)	-9.31%
Depreciable Assets	197,311,470	202,338,568	5,027,098	2.55%
Accumulated Depreciation	(101,713,907)	(107,553,491)	(5,839,584)	5.74%
Total Capital Assets, Net	110,081,528	107,920,637	(2,160,891)	-1.96%

The District's capital assets consist primarily of its water distribution and wastewater collection systems, treatment facilities, reservoirs, pumping stations, vehicles, equipment, and other infrastructure.

The District's net capital assets decreased by approximately $2.16 million, or 1.96%, from $110.08 million at June 30, 2025, to $107.92 million at June 30, 2026. The decrease resulted from depreciation and asset retirements exceeding capital additions during the fiscal year.

During FY 2026, the District continued implementation of its Capital Improvement Program. Approximately $4.0 million of additions were recorded in construction in progress, while approximately $5.3 million of completed projects were transferred from construction in progress to depreciable capital assets when placed into service.

Non-depreciable capital assets decreased approximately $1.35 million, or 9.31%, from $14.48 million to $13.14 million, while depreciable capital assets increased approximately $5.03 million, or 2.55%, from $197.31 million to $202.33 million. These changes primarily reflect capital project activity and the movement of completed projects from construction in progress to depreciable asset classifications.

Accumulated depreciation increased approximately $5.84 million, or 5.74%, to $107.55 million. The increase reflects depreciation of the District's existing utility infrastructure and other depreciable assets. In addition, the District implemented its fixed asset module during FY 2026, which included

a review and update of depreciation estimates. As a result, approximately $782 thousand of additional depreciation expense was recognized from changes in accounting estimates.

The District's capital investment continues to focus on maintaining and replacing aging infrastructure, improving system reliability and operational efficiency, and meeting regulatory requirements.

At June 30, 2026, the District had approximately $10.9 million of construction commitments under active contracts for projects expected to continue into fiscal year 2027. These projects include Headworks and Secondary Clarifier No. 1, Aeration Basin Diffusers, Westline Main Switchboard Replacement, Freeway and Mathis Lift Station Coating Rehabilitation, and several other smaller projects.

These projects are expected to be funded through available cash reserves, operating revenues, and other planned funding sources. The District did not issue new debt to finance capital improvements during FY 2026.

Debt Administration

Summary of Debt Outstanding

			Increase/(Decrease)	
			$	%
	FY 2025	FY 2026	Change	Change
Total Debt Outstanding				
Baker Water Treatment Plant	$ 6,296,301	$ 5,807,224	$ (489,077)	-7.77%
2022 Revenue Bonds	36,970,000	35,445,000	(1,525,000)	-4.12%
2022 Revenue Bonds - Premium	7,041,580	6,529,525	(512,055)	-7.27%
Total Debt Outstanding	$ 50,307,881	$ 47,781,749	$ (2,526,132)	-5.02%

Total debt balances were as follows:

The District did not issue any new long-term debt during fiscal year 2026 and continued to manage its existing debt obligations in accordance with its long-term financial plan. Total debt outstanding, including the unamortized premium on the 2022 Water Revenue Bonds, decreased by approximately $2.53 million, or 5.29%, from $50.31 million at June 30, 2025, to $47.78 million at June 30, 2026. The decrease was primarily attributable to scheduled principal payments on existing debt and the continued amortization of the bond premium.

As of June 30, 2026, the District's outstanding debt consisted of approximately $5.81 million related to the Baker Water Treatment Plant obligation, $35.45 million of outstanding principal on the 2022 Water Revenue Bonds, and $6.53 million of unamortized bond premium. During FY 2026, the Baker Water Treatment Plant obligation decreased approximately $489 thousand, or 7.77%, while outstanding principal on the 2022 Water Revenue Bonds decreased $1.53 million, or 4.12%. The unamortized bond premium decreased approximately $512 thousand, or 7.28%.

Consistent with the reduction in outstanding debt, interest expense decreased approximately $67 thousand, or 4.31%, from $1.55 million in FY 2025 to $1.49 million in FY 2026. The District continued

to meet its scheduled debt service requirements and remained in compliance with the financial covenants contained in its bond and loan agreements.

The District's S&P credit rating remained AA- during fiscal year 2026, consistent with the rating assigned on February 6, 2025, and no rating actions occurred during the fiscal year. The District is not subject to a statutory debt limit for its enterprise activities. Management believes the District maintains sufficient financial capacity to meet its existing debt obligations while funding planned capital improvements.

The District had no material Subscription-Based Information Technology Arrangements (SBITAs) and no Public-Private Partnerships (PPPs) or Public-Public Partnerships requiring recognition or disclosure as long-term financing arrangements during fiscal year 2026.

Additional information regarding the District's long-term liabilities is presented in Note 4 – Long-Term Liabilities to the financial statements.

Currently Known Facts, Decisions, or Conditions

The District continues to monitor financial, operational, and regulatory matters that may affect its future financial position, results of operations, and cash flows. The following matters were known as of June 30, 2026, and are considered relevant to the District's future financial planning and operations.

Capital Improvement Program

The District has approximately $11.1 million in outstanding construction commitments as of June 30, 2026, associated with ongoing infrastructure and facility improvement projects. These projects include improvements to the Headworks and Secondary Clarifier No. 1, Aeration Basin Diffusers, Westline Main Switchboard Replacement, and Freeway and Mathis Lift Station Coating Rehabilitation, along with other smaller projects. The District expects these projects to continue into fiscal year 2027. Management will continue to monitor project schedules, construction costs, and available funding to ensure that capital improvements are completed while maintaining adequate operating and capital reserves. The District currently anticipates funding its planned capital improvements through available reserves and operating revenues, without the need for additional long-term borrowing.

SOCWA Treatment Plant Capacity Rights Transaction

During fiscal year 2026, the District received the second of three anticipated annual payments, totaling approximately $1.0 million, related to the sale of its SOCWA treatment plant capacity rights to the Moulton Niguel Water District (MNWD). One additional annual payment is expected in fiscal year 2027. This transaction represents the sale of an asset rather than recurring operating revenue. Accordingly, the remaining payment is not considered a continuing source of operating revenue and will be considered separately in the District's future financial planning.

Adopted Water, Wastewater, and Recycled Water Rates

In June 2026, the Board of Directors approved the fiscal year 2026–27 budget and associated water, wastewater, and recycled water rate adjustments. The approved changes are expected to

result in an average increase of approximately 10.1% for a typical single-family residential customer's utility bill. The adjustments are intended to provide sufficient revenues to meet anticipated operating expenses, support reserve requirements, fund planned capital improvements, and meet debt-service obligations. Management will continue to monitor revenues, expenses, and customer demand to evaluate the adequacy of the approved rate structure.

Water Supply and Metropolitan Water District Programs

The District began participating in the Metropolitan Water District's Reverse Cyclic Program during fiscal year 2026. The program is expected to influence the District's water supply planning and purchased-water costs in future periods. Management will continue to evaluate the program's financial and operational impacts and incorporate relevant information into water supply planning, budgeting, and long-term financial forecasts.

Postemployment Benefits and Other Long-Term Obligations

The District provides postemployment benefits and maintains a defined contribution retirement plan. The District does not have a defined benefit pension liability. Other postemployment benefit (OPEB) obligations and the related deferred outflows and inflows of resources are subject to actuarial valuations and changes in assumptions and experience. These amounts may affect future financial reporting and will continue to be monitored by management.

Economic, Regulatory, and Operating Conditions

The District's future financial performance may be affected by changes in purchased-water costs, labor and employee benefit expenses, energy and chemical costs, construction and contractor pricing, regulatory requirements, water supply conditions, and customer demand. Management considers these factors in preparing annual budgets, establishing rates, evaluating reserve levels, and prioritizing capital improvements. The District will continue to monitor these conditions and assess their potential impact on future operating and capital requirements.

Management believes that the District's current financial position, adopted rate structure, available reserves, and ongoing financial planning provide a reasonable basis for meeting its anticipated operating, capital, and debt-service obligations. However, actual future results may differ as economic, operational, and regulatory conditions change.

Requests for Information

This report is intended to provide customers, ratepayers, bondholders, regulatory agencies, and other interested parties with an overview of the District's financial position, operating results, and cash flows for fiscal year 2026. The financial statements, notes, and accompanying supplementary information are designed to provide additional detail regarding the District's financial activities and long-term financial condition.

Questions regarding this report or requests for additional financial information may be directed to:

El Toro Water District
24251 Los Alisos Boulevard
Lake Forest, California 92630

BASIC FINANCIAL STATEMENTS

EL TORO WATER DISTRICT
Statement of Net Position
June 30, 2026

ASSETS		
Current Assets:		
Cash and cash equivalents	$	1,496,225
Investments		22,515,296
Receivables (net of uncollectibles):		
Accounts receivables		4,359,341
Accounts receivables - grants		540,291
Interest		208,418
Taxes		18,538
Lease		127,628
Materials and supply inventory		854,999
Prepaid expenses		727,541
Water inventory		800,072
Restricted:		
Cash and cash equivalents		76,555
Total Current Assets		31,724,904
Noncurrent:		
Lease receivable		3,890,786
Capital assets:		
Nondepreciable		13,135,560
Depreciable, net of accumulated depreciation		94,785,077
Total noncurrent assets		111,811,423
Total assets		**143,536,327**
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related		1,307,952
Total Deferred Outflows of Resources		**1,307,952**
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses		4,097,472
Accrued salaries and related payables		231,836
Customer deposits		50,000
Accrued interest payable		144,575
Long-term liabilities - due within one year:		
Compensated absences		243,078
Total other post employment benefit liability		485,397
Bonds payable		1,600,000
Loans payable		504,239
Total current liabilities		7,356,597
Noncurrent liabilities:		
Long-term liabilities - due in more than one year		
Compensated absences		1,587,158
Total other post employment benefits liability		9,740,761
Bonds payable		40,374,525
Loans payable		5,302,985
Total noncurrent liabilities		57,005,429
Total liabilities		**64,362,026**
DEFERRED INFLOWS OF RESOURCES		
Lease-related		3,435,073
OPEB-related		6,267,400
Total deferred inflows of resources		**9,702,473**
NET POSITION		
Net investment in capital assets		58,940,456
Restricted for capital outlay		76,555
Unrestricted		11,762,769
Total net position	**$**	**70,779,780**

EL TORO WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2026

OPERATING REVENUES		
Commodity supply charges	$	12,919,109
Service charges		15,752,000
Capital replacement charges		6,276,199
Reimbursement from others		453,820
Capacity fees		55,611
Rental revenue		373,870
Miscellaneous revenue		232,363
Total operating revenues		**36,062,972**
OPERATING EXPENSES		
General & administrative		5,007,031
Source of supply		10,313,269
Operations		12,974,787
Other operating expense		406,109
Depreciation		6,117,941
Total operating expenses		**34,819,137**
Operating income (loss)		**1,243,835**
NONCAPITAL SUBSIDIES		
Property taxes		1,383,220
Grants, rebates, reimbursements		2,006
Total noncapital subsidies		**1,385,226**
Operating income (loss) and noncapital subsidies		**2,629,061**
OTHER NONOPERATING REVENUES (EXPENSES)		
Investment income		974,782
Gain on sale of asset		1,003,104
Interest expense		(1,487,927)
Total other nonoperating revenues (expenses)		**489,959**
Increase in net position		**3,119,020**
Net position-beginning		67,660,760
Net position-ending	**$**	**70,779,780**

EL TORO WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers for water sales and services	$	35,516,028
Payments to suppliers for operations		(24,193,249)
Payments to employees for salaries and wages		(5,968,906)
Net Cash Provided By (Used For) Operating Activities		**5,353,873**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from property taxes		1,377,655
Receipts from other governments		2,006
Net Cash Provided By (Used For) Noncapital Financing Activities		**1,379,661**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets, net		(2,758,618)
Repayment of long-term debt		(2,014,077)
Interest payments		(2,006,336)
Proceeds from sales of assets		1,003,104
Net Cash Provided By (Used For) capital and related financing activities		**(5,775,927)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts from interest and dividends		825,785
Lease payments received		271,118
Net Cash Provided By (Used For) investing activities		**1,096,903**
Net increase (decrease) in cash and investments		**2,054,510**
Cash and investments-beginning		22,033,566
Cash and investments-ending	**$**	**24,088,076**

EL TORO WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2026

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (loss)	$	1,243,835
Adjustments to Reconcile Operating Income (Loss) to net cash provided by (used for) operating activities:		
Depreciation expense		6,117,941
Nonoperating rental revenues		(373,870)
(Increase) in accounts receivable		(157,421)
Decrease in inventories		404,218
(Increase) in prepaid expenses		(352,201)
Decrease in deferred outflows - OPEB		609,372
(Decrease) in accounts payable and accrued expenses		(551,101)
Increase in accrued salaries and related payables		40,478
(Decrease) in deposits		(15,653)
Increase in compensated absences		25,573
(Decrease) in total OPEB liability		(1,424,655)
(Decrease) in deferred inflows - OPEB		(212,643)
Total adjustments		4,110,038
Net Cash Provided By (Used For) Operating Activities	**$**	**5,353,873**

NONCASH CAPITAL AND FINANCING ACTIVITIES		
Accounts payable related to capital acquisition costs	$	1,198,432
Amortization on bond discount/(premium)		(512,055)

Notes to The Basic Financial Statements

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 California 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 unit that has substantively the same governing body as the District's governing body, and additionally, (1) 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 Financing Authority (the Authority) was organized on January 24, 2022, pursuant to the Joint Exercise Powers Act, of the state of California (Code 6500 et seq. (the JPA Act) solely for the purpose of assisting the District in financing and refinancing capital improvement projects of the District and in financing working capital for the District. The Authority, an entity legally separate from the District, is governed by substantially all the board members of the District and has an agreement with the District for the receipt of revenues to pay debt service on behalf of the District. As a result of these two factors, the Authority is a blended component unit of the District. The Authority does not issue separate financial statements.

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.

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 resources 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and Expenses

Noncapital subsidies, such as property taxes and grants, rebates and reimbursements represent receipts from other entities provided for operating purposes of the District. Nonoperating revenues, such as investment income, result from non-exchange transactions of the District. Operating revenues represent all receipts not meeting these definitions. Operating expenses include the costs of providing water and related services (source of supply, operations), general and administrative, other operating expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 at the time of purchase 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 Chief Financial Officer 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. No charges were made to bad debt expense for the year ended June 30, 2026.

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.

K. Materials and Supplies and Water Inventory

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

Water inventory is separately reported from materials and supplies inventory and is valued using the current applicable water rate at the reporting date. The value of water inventory is recorded as an asset until the water is used, at which time the related cost is recognized in the appropriate operating expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 1
	Second Installment - February 10
Collection Dates	First Installment - December 11
	Second Installment - April 11

M. Capital Assets

Capital assets acquired and/or constructed assets are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $25,000. 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 to 40 Years
Vehicles	5 to 25 Years
Office Furniture and Equipment	5 to 10 Years
Computer Software	5 to 10 Years
Land Improvements	20 to 50 Years
Water Facilities:	
Reservoir	100 Years
Transmission and Distribution	20 to 60 Years
Filtration Plant	30 to 40 Years
Other Plant and Equipment	5 to 15 Years
Sanitation Facilities:	
Collection and Transmission	15 to 50 Years
Treatment and Disposal Plant	15 to 30 Years
Other Plant and Equipment	5 to 15 Years

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 assets 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 postemployment benefit (OPEB) for an amount equal to employer payment of benefits made after the measurement date of the total OPEB liability.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows 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 inflows 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.

- Deferred inflow related to leases, this amount is deferred and recognized as an inflow of resources based on the payment provisions in the contracts.

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.

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 amount consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Leases

The District is a lessor for noncancellable leases of land. The District recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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, deferred outflows of resources, liabilities, and deferred inflows of resources. The assumptions 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.

U. New GASB Pronouncements Effective during Fiscal Year

The following Government Accounting Standards Board (GASB) pronouncements were effective for and implemented for the fiscal year ended June 30, 2026:

GASB Statement No. 103, Financial Reporting Model Improvements

The requirements of this Statement will improve the presentation and disclosure requirements of the governmental financial reporting model, including MD&A, proprietary fund reporting, budgetary comparison information, and other financial reporting elements, to enhance the usefulness of governmental financial statements.

Implementation of this statement has resulted in these changes to the presentation of the Statement of Revenues, Expenses and Changes in Net Position:

- Property taxes and grants, rebates and reimbursements have been moved to the noncapital subsidies section from nonoperating revenues (expenses).
- Rental revenue and nonoperating revenue have been moved to operating revenues from nonoperating revenues (expenses). Nonoperating revenue has been combined with miscellaneous revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 104, Disclosure of Certain Capital Assets

The requirements of this Statement provide enhanced disclosures for certain capital assets, including lease, subscription-based information technology, and other intangible assets, as well as additional disclosures for capital assets held for sale, to provide more transparent and decision-useful information to financial statement users.

GASB Statement No. 105, Subsequent Events

The requirements of this Statement provide guidance for identifying, evaluating, and disclosing subsequent events, clarifies subsequent event reporting requirements, and enhances consistency and transparency in the presentation of information affecting the financial statements. The District is early-implementing this statement for this year.

Cash and investments

At June 30, 2026, cash and investments were classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	$	1,496,225
Investments		22,515,296
Restricted - Cash and Cash Equivalents		76,555
Total cash and investments	$	24,088,076

At June 30, 2026, cash and investments consisted of the following:

Cash on hand	$	700
Deposits with financial institutions		1,572,080
Investments		22,515,296
Total cash and investments	$	24,088,076

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, and concentration of credit risk.

NOTE 2 - CASH AND CASH INVESTMENTS (CONTINUED)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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
Corporate Medium-Term Notes	5 years	30%	None
Commercial Paper	270 days	25%	10%
Bankers Acceptance	180 days	15%	None
Negotiable Certificate of Deposit	5 years	30%	None
Non-negotiable Certificate of Deposit	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Money Market Mutual Funds	5 years	10%	None
Collateralized Bank Deposits	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	30 million	None
California Asset Management (CAMP)	N/A	60%	None
Supranationals	5 years	30%	None
Placement Service Deposit	5 years	30%	None

N/A - Not applicable

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 table that shows the distribution of the District's investments by maturity as of June 30, 2026.

	Remaining Maturity (in Months)			
Investment Type	12 Months or Less	13 to 24 Months	25 to 60 Months	Total
U.S. Treasury Obligations	$ 990,415	$ 2,684,258	$ -	$ 3,674,673
Corporate Medium-Term Notes	-	199,748	770,661	970,409
Negotiable Certificates of Deposit	9,000,000	-	-	9,000,000
LAIF	6,388,654	-	-	6,388,654
CAMP - Money Market	2,481,560	-	-	2,481,560
Total	$ 18,860,629	$ 2,884,006	$ 770,661	$ 22,515,296

NOTE 2 - CASH AND CASH 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, 2026, for each investment type.

Investment Type	Minimum Legal Rating	Not Rated	AA	A	BBB	Total as of June 30, 2026
U.S. Treasury Obligations	N/A	$ -	$ 3,674,673	$ -	$ -	$ 3,674,673
Corporate Medium-Term Notes	A	-	-	806,034	164,375	970,409
Negotiable Certificates of Deposit	AA	-	-	9,000,000	-	9,000,000
LAIF	N/A	6,388,654	-	-	-	6,388,654
CAMP - Money Market	N/A	2,481,560	-	-	-	2,481,560
Total		$ 8,870,214	$ 3,674,673	$ 9,806,034	$ 164,375	$ 22,515,296

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).

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, 2026, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

NOTE 2 - CASH AND CASH INVESTMENTS (CONTINUED)

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.

Investment Type	Observable Inputs Level 2	Total
U.S. Treasury Obligations	$ 3,674,673	$ 3,674,673
Corporate Medium-Term Notes	970,409	970,409
Negotiable Certificates of Deposit	9,000,000	9,000,000
Total Leveled Investments	$ 13,645,082	13,645,082
LAIF*		6,388,654
CAMP - Money Market*		2,481,560
Total Investments		$ 22,515,296

*Not subject to fair value measurement hierarchy.

NOTE 3 - CAPITAL ASSETS

Major capital asset additions during the year include upgrades and extensions of the District's water and wastewater pumping and plant facilities in the following schedules.

A summary of changes in capital assets for the year ended June 30, 2026 is as follows:

	Balance June 30, 2025	Additions	Deletions	Transfers	Balance June 30, 2026
Capital Assets, Not Being Depreciated					
Land	$ 2,077,237	$ -	$ -	$ -	$ 2,077,237
Mineral and Water Rights	5,374,349	-	-	-	5,374,349
Construction in Progress	7,032,379	3,957,050	-	(5,305,455)	5,683,974
Total Capital Assets, Not Being Depreciated	14,483,965	3,957,050	-	(5,305,455)	13,135,560
Capital Assets, Being Depreciated					
Source of Supply	15,570,856	-	-	72,350	15,643,206
Pumping	26,683,623	-	-	240,543	26,924,166
Treatment	45,683,343	-	-	292,590	45,975,933
Transmission and Collection	92,944,154	-	-	-	92,944,154
General Plant Facilities	16,201,239	-	(247,552)	4,699,972	20,653,659
Intangible Assets					
Capacity Rights	228,255	-	(30,805)	-	197,450
Total Capital Assets, Being Depreciated	197,311,470	-	(278,357)	5,305,455	202,338,568
Less Accumulated Depreciation					
Source of Supply	(9,653,630)	(948,612)	-	-	(10,602,242)
Pumping	(17,983,604)	(1,135,902)	-	-	(19,119,506)
Treatment	(36,986,333)	(1,353,829)	-	-	(38,340,162)
Transmission and Collection	(21,940,068)	(2,107,146)	-	-	(24,047,214)
General Plant Facilities	(14,983,629)	(566,272)	247,552	-	(15,302,349)
Intangible Assets					
Capacity Rights	(166,643)	(6,180)	30,805	-	(142,018)
Total Accumulated Depreciation	(101,713,907)	(6,117,941)	278,357	-	(107,553,491)
Total Capital Assets, Being Depreciated, Net	95,597,563	(6,117,941)	-	5,305,455	94,785,077
Total Capital Assets, Net	$ 110,081,528	$ (2,160,891)	$ -	$ -	$ 107,920,637

NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at June 30, 2026:

	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026	Amount Due Within One Year	Amount Due More Than One Year
Direct Borrowings:						
Loans Payable:						
Baker Water Treatment Plant - Refinance Loan	$ 6,296,301	$ -	$ 489,077	$ 5,807,224	$ 504,239	$ 5,302,985
Total Loans Payable	6,296,301	-	489,077	5,807,224	504,239	5,302,985
Bonds Payable:						
Revenue Bonds, Series 2022A	36,970,000	-	1,525,000	35,445,000	1,600,000	33,845,000
Premium, Series 2022A	7,041,580	-	512,055	6,529,525	-	6,529,525
Total Bonds Payable	44,011,580	-	2,037,055	41,974,525	1,600,000	40,374,525
Compensated absences*	1,804,663	25,573	-	1,830,236	243,078	1,587,158
Total long-term liabilities	$ 52,112,544	$ 25,573	$ 2,526,132	$ 49,611,985	$ 2,347,317	$ 47,264,668

*Compensated absences change is shown as net change.

Baker Water Treatment Plant Agreement and Direct Borrowing

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
2027	$ 504,239	$ 180,024	$ 684,263
2028	519,870	164,393	684,263
2029	535,986	148,277	684,263
2030	552,602	131,661	684,263
2031	569,732	114,530	684,262
2032-2036	3,124,795	296,518	3,421,313
Totals	$ 5,807,224	$ 1,035,403	$ 6,842,627

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Water and Wastewater Revenue Bonds, Series 2022A

In March 2022, the El Toro Water District Financing Authority issued the Water and Wastewater Revenue Bonds, Series 2022A in the amount of $40,905,000 to refund the State Revolving Fund Loan 2010 - Northline Lift Station Improvement Project, State Revolving Fund Loan 2013 - Recycled Water Treatment Plan Project, State Revolving Fund Loan 2018 - Phase II Recycled Water Distribution System Expansion Project, and to finance certain capital improvements to the District's potable water system, recycled water system and sanitary sewer system, and to pay the costs of issuance of the 2022A Revenue Bonds. Principal is payable in annual installments ranging from $835,000 to $1,850,000 maturing in 2052 at an interest rate of 5%.

Future annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 1,600,000	$ 1,734,900	$ 3,334,900
2028	1,680,000	1,654,900	3,334,900
2029	1,765,000	1,570,900	3,335,900
2030	1,850,000	1,482,650	3,332,650
2031	1,525,000	1,390,150	2,915,150
2032-2036	6,910,000	5,809,250	12,719,250
2037-2041	4,765,000	4,475,800	9,240,800
2042-2046	5,970,000	3,269,750	9,239,750
2047-2051	7,620,000	1,619,750	9,239,750
2052-2056	1,760,000	88,000	1,848,000
Totals	$ 35,445,000	$ 23,096,050	$ 58,541,050

NOTE 5 - 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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for 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. 84 and No. 97.

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. The District contributions can be deposited to the 401 (k) or 457 plans depending on which account the participant contributes to and if the participant chooses to have their 457 contributions matching funds deposited to their 457 plan account.

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 $1,245,332 for the year ended June 30, 2026.

NOTE 6 - OTHER POSTEMPLOYMENT 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 defined benefit plan.

Benefits

The District offers postemployment 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. There are no assets accumulated in a GASB compliant trust.

Employees Covered

At the June 30, 2025, measurement date, the following current and former employees were covered by the benefit terms:

Inactive members currently receiving benefits	32
Active members	58
Total	90

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2025, was determined using the following actuarial assumptions:

Valuation Date*	June 30, 2024
Measurement Date	June 30, 2025
Actuarial Assumptions:	
Discount Rate	5.20%
Projected Salary Increase	2.75% Per Year
Inflation	2.50% Per Year
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study (2%@ 55 Rates for Tier 1, Modified Rates for Tier 2)
Mortality Improvement	Mortality Projected Fully Generational with Scale MP-2021
Medical Trend	
Non-Medicare	8.5% for 2025, Decreasing to 3.45% in 2076
Medicare (Non-Kaiser)	7.5% for 2025, Decreasing to 3.45% in 2076
Medicare (Kaiser)	6.25% for 2025, Decreasing to 3.45% in 2076
Healthcare Participation at Retirement	
Actives	95% Tier 1, 90% Tier 2
Retirees	100%
Spouse Healthcare Participation at Retirement	
Spouse Currently Covered	100% Tier 1, 50% Tier 2
Spouse not Currently Covered	0%
Medical Plan Election at Retirement	Same as Currently Elected

*Update procedures were used to roll forward the Total OPEB Liability from the valuation date (June 30,2024) to the measurement date (June 30, 2025)

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 year ended June 30, 2026, the District made payments of $380,536 for premiums and the implied subsidy was $104,861, thereby resulting in payments of $485,397.

Discount Rate

The discount rate used to measure the 2025 total OPEB liability was 5.20%. This discount rate is the Bond Buyer 20-Bond GO index.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 period ended June 30, 2025:

	Discount Rate 1% Decrease (4.20%)	Current Discount Rate (5.20%)	Discount Rate 1% Increase (6.20%)
Total OPEB liability	$ 11,492,586	$ 10,226,158	$ 9,170,618

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 period ended June 30, 2025:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB liability	$ 9,008,294	$ 10,226,158	$ 11,706,904

(a) Non-Medicare - 8.5% for 2025, Decreasing to 3.45% in 2076
Medicare (Non-Kaiser) - 7.5% for 2025, Decreasing to 3.45% in 2076
Medicare (Kaiser) - 6.25% for 2025, Decreasing to 3.45% in 2076

Change in Total OPEB liability

A summary of change in the total OPEB liability for the measurement date June 30, 2025 is as follows:

Balance at June 30, 2024 (Measurement Date)	$ 11,650,813
Changes recognized for the measurement period:	
Service cost	233,212
Interest on total OPEB liability	457,917
Changes in assumptions	(1,651,410)
Benefit payments	(464,374)
Net changes during 2024-25	(1,424,655)
Balance at June 30, 2025 (Measurement Date)	$ 10,226,158

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expenses

For the year ended June 30, 2026, OPEB contra-expense in the amount of $542,529 is included in the accompanying statement of revenues, expenses, and changes in net position. As of June 30, 2026, the District reported deferred outflows or inflows of resources related to OPEB due to the valuation of OPEB under GASB Statement No. 75 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 485,397	$ -
Differences between expected and actual experience	352,745	3,645,969
Changes in assumptions	469,810	2,621,431
Total	$ 1,307,952	$ 6,267,400

The $485,397 reported as deferred outflows of resources related to OPEB resulting from the District's payments of OPEB benefits subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for measurement period June 30, 2025 are recognized as OPEB expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2027	$ (1,350,669)
2028	(1,583,864)
2029	(1,606,846)
2030	(373,128)
2031	(220,648)
Thereafter	(309,690)
Total	$ (5,444,845)

Changes of Assumptions

The following assumption was changed from the June 30, 2024 actuarial valuation with measurement period ended June 30, 2025: the discount rate was updated from 3.93% to 5.20%.

NOTE 7 - LEASES

The District has six active leases. The leases provide for monthly payments ranging from $3,083 to $7,316, and carry interest rates that range from 3.05% to 3.927%, and will mature between January of 2037 and January of 2046. As of June 30, 2026, the total combined value of the leases receivable is $4,018,414, the total combined value of the current leases receivable is $127,628, and the combined value of the deferred inflows of resources is $3,435,073.

	Balance June 30, 2025	Deletions	Balance June 30, 2026	Due within one year
Cell Tower Lease receivable	$ 4,128,812	$ (110,398)	$ 4,018,414	$ 127,628

Fiscal Year ended June 30,	Principal Payments	Interest Payments	Total Payments
2027	$ 127,628	$ 129,895	$ 257,523
2028	139,926	125,433	265,359
2029	152,771	120,549	273,320
2030	166,298	115,222	281,520
2031	1,028,972	479,309	1,508,281
2032-2036	1,017,066	307,910	1,324,976
2037-2041	1,169,668	123,283	1,292,951
2042-2046	216,085	8,107	224,192
	$ 4,018,414	$ 1,409,708	$ 5,428,122

NOTE 8 - 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, 2026, 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), communicable disease ($10 million), subsidence ($45 million), lead ($45 million), and mold ($45 million).

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

- Employee dishonesty coverage of up to $3,000,000 with a $100,000 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 $150,000,000 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 $66,612,133. Coverage for floods is up to $25,000,000, with a deductible of $100,000. Real property has a deductible of $10,000; the ACWA/JPIA is self-insured for up to $10,000,000; 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 $9,000,000 per occurrence; the ACWA/JPIA is self-insured up to $1,000,000; excess insurance coverage has been purchased.

- Workers' compensation insurance for up to California statutory limits for all workrelated 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 $5,000,000 per occurrence and $5,000,000 in aggregate with a deductible up to $100,000 per occurrence based on annual revenues.

- Fiduciary liability coverage of up to $3,000,000 with a deductible of $15,000 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 for the last three years, and there were no reductions in the District's insurance coverage during the year ended June 30, 2026. 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.

There were no incurred but not reported claims payable as of June 30, 2026.

NOTE 9 - 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. The following material construction commitments existed at June 30, 2026:

Project Name	Organization	Contract Amount	Expenditures to Date as of June 30, 2026	Remaining Commitments
Headworks and Secondary Clarifiers No. 1	Filanc	$ 10,424,200	$ 894,740	$ 9,529,460
Moulton/El Toro Road Cathodic Protection Repair	Farwest Corrosion Control	367,000	-	367,000
R-6 Reservoir Southern Slope Stabilization	MDB	390,800	377,800	13,000
Freeway Lift Station Electrical Equipment Replacement	Baker	94,485	-	94,485
Customer Service Truck		52,144	-	52,144
Headworks and Secondary Clarifier No. 1	ROI Engineering LLC	103,433	56,601	46,832
Headworks and Secondary Clarifier No. 1	Butier Engineering, Inc.	943,904	358,091	585,813
Headworks and Secondary Clarifier No. 1	Carollo Engineers, Inc.	546,328	414,808	131,520
R-6 Reservoir Southern Slope Stabilization	Dudek	24,580	14,187	10,393
Aliso Creek Lift Station Rehabilitation - Final Design	Tetra Tech, Inc	484,000	351,315	132,685
System Wide Arc Flash and Coordination Study	Hazen and Sawyer	32,000	9,650	22,350
Impressed Current Cathodic Protection System Monitoring Program	Universal Corrosion Services	137,510	9,172	128,338

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. During the past three fiscal years, there were no settlements or judgments that exceeded insured coverage.

NOTE 10 - CHANGE IN ACCOUNTING ESTIMATE

During the fiscal year ended June 30, 2026, the District revised its methodology used to estimate depreciation for certain capital assets from the half-year convention to the zero-year convention. Management determined that the revised methodology more appropriately reflects the timing and pattern of consumption of the assets' service potential and provides a more reliable basis for estimating depreciation expense.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, this revision has been accounted for as a change in accounting estimate. Accordingly, the effect of the change has been recognized prospectively in the current year financial statements, and prior year amounts have not been restated.

The change in estimate increased current year depreciation expense and accumulated depreciation by $782,318, with a corresponding decrease in current year change in net position. The impact of the change is reflected in depreciation expense and accumulated depreciation in the accompanying financial statements.

NOTE 11 - SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through October 8, 2026, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2026, that required recognition or disclosure in these financial statements.

Required Supplementary Information

EL TORO WATER DISTRICT
Schedule of Changes in the Total OPEB Liability and Related Ratios
As of June 30, For the Last Ten Fiscal Years[1]

Fiscal Year Ended	6/30/2026	6/30/2025	6/30/2024	6/30/2023
Measurement Date	6/30/2025	6/30/2024	6/30/2023	6/30/2022
TOTAL OPEB LIABILITY				
Service cost	$ 233,212	$ 288,374	$ 288,796	$ 625,561
Interest on Total OPEB liability	457,917	414,544	395,780	442,766
Changes of assumptions	(1,651,410)	(419,300)	(160,615)	(1,818,868)
Difference between expected and actual experience	-	485,855	-	(7,913,790)
Benefit payments, including refunds of employee contributions	(464,374)	(375,293)	(317,520)	(316,743)
Net change in total OPEB liability	(1,424,655)	394,180	206,441	(8,981,074)
Total OPEB liability-beginning	11,650,813	11,256,633	11,050,192	20,031,266
Total OPEB liability-ending (a)	**$ 10,226,158**	**$ 11,650,813**	**$ 11,256,633**	**$ 11,050,192**
Covered employee payroll	$ 7,672,522	$ 7,241,806	$ 7,045,939	$ 6,743,824
Plan total OPEB liability as a percentage of covered employee payroll	133.3 %	160.9 %	159.8 %	163.9 %

Notes to Schedule:

There are no assets accumulated in a trust to pay related benefits for the OPEB plan

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From measurement date of June 30, 2019 to June 30, 2020:
- Discount rate was updated based on municipal bond rate as of the measurement date from 3.5% to 2.21%
- Mortality schedule updated from Scale MP-2018 to Scale MP-2020

From measurement date of June 30, 2020 to June 30, 2021:
- Discount rate was updated based on municipal bond rate as of the measurement date from 2.21% to 2.16%

From measurement date of June 30, 2021 to June 30, 2022:
- Discount rate was updated based on municipal bond rate as of the measurement date from 2.16% to 3.54%
- Mortality improvement scale was updated to Scale MP-2021
- CalPERS 2000-2019 Experience Study was used for demographic assumptions

From measurement date of June 30, 2022 to June 30, 2023:
- Discount rate was updated based on municipal bond rate as of the measurement date from 3.54% to 3.65%

From measurement date of June 30, 2023 to June 30, 2024:
- Discount rate was updated based on municipal bond rate as of the measurement date from 3.65% to 3.93%
- Mortality schedule updated from Scale MP-2020 to Scale MP-2021

From measurement date of June 30, 2024 to June 30, 2025:
- Discount rate was updated based on municipal bond rate as of the measurement date from 3.93% to 5.20%

[1] Fiscal year 2018 was the first year of implementation; therefore, only nine years are shown.

EL TORO WATER DISTRICT
Schedule of Changes in the Total OPEB Liability and Related Ratios
As of June 30, For the Last Ten Fiscal Years[1]

6/30/2022	**6/30/2021**	**6/30/2020**	**6/30/2019**	**6/30/2018**
6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
$ 598,651	$ 468,321	$ 410,098	$ 267,270	$ 260,117
433,004	600,602	598,626	430,926	409,009
160,868	2,875,924	923,090	2,564,813	-
-	(1,334,563)	-	987,411	-
(311,125)	(304,295)	(292,405)	(237,713)	(228,570)
881,398	2,305,989	1,639,409	4,012,707	440,556
19,149,868	16,843,879	15,204,470	11,191,763	10,751,207
20,031,266	**19,149,868**	**16,843,879**	**15,204,470**	**11,191,763**
$ 6,174,962	$ 5,980,908	$ 5,889,881	$ 5,709,337	$ 5,696,461
324.39 %	320.18 %	285.98 %	266.31 %	196.47 %

Supplementary Information

EL TORO WATER DISTRICT
Schedule of Revenue by Category
For the Fiscal Year Ended June 30, 2026

OPERATING REVENUES		
Commodity supply charges:		
Unrestricted	$	9,946,878
Restricted - recycled water		735,286
Recycled consumption sales		2,236,945
Total commodity supply charges		12,919,109
Service charges:		
Water service charges		5,383,197
Wastewater service charges		9,845,530
Recycled service charges		523,273
Total service charges		15,752,000
Capital replacement charges:		
Water capital charges		2,582,523
Wastewater capital charges		3,413,964
Recycled capital charges		279,712
Total capital replacement charges		6,276,199
Reimbursements from others:		
Recycled water rebates		330,851
Shared facility charges		122,969
Total reimbursements from others		453,820
Capacity fees		55,611
Rental revenue		373,870
Miscellaneous revenue		232,363
Total operating revenues		**36,062,972**
NONCAPITAL SUBSIDIES		
Property taxes:		
Water system		553,288
Wastewater system		719,274
Recycled water system		110,658
Total property taxes		1,383,220
Grants, rebates, reimbursements		2,006
Total noncapital subsidies		**1,385,226**
NONOPERATING REVENUES		
Investment income		974,782
Gain on sale of asset		1,003,104
Total nonoperating revenues		**1,977,886**
Total revenue		**39,426,084**

EL TORO WATER DISTRICT
Schedule of Expenses by Category
For the Fiscal Year Ended June 30, 2026

OPERATING EXPENSES		
General & administrative:		
Administration	$	327,253
Finance and risk management		1,581,354
Human resources		543,721
Technology services		781,815
Public relations conservation		606,858
Customer service		1,166,030
Total general & administrative		5,007,031
Source of supply		10,313,269
Operations:		
Engineering		935,510
Operations support		1,379,467
Fleet services		492,559
Pumping operations		1,885,221
Transmission and distribution		2,557,151
Wastewater collections		960,174
Treatment operations		4,764,705
Total operations		12,974,787
Other operating expenses		406,109
Depreciation & amortization		6,117,941
Total operating expenses		**34,819,137**
NONOPERATING EXPENSES		
Interest expense		1,487,927
Total nonoperating expenses		**1,487,927**
Total expenses	**$**	**36,307,064**

STATISTICAL SECTION

EL TORO WATER DISTRICT
Index to Statistical Section
JUNE 30, 2026

Contents: **Pages:**

Financial Trends: these schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time 67

Revenue Capacity: these schedules contain information to help the reader assess the District's most significant local revenue source, the property taxes, water and sewer charges 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 78

Demographic and Economic Information: these schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place 81

Operating Information: these schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides 84

Financial Trends

EL TORO WATER DISTRICT
CHANGES IN NET POSITION AND NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2017	2018	2019	2020	2021
Changes in net position:					
Operating revenues (see Schedule 2)	$ 24,032,874	$ 25,445,261	$ 24,663,457	$ 25,197,330	$ 26,709,979
Operating expenses (see Schedule 3)	(25,287,726)	(26,859,040)	(26,928,835)	(27,981,030)	(29,244,287)
Operating income (loss)	(1,254,852)	(1,413,779)	(2,265,378)	(2,783,700)	(2,534,308)
Non-Capital Subsidies					
Property Taxes	888,973	927,672	1,012,576	1,037,335	1,097,589
Grants, Rebates, Reimbursements[3]	152,710	59,653	910,351	40,917	42,826
	1,041,683	987,325	1,922,927	1,078,252	1,140,415
Non-operating revenues (expenses)					
Rental revenue	181,491	188,183	204,160	242,187	236,357
Gain (Loss) on Sale of Capital Assets[7]	-	-	-	-	-
Investment Income[1]	75,113	124,001	500,786	424,110	21,511
Interest expense[2]	(706,683)	(790,753)	(753,794)	(777,511)	(758,339)
Non-operating revenue	-	-	-	-	-
Total non-operating revenues(expenses), net	(450,079)	(478,569)	(48,848)	(111,214)	(500,471)
Income (Loss) before capital contributions	(663,248)	(905,023)	(391,299)	(1,816,662)	(1,894,364)
Capital contributions	85,821	45,853	1,985,903	2,894	8,708
Changes in net position	$ (577,427)	$ (859,170)	$ 1,594,604	$ (1,813,768)	$ (1,885,656)
Net position by component:					
Net investment in capital assets	$ 57,194,565	$ 60,300,968	$ 56,355,138	$ 55,486,027	$ 56,108,404
Restricted:					
Debt Service[4]	1,602,958	1,602,958	2,012,004	2,270,150	2,270,150
Capital Projects[5]	23,081	45,853	64,514	2,895	2,895
Total restricted	1,626,039	1,648,811	2,076,518	2,273,045	2,273,045
Unrestricted[6]	10,136,417	1,008,665	6,121,392	4,980,208	2,472,175
Total net position	$ 68,957,021	$ 62,958,444	$ 64,553,048	$ 62,739,280	$ 60,853,624

(1) The increase in Investment Income in FY22/23 was due to higher interest rate of return on short-term LAIF and CAMP investments. The decrease in FY 21/22 was caused by Unrealized Losses in the fair value of investment holdings due to federal reserve increased the short term interest rate.
(2) The increase in Interest expense reflect a full year of interest payment vs. partial from the 2022 Revenue Bonds .
(3) The increase in FY18/19 was due to a refund from South Orange County Waste Water Authority (SOCWA). In FY22-23 R6 Reservoir Cover & Liner replacement costs reimbursement from Santa Margarita Water $7.7M, Moulton Niguel Water $$762K, San Diego. County $617K, MWDOC $231k
(4) The decrease in Restricted for Debt Service in FY 21/22 was due to the elimination of debt service reserve when 2022 Revenue bonds replaced the State loans and the funds were used for other capital expenditures.
(5) The increase in Restricted capital projects in FY 21/22 were the proceeds from the 2022 Revenue Bonds that had not yet been fully expended for capital expenses.

Source: 2017 to 2026 Audited Financial Statements

EL TORO WATER DISTRICT
CHANGES IN NET POSITION AND NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2022	2023	2024	2025	2026
Changes in net position:					
Operating revenues (see Schedule 2)	$ 27,383,146	$ 26,410,680	$ 28,671,429	33,521,714	35,689,102
Operating expenses (see Schedule 3)	(30,078,960)	(31,297,713)	(32,279,315)	(33,612,269)	(34,819,137)
Operating income (loss)	(2,695,814)	(4,887,033)	(3,607,886)	(90,555)	869,965
Non-Capital Subsidies					
Property Taxes	1,121,250	1,184,149	1,246,920	1,308,540	1,383,220
Grants, Rebates, Reimbursements[3]	323,458	618,262	16,793	24,016	2,006
	1,444,708	1,802,411	1,263,713	1,332,556	1,385,226
Non-operating revenues (expenses)					
Rental revenue	227,227	234,439	250,686	548,958	373,870
Gain (Loss) on Sale of Capital Assets[7]	-	-	(1,489,216)	993,024	1,003,104
Investment Income[1]	(259,747)	795,655	1,101,123	1,237,335	974,782
Interest expense[2]	(1,072,567)	(1,723,651)	(1,618,994)	(1,554,947)	(1,487,927)
Non-operating revenue	-	19,323	15,050	-	-
Total non-operating revenues(expenses), net	(1,105,087)	(674,234)	(1,741,351)	1,224,370	863,829
Income (Loss) before capital contributions	(2,356,193)	(3,758,856)	(4,085,524)	2,466,371	3,119,020
Capital contributions	166,008	8,919,072	5,456,258	-	-
Changes in net position	$ (2,190,185)	$ 5,160,216	$ 1,370,734	2,466,371	3,119,020
Net position by component:					
Net investment in capital assets	$ 30,402,906	$ 54,968,271	57,428,761	59,349,999	58,940,456
Restricted:					
Debt Service[4]	-	-	-	-	-
Capital Projects[5]	26,797,887	-	-	-	76,555
Total restricted	26,797,887	-	-	-	76,555
Unrestricted[6]	1,462,646	8,855,384	7,765,628	8,310,761	11,762,769
Total net position	$ 58,663,439	$ 63,823,655	$ 65,194,389	67,660,760	70,779,780

(1) The increase in Investment Income in FY22/23 was due to higher interest rate of return on short-term LAIF and CAMP investments. The decrease in FY 21/22 was caused by Unrealized Losses in the fair value of investment holdings due to federal reserve increased the short term interest rate.
(2) The increase in Interest expense reflect a full year of interest payment vs. partial from the 2022 Revenue Bonds
.
(3) The increase in FY18/19 was due to a refund from South Orange County Waste Water Authority (SOCWA). In FY22-23 R6 Reservoir Cover & Liner replacement costs reimbursement from Santa Margarita Water $7.7M, Moulton Niguel Water $$762K, San Diego. County $617K, MWDOC $231k
(4) The decrease in Restricted for Debt Service in FY 21/22 was due to the elimination of debt service reserve when 2022 Revenue bonds replaced the State loans and the funds were used for other capital expenditures.
(5) The increase in Restricted capital projects in FY 21/22 were the proceeds from the 2022 Revenue Bonds that had not yet been fully expended for capital expenses.

Source: 2017 to 2026 Audited Financial Statements

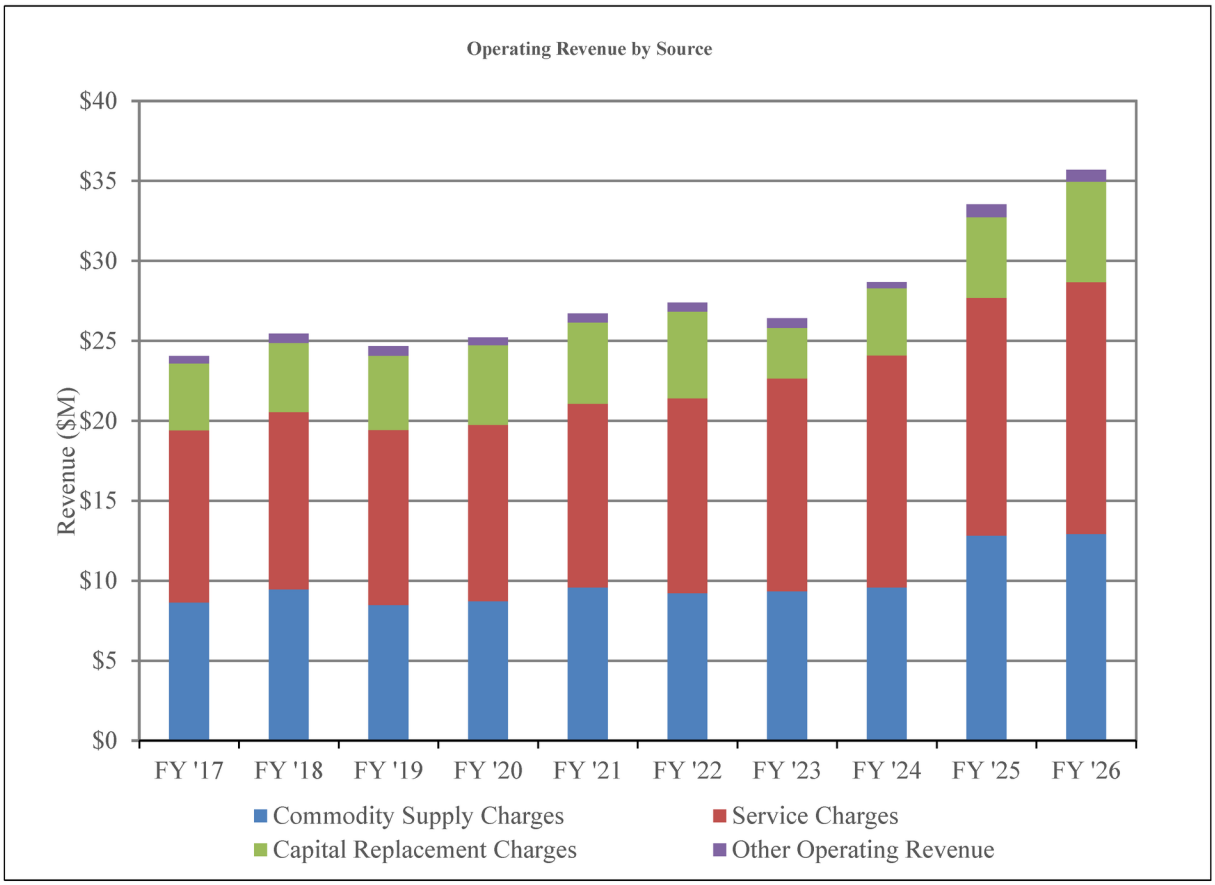
Revenue Capacity Information

ELTORO WATER DISTRICT
OPERATING REVENUE BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	Commodity Supply Charges	Service Charges	Capital Replacement Charges	Other Operating Revenue	Total Operating Revenue
2017	8,635,462	10,759,981	4,177,505	459,926	24,032,874
2018	9,459,453	11,085,710	4,325,454	574,644	25,445,261
2019	8,474,791	10,955,238	4,623,068	610,360	24,663,457
2020	8,705,986	11,044,342	4,977,611	469,391	25,197,330
2021	9,571,562	11,496,657	5,070,326	571,434	26,709,979
2022	9,212,404	12,180,223	5,430,565	559,954	27,383,146
2023	9,336,697	13,312,690	3,152,552	608,741	26,410,680
2024	9,582,143	14,494,752	4,205,218	389,316	28,671,429
2025	12,814,271	14,862,800	5,043,025	801,618	33,521,714
2026	12,919,109	15,752,000	6,276,199	741,794	35,689,102

Other Operating Revenue - by Category

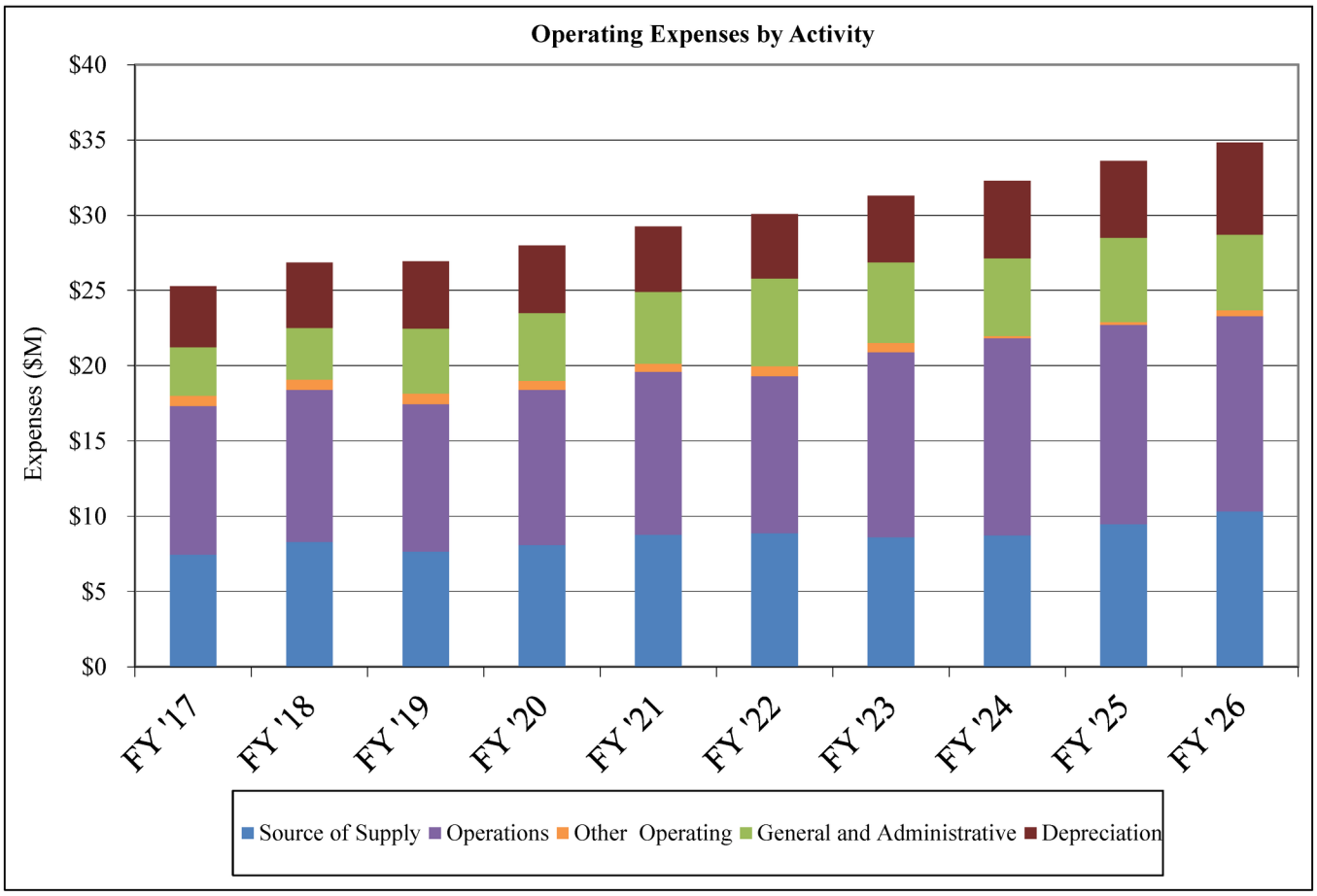
Fiscal Year	Standby Charge	Reimbursement from Others	Miscellaneous	Capacity Fee	Total Other Operating Revenues
2017	1,525	331,179	127,222		459,926
2018	418	403,445	170,781		574,644
2019	247	383,810	226,303		610,360
2020	63	328,310	141,018		469,391
2021	-	401,225	170,209		571,434
2022	-	446,564	113,390		559,954
2023	-	308,774	299,967		608,741
2024	-	326,610	62,706		389,316
2025	-	514,357	203,741	83,520	801,618
2026	-	453,820	232,363	55,611	741,794



Source: 2017 to 2026 Audited Financial Statements

EL TORO WATER DISTRICT
OPERATING EXPENSES BY ACTIVITY
LAST TEN FISCAL YEARS

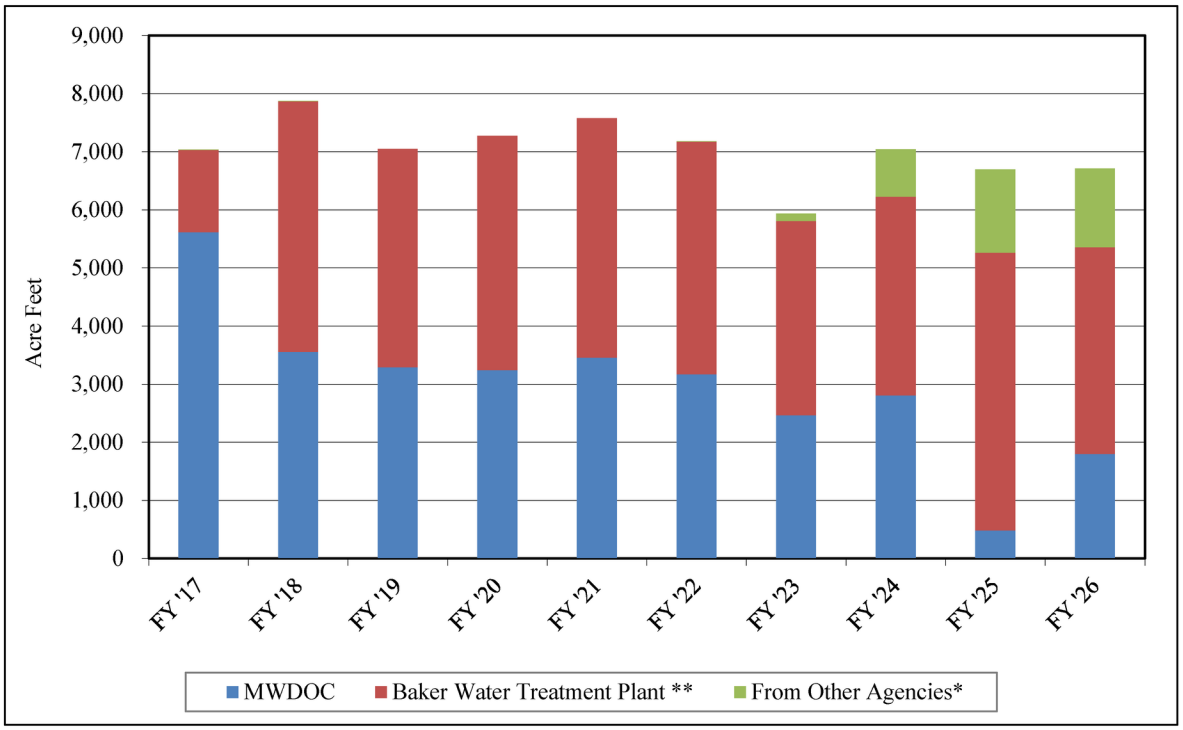
Fiscal Year	Source of Supply	Operations	Other Operating	General and Administrative	Depreciation	Total Operating Expenses
2017	7,435,534	9,877,746	694,479	3,211,224	4,068,743	25,287,726
2018	8,294,019	10,094,015	686,217	3,434,736	4,350,053	26,859,040
2019	7,650,468	9,785,781	720,714	4,305,441	4,466,431	26,928,835
2020	8,085,299	10,302,552	603,473	4,506,099	4,483,607	27,981,030
2021	8,763,806	10,827,016	533,039	4,774,869	4,345,557	29,244,287
2022	8,866,148	10,443,014	662,834	5,819,185	4,287,779	30,078,960
2023	8,593,609	12,295,263	625,767	5,363,512	4,419,562	31,297,713
2024	8,732,578	13,090,390	151,607	5,165,909	5,138,831	32,279,315
2025	9,467,386	13,247,559	196,432	5,596,680	5,104,212	33,612,269
2026	10,313,269	12,974,787	406,109	5,007,031	6,117,941	34,819,137



EL TORO WATER DISTRICT
SOURCE OF WATER FOR SALES
LAST TEN FISCAL YEARS

Source of Water for Sales (AF)

Fiscal Year	MWDOC	Baker Water Treatment Plant **	From Other Agencies*	Total Production
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
2021	3,460	4,121	-	7,581
2022	3,171	4,004	1	7,176
2023	2,471	3,338	131	5,940
2024	2,811	3,420	813	7,044
2025	487	4,779	1,434	6,700
2026	1,800	3,562	1,354	6,716



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]

	Rate per CCF[2]				Rate per AF
Fiscal Year	Tier 1	Tier 2	Tier 3	Tier 4	Commercial / Industrial
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
2021	$ 2.65	$ 3.04	$ 6.21	$ 7.95	$ 3.02
2022	$ 2.72	$ 3.11	$ 6.78	$ 8.52	$ 3.14
2023	$ 2.82	$ 3.18	$ 6.50	$ 8.35	$ 3.31
2024	$ 3.00	$ 3.37	$ 6.70	$ 8.67	$ 3.49
2025	$ 3.26	$ 3.63	$ 6.96	$ 8.93	$ 3.75
2026	$ 3.59	$ 3.98	$ 7.26	$ 9.14	$ 4.09

Monthly Water Service Charge

Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 ½" Meter	2" Meter	10" Meter
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	-
2021	$ 15.17	$ 20.33	$ 30.66	$ 56.48	$ 108.11	-
2022	$ 16.56	$ 22.24	$ 33.60	$ 62.00	$ 118.80	-
2023	$ 17.46	$ 23.62	$ 35.93	$ 66.70	$ 128.25	-
2024	$ 18.07	$ 24.72	$ 38.02	$ 71.27	$ 137.76	$ 1,360.00
2025	$ 18.77	$ 25.68	$ 39.50	$ 74.05	$ 143.13	$ 1,413.04
2026	$ 21.18	$ 28.98	$ 44.58	$ 83.57	$ 161.55	$ 1,595.00

Monthly Water Capital Replacement and Refurbishment (CR&R) Charge

Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 ½" Meter	2" Meter	10" Meter
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	-
2021	$ 4.66	$ 4.66	$ 7.78	$ 18.91	$ 47.47	-
2022	$ 4.66	$ 4.66	$ 7.78	$ 18.91	$ 47.47	-
2023	$ 5.09	$ 5.09	$ 8.50	$ 20.65	$ 51.84	-
2024	$ 5.56	$ 8.33	$ 13.88	$ 27.76	$ 55.52	640.00
2025	$ 6.95	$ 10.42	$ 17.35	$ 34.70	$ 69.40	$ 800.00
2026	$ 8.69	$ 13.02	$ 21.69	$ 43.38	$ 86.75	$ 1,000.00

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

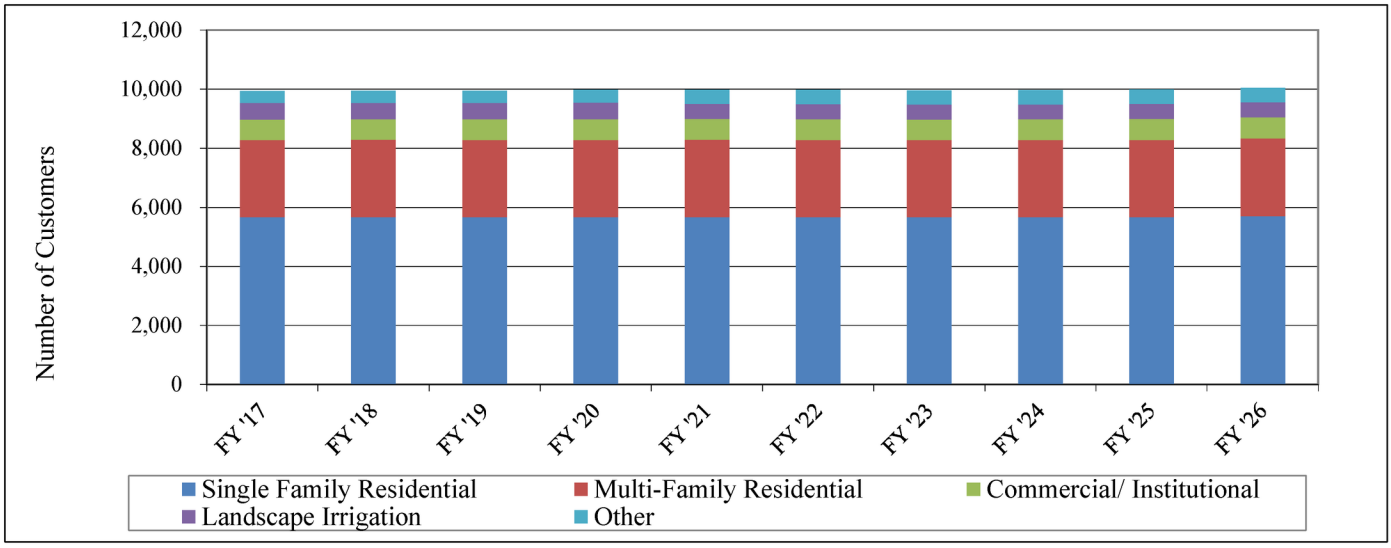
Sewer Rates by Customer Class	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Residential Rates (monthly charge per EDU)										
Single Family	$ 23.11	$ 23.63	$ 24.30	$ 24.30	$ 24.30	$ 25.76	$ 34.67	$ 37.98	$ 39.46	$ 40.80
Multi-Family Restricted	$ 18.33	$ 18.74	$ 19.28	$ 19.28	$ 19.28	$ 20.44	$ 16.47	$ 18.05	$ 18.75	$ 19.38
Multi-Family Unrestricted	$ 21.79	$ 22.28	$ 22.92	$ 22.92	$ 22.92	$ 24.30	$ 25.34	$ 27.76	$ 28.84	$ 29.82
Commercial Rates (per ccf of water used)										
Animal Kennel / Hospital	$ 3.79	$ 3.88	$ 3.99	$ 3.99	$ 3.99	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Car Wash	$ 3.77	$ 3.86	$ 3.97	$ 3.97	$ 3.97	$ 4.21	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Department / Retail Store	$ 3.79	$ 3.88	$ 3.99	$ 3.99	$ 3.99	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Dry Cleaners	$ 3.32	$ 3.40	$ 3.50	$ 3.50	$ 3.50	$ 3.71	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Golf Course / Camp / Park	$ 3.31	$ 3.39	$ 3.49	$ 3.49	$ 3.49	$ 3.70	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Health Spa	$ 3.78	$ 3.87	$ 3.98	$ 3.98	$ 3.98	$ 4.22	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Hospital / Convalescent Home	$ 3.32	$ 3.40	$ 3.50	$ 3.50	$ 3.50	$ 3.71	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Hotel	$ 5.74	$ 5.87	$ 6.04	$ 6.04	$ 6.04	$ 6.41	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Market	$ 7.53	$ 7.70	$ 7.92	$ 7.92	$ 7.92	$ 8.40	High Strength	High Strength	High Strength	High Strength
Mortuary	$ 7.50	$ 7.67	$ 7.89	$ 7.89	$ 7.89	$ 8.37	High Strength	High Strength	High Strength	High Strength
Nursery / Greenhouse	$ 3.36	$ 3.44	$ 3.54	$ 3.54	$ 3.54	$ 3.76	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Professional / Financial Office	$ 3.79	$ 3.88	$ 3.99	$ 3.99	$ 3.99	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Public Institution	$ 3.73	$ 3.82	$ 3.93	$ 3.93	$ 3.93	$ 4.17	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Repair / Service Station	$ 3.78	$ 3.87	$ 3.98	$ 3.98	$ 3.98	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Restaurant	$ 3.58	$ 3.66	$ 3.77	$ 3.77	$ 3.77	$ 4.00	Restaurant	Restaurant	Restaurant	Restaurant
Schools	$ 3.92	$ 4.01	$ 4.13	$ 4.13	$ 4.13	$ 4.38	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Theater	$ 3.79	$ 3.88	$ 3.99	$ 3.99	$ 3.99	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Warehouse / Storage	$ 3.00	$ 3.07	$ 3.16	$ 3.16	$ 3.16	$ 3.35	Low Strength	Low Strength	Low Strength	Low Strength
Basic Commercial	$ 3.32	$ 3.40	$ 3.50	$ 3.50	$ 3.50	$ 3.71	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Commercial (Flow Strength) *										
Low Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 4.10	$ 4.45	$ 4.62	$ 4.77
Medium Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 5.07	$ 5.54	$ 5.75	$ 5.94
High Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 9.49	$ 10.58	$ 10.99	$ 11.36
Restaurants	n/a	n/a	n/a	n/a	n/a	n/a	$ 5.07	$ 5.65	$ 5.87	$ 6.06

Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Residential Charge (Per EDU)										
Single Family	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 7.09	$ 8.87	$ 11.09	$ 13.86
Multi-Family Restricted	$ 3.91	$ 3.91	$ 3.91	$ 3.91	$ 3.91	$ 3.91	$ 3.37	$ 4.21	$ 5.27	$ 6.59
Multi-Family Unrestricted	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 5.18	$ 6.48	$ 8.11	$ 10.13
Commercial (per Meter)										
5/8" Meter	$ 4.34	$ 4.34	$ 4.34	$ 4.34	$ 4.34	$ 4.34	Flow Charge	Flow Charge	Flow Charge	Flow Charge
3/4" Meter	$ 7.34	$ 7.34	$ 7.34	$ 7.34	$ 7.34	$ 7.34	Flow Charge	Flow Charge	Flow Charge	Flow Charge
1" Meter	$ 13.55	$ 13.55	$ 13.55	$ 13.55	$ 13.55	$ 13.55	Flow Charge	Flow Charge	Flow Charge	Flow Charge
1 ½" Meter	$ 24.07	$ 24.07	$ 24.07	$ 24.07	$ 24.07	$ 24.07	Flow Charge	Flow Charge	Flow Charge	Flow Charge
2" Meter	$ 70.96	$ 70.96	$ 70.96	$ 70.96	$ 70.96	$ 70.96	Flow Charge	Flow Charge	Flow Charge	Flow Charge
Public Authority (per Meter)										
1" Meter	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	Flow Charge	Flow Charge	Flow Charge	Flow Charge
1 ½" Meter	$ 24.65	$ 24.65	$ 24.65	$ 24.65	$ 24.65	$ 24.65	Flow Charge	Flow Charge	Flow Charge	Flow Charge
2" Meter	$ 39.71	$ 39.71	$ 39.71	$ 39.71	$ 39.71	$ 39.71	Flow Charge	Flow Charge	Flow Charge	Flow Charge
Commercial (Flow Charge) *										
Low Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 0.84	$ 1.04	$ 1.30	$ 1.63
Medium Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 1.04	$ 1.29	$ 1.62	$ 2.02
High Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 1.93	$ 2.47	$ 3.09	$ 3.83
Restaurant	n/a	n/a	n/a	n/a	n/a	n/a	$ 1.05	$ 1.32	$ 1.65	$ 2.07
Public Authority	n/a	n/a	n/a	n/a	n/a	n/a	$ 1.04	$ 1.29	$ 1.62	$ 2.02

* New Commercial & Public Authority billing method based on flow strength effective Aug 1, 2022.

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
2017	5,668	2,616	694	559	406	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
2021	5,670	2,617	707	511	478	9,983
2022	5,666	2,614	705	510	482	9,977
2023	5,667	2,618	692	508	479	9,964
2024	5,665	2,616	699	507	479	9,966
2025	5,668	2,617	711	508	485	9,989
2026	5,701	2,632	715	509	489	10,046

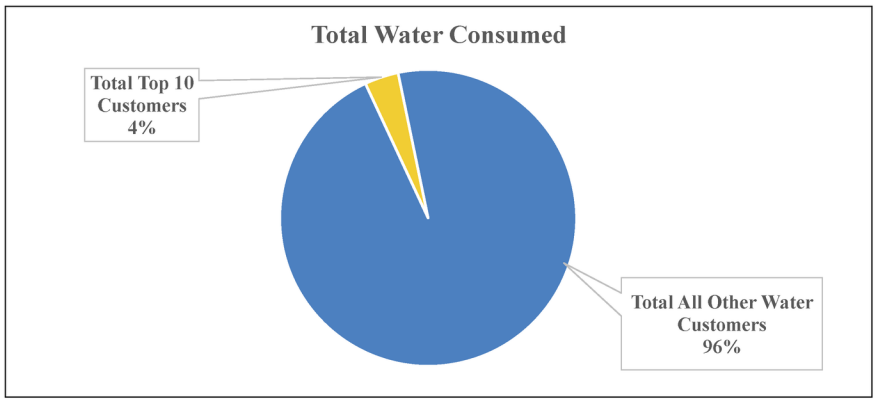


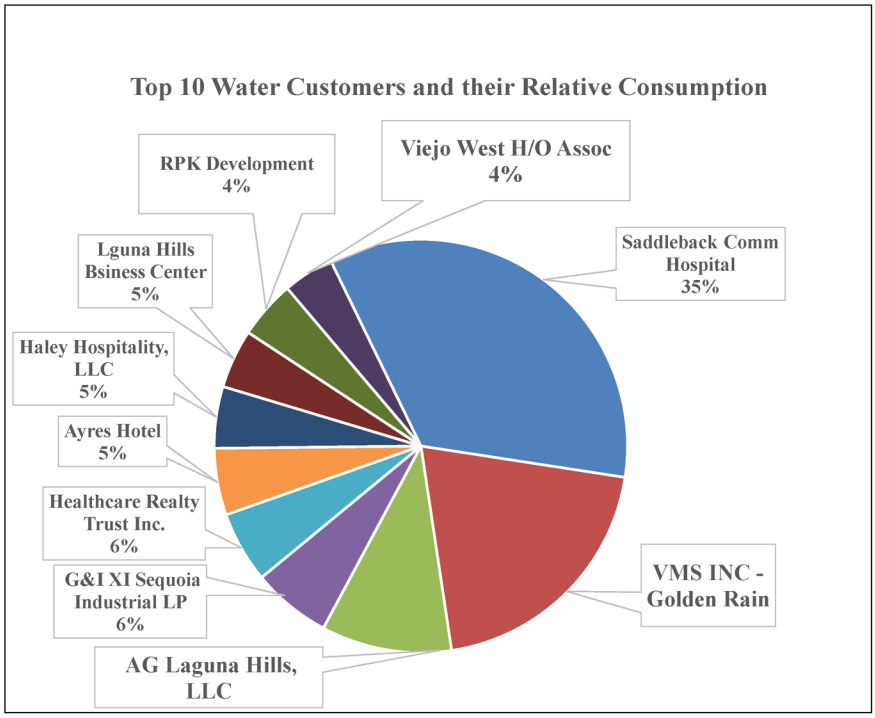
**The District is completely built out and has had 8,950 sewer connections for the past 10 years.*

EL TORO WATER DISTRICT
TOP TEN WATER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

	FY 2017			FY 2026	
Customer	**Annual Usage (HCF)**	**Percent of Total**	**Customer**	**Annual Usage (HCF)**	**Percent of Total**
Saddleback Comm Hospital	58,524	1.89%	Saddleback Comm Hospital	42,725	1.27%
Five Managers Inc.	20,067	0.65%	VMS INC - Golden Rain	24,906	0.74%
The Wellington	14,853	0.48%	AG Laguna Hills, LLC	12,553	0.37%
Country Villa Laguna Hillls	11,161	0.36%	G&I XI Sequoia Industrial LP	7,647	0.23%
MGP Fund X Laguna Hills, Llc	10,022	0.32%	Healthcare Realty Trust Inc.	6,862	0.20%
Vms, Inc - Golden Rain	9,888	0.32%	Ayres Hotel	6,452	0.19%
Laguna Hills Lodge	6,030	0.20%	Haley Hospitality, LLC	5,959	0.18%
City of Laguna Hills	6,021	0.19%	Lguna Hills Bsiness Center	5,667	0.17%
BJ' Restaurant and Brew House Site #438	5,779	0.19%	RPK Development	5,616	0.17%
Moulton Parkway Res Assoc #2	5,203	0.17%	Viejo West H/O Assoc	4,901	0.15%
Total Top 10 Customers	147,548	4.78%	Total Top 10 Customers	123,288	3.68%
Total All Other Water Customers	2,940,901	95.22%	Total All Other Water Customers	3,227,896	96.32%
Total Water Consumed	3,088,449	100.00%	Total Water Consumed	3,351,184	100.00%

HCF = 100 cubic feet

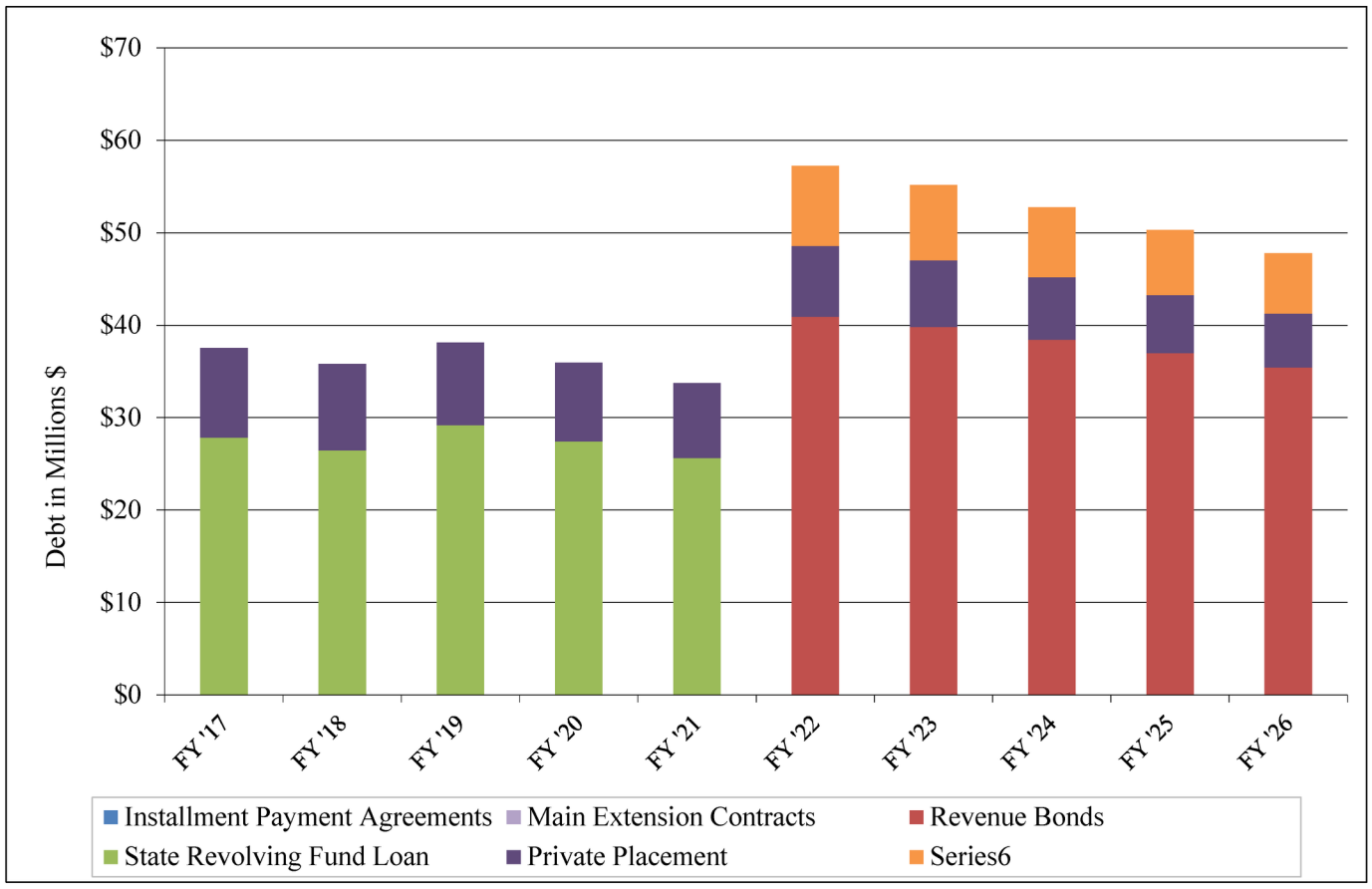




Debt Capacity Information

EL TORO WATER DISTRICT
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Revenue Bonds	Premium Series 2022A	Installment Payment Agreements	State Revolving Fund Loan	Main Extension Contracts	Private Placement	Total Debt	Total Debt per Capita	Total Debt as % of Personal Income	
2017	-	-	-	27,827,408	6,180	9,715,035	37,548,623	722	1.10%	
2018	-	-	-	26,470,867	6,180	9,331,939	35,808,986	691	1.00%	
2019	-	-	-	29,175,315	6,180	8,936,967	38,118,462	740	1.03%	
2020	-	-	-	27,415,579	6,180	8,529,750	35,951,509	690	0.92%	
2021	-	-	-	25,637,656	6,180	8,109,910	33,753,746	651	0.80%	
2022	40,905,000	8,648,018	-	-	6,180	7,677,055	57,236,253	1,111	1.33%	
2023	39,800,000	8,126,192	-	-	6,180	7,230,781	55,163,153	1,095	1.23%	
2024	38,420,000	7,574,132	-	-	-	6,770,673	52,764,805	1,053	1.12%	(1)
2025	36,970,000	7,041,580	-	-	-	6,296,301	50,307,881	1,005	1.07%	(1)
2026	35,445,000	6,529,525	-	-	-	5,807,224	47,781,749	895	0.95%	(1)

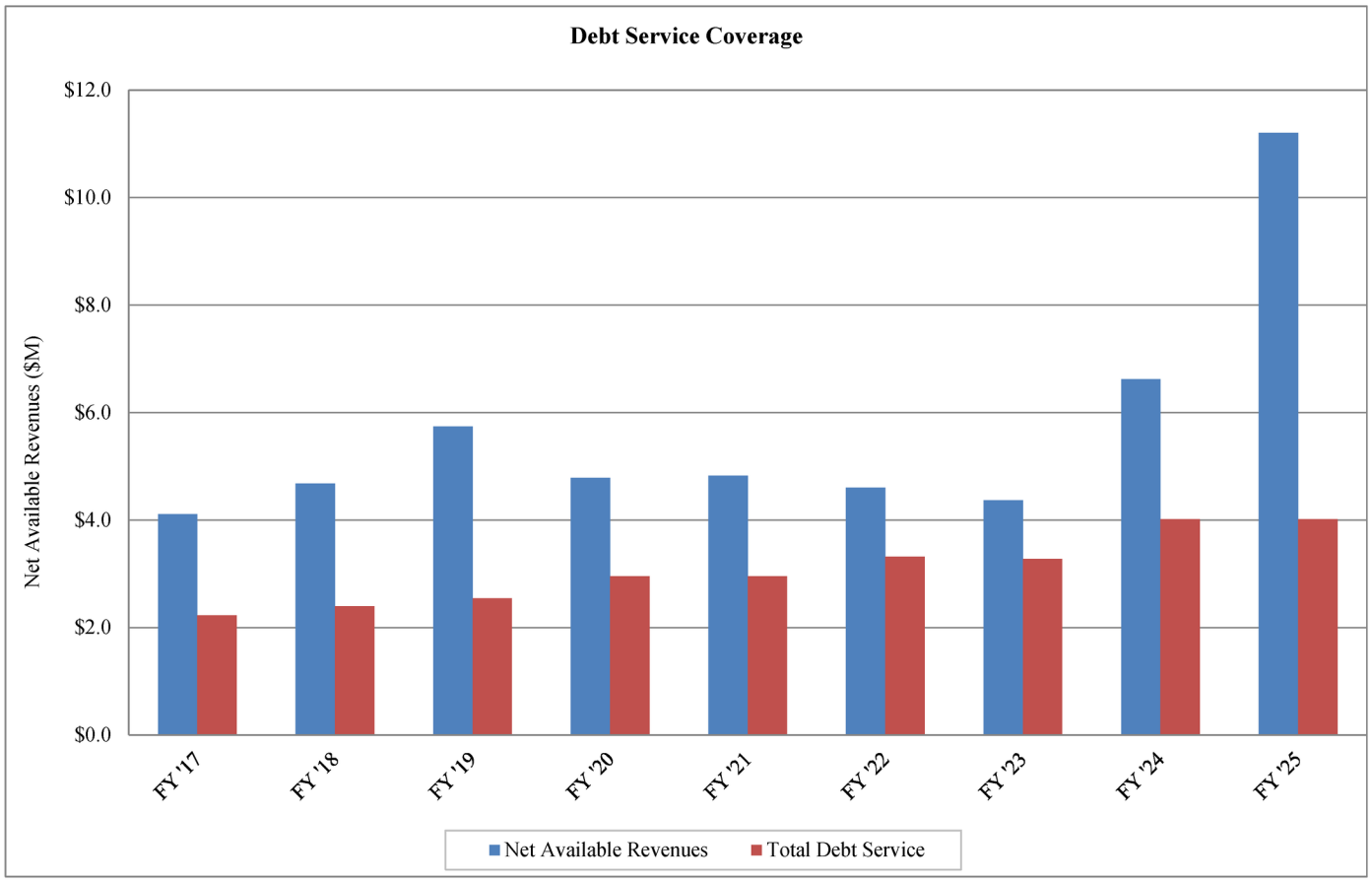


Notes:

(1) Personal Income data is not available for 2025 & 2026 at the time this report is published.

EL TORO WATER DISTRICT
DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS

	Net Revenue			Debt Service			
Fiscal Year	Total Revenues	Operating Expenses [1]	Net Available Revenues	Principal	Interest	Total Debt Service	Coverage Ratio
2017	25,331,161	21,218,983	4,112,178	1,532,173	691,970	2,224,143	1.85
2018	26,744,770	22,068,431	4,676,339	1,739,638	655,145	2,394,783	1.95
2019	27,291,330	21,549,152	5,742,178	1,776,305	769,061	2,545,366	2.26
2020	26,941,879	22,155,520	4,786,359	2,166,953	787,460	2,954,413	1.62
2021	28,108,262	23,283,264	4,824,998	2,197,763	756,649	2,954,412	1.63
2022	28,795,334	24,195,620	4,599,714	2,242,878	1,072,567	3,315,445	1.39
2023	29,262,508	24,893,841	4,368,667	1,551,274	1,723,651	3,274,925	1.33
2024	31,302,001	24,678,636	6,623,365	1,840,108	2,176,714	4,016,822	1.65
2025	37,550,071	26,349,061	11,201,010	1,924,372	2,093,541	4,017,913	2.79
2026	39,426,084	27,310,627	12,115,457	2,014,077	2,006,336	4,020,413	3.01

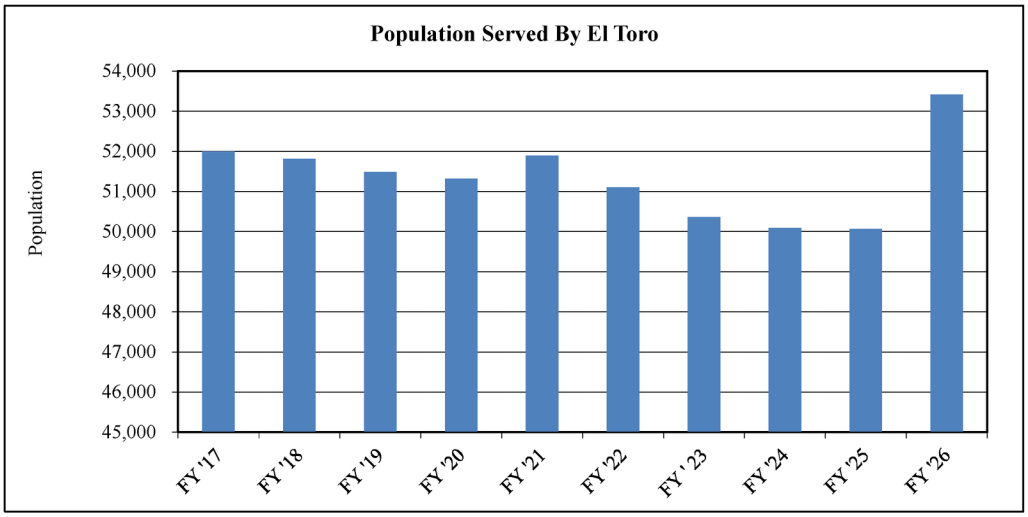


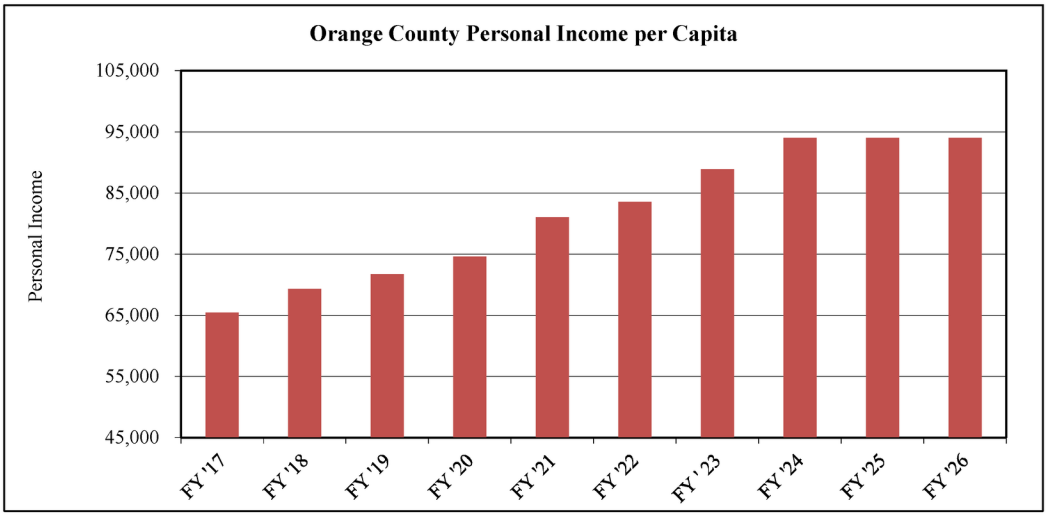
Notes:
(1) Operating expenses less depreciation and amortization, interests, OPEB accounting charges, and non-capitalized expenditures below $25,000 threshold.

Demographic and Economic Information

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 $)	Orange County Personal Income [2] per Capita	Orange County Unemployment Rate at 6/30
2017	52,001	208,653,019	65,400	3.8%
2018	51,812	220,684,684	69,268	3.3%
2019	51,489	227,732,561	71,711	3.0%
2020	51,322	236,303,451	74,618	13.3%
2021	51,895	256,700,438	81,034	6.4%
2022	51,107	263,290,135	83,553	2.9%
2023	50,365	278,760,587	88,897	3.7%
2024	50,094	298,128,817	94,034	4.0%
2025[(3)]	50,066	298,128,817	94,034	4.5%
2026[(3)]	53,415	298,128,817	94,034	4.1%





Source: State of California, Employment Development Department, http://www.edd.ca.gov
Source: Municipal Water District of Orange County (MWDOC)
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 2025 & 2026 was not available at the time this report was published

EL TORO WATER DISTRICT
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO

Employer	Number of Employees at 06/30/26	Percent of Principal Employers
Memorial Care Saddleback Medical Center	1,841	30.44%
Laguna Woods Village/Golden Rain	1,000	16.54%
Saddleback Valley Unified School District	1,412	23.35%
Target	408	6.75%
Nordstrom Department Store	330	5.46%
Home Depot	225	3.72%
City of Mission Viejo	299	4.94%
Laguna Hills Health & Rehab Center	251	4.15%
BJ's Restaurant	156	2.58%
Villa Valencia Healthcare Center	125	2.07%
Total Principal Employers	6,047	100.00%

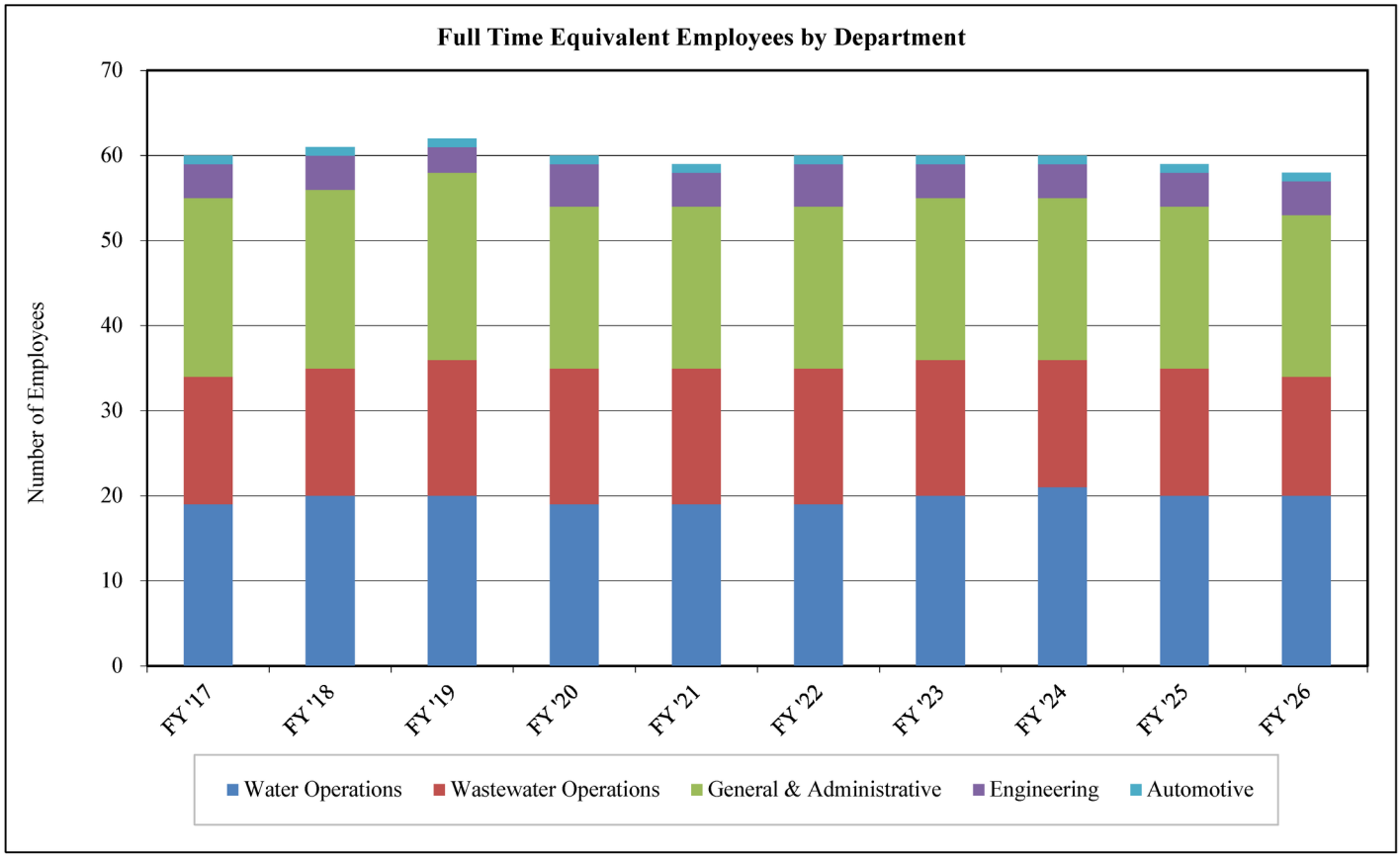
Employer	Number of Employees at 06/30/17	Percent of Principal Employers
Saddleback Memorial Medical Center	1,707	38.33%
Saddleback Valley Unified School District	1,200	26.94%
Home Depot	307	6.89%
Target	300	6.74%
City of Mission Viejo	269	6.04%
BJ's Restaurant	150	3.37%
JC Penney	145	3.26%
Allied Business School	128	2.87%
Ashley Crown Systems Inc	128	2.87%
Macy's	120	2.69%
Total Principal Employers	4,454	100.00%

Service Area: Covers about 5,430 acres including all of the city of Laguna Woods (36%), and portions of the cities of Laguna Hills (21%), Mission Viejo (12%), Lake Forest (27%) and Aliso Viejo (4%). The district used data from the fiscal year end 2025 ACFRs for the service area cities listed.

Operating Information

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
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
2021	19	16	19	4	1	59
2022	19	16	19	5	1	60
2023	20	16	19	4	1	60
2024	21	15	19	4	1	60
2025	20	15	19	4	1	59
2026	20	14	19	4	1	58



EL TORO WATER DISTRICT
OPERATING AND CAPACITY INDICATORS
LAST TEN FISCAL YEARS

	Water System			
Fiscal Year	Miles of Water Mains	Service Connections	Annual Potable Import (MG)	Average Daily Potable Import (MGD)
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
2021	170	9,983	2,470	6.77
2022	170	9,977	2,338	6.41
2023	170	9,964	1,935	5.30
2024	170	9,966	2,295	6.29
2025	170	9,989	2,183	5.98
2026	170	10,046	2,188	6.00

	Sewer System			
Fiscal Year	Miles of Sewers Lines	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
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
2021	114	9,983	1,057	2.90
2022	114	9,977	1,169	3.20
2023	114	9,964	1,273	3.49
2024	114	9,966	1,276	3.50
2025	114	9,989	1,394	3.82
2026	114	10,046	1,186	3.25

	Recycled Water			
Fiscal Year	Miles of Recycled Pipe	Service Connections	Annual Production (MG)	Daily Production (MGD)
2017	19	210 (1)	462	1.27
2018	19	210	502	1.38
2019	26 (2)	210	419	1.15
2020	26	229	447	1.23
2021	26	275	584	1.60
2022	26	276	575	1.57
2023	26	276	385	1.05
2024	26	276	405	1.11
2025	26	277	527	1.44
2026	26	277	527	1.44

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.

Agenda Item No. 14

STAFF REPORT

To:	**Board of Directors**	**Meeting Date: October 19, 2026**
From:	**Vishav Sharma, Chief Financial Officer**	
Subject:	**September 2026 bills for Approval**	

Attached for Board approval is the payment summary report for the month of September, 2026 which presents checks, ACH and Wire Transfers that were paid during the month that exceeded $75,000 in value.

Presented below for your consideration are the payments of bills for the months of September 2026:

1. The total disbursement including payroll expense and ACH/Direct debts for the month is $3,963,787.24
2. These disbursements include seven payments greater than $75,000, with the total equal to $2,678,953.41. Staff recommend the Board approve these payments.
3. District employees were reimbursed $4,501.38 for travel, education, meals, supplies and certification related expenses; and Directors were reimbursed $3,085.01 for travel expenses.
4. Payroll and benefits expenses of $663,295.68 occurred during the month. This cost includes the cost of employee and Director's payroll, pension and benefits.
5. Total other disbursements/fees via direct debit for the month is $7,024.99.
6. The District issued ACH payments totaling $1,745,704.13 or 53% of the total accounts payable vendors payments excluding payroll.

Recommended Action:

Staff recommend that the Board approve, ratify and confirm payment of those bills as set forth in the Payment Summary for the month ending September 30, 2026.

EL TORO WATER DISTRICT
Payment Summary
For the month ending September 30, 2026

CHECK NUMBER	PAYMENT DATE	VENDOR NAME	PAYMENT AMOUNT
ACH	09/09/2026	Municipal Water District of Orange County	694,408.36
15800	09/02/2026	South Orange County Wastewater Authority	595,267.70
ACH	09/24/2026	ACWA JPIA	443,457.84
15872	09/24/2026	J.R. Filanc Construction Company Inc	404,825.40
ACH	09/09/2026	Irvine Ranch Water District	273,421.23
15824	09/11/2026	Southern California Edison Company	192,450.88
ACH	09/02/2026	Butier Engineering, Inc	75,122.00
		PAYMENTS OVER $75,000	**$ 2,678,953.41**
		PAYMENTS UNDER $75,000	**$ 614,513.16**
		TOTAL ACH PAID	**$ 1,745,704.13**
		TOTAL CHECKS PAID	**$ 1,547,762.44**

REIMBURSEMENTS TO ETWD EMPLOYEES

CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
15873	09/24/2026	Jeff Webster (Safety Glasses)	333.00
15831	09/16/2026	Cheyne Madero (D4 Exam Prep)	349.99
15808	09/09/2026	Daniel Lopez (Tri State Travel)	409.21
15811	09/09/2026	Hannah Ford (WaterReuse Travel)	347.34
15821	09/09/2026	Vu Chu (CA Data Collaberative Summit)	176.59
15777	09/02/2026	Arlhey Nunez (Tri State Travel)	586.90
15782	09/02/2026	Daniel Orozco (Tri State Travel)	500.99
15783	09/02/2026	David Hayden (Tri State Travel)	469.74
15784	09/02/2026	Edward Peterson (Tri State Travel)	549.20
15790	09/02/2026	Jeff Webster (Work Boots)	25.00
15793	09/02/2026	Marc Avila, Jr. (Tri State Travel)	498.39
15794	09/02/2026	Mark Bastia (Tri State Travel)	195.03
15805	09/02/2026	William Wesson (Certification)	60.00
		TOTAL CHECKS TO EMPLOYEES	**$ 4,501.38**

REINBURSEMENTS TO ETWD DIRECTORS

CHECK NUMBER	PAYMENT DATE	PAYEE (DESCRIPTION)	PAYMENT AMOUNT
15841	09/16/2026	Kathryn Freshley (Travel Expenses)	255.80
15845	09/16/2026	Mark Monin (Travel Expenses)	1,270.13
15846	09/16/2026	McClean Wyatt (Travel Expenses)	880.53
15847	09/16/2026	Michael Gaskins (Travel Expenses)	678.55
		TOTAL CHECKS TO DIRECTORS	**$ 3,085.01**
DEBIT TRANSFERS			
	09/04/2026	PAYROLL DIRECT DEPOSIT	171,527.81
	09/04/2026	FEDERAL DEPOSIT LIABILITY	38,327.57
	09/04/2026	SDI & STATE TAX	16,726.75
	09/04/2026	EMPOWER (401K)	69,095.92
	09/04/2026	EMPOWER (457)	18,782.88
	09/04/2026	HEALTH SAVINGS ACCOUNT	603.26
	09/04/2026	DEPENDANT CARE FLEXIBLE SPENDING ACCOUNT	596.16
	09/15/2026	PAYROLL BOARD OF DIRECTOR	7,470.95
	09/15/2026	SS, MEDICARE, SDI & STATE TAX	1,838.17
	09/15/2026	EMPOWER (457)	2,621.94
	09/15/2026	HEALTH SAVINGS ACCOUNT	108.33
	09/18/2026	PAYROLL DIRECT DEPOSIT	182,400.46
	09/18/2026	FEDERAL DEPOSIT LIABILITY	41,785.12
	09/18/2026	SDI & STATE TAX	18,365.88
	09/18/2026	WAGE GARNISHMENTS	346.15
	09/18/2026	EMPOWER (401K)	72,020.28
	09/18/2026	EMPOWER (457)	19,478.63
	09/18/2026	HEALTH SAVINGS ACCOUNT	603.26
	09/18/2026	DEPENDANT CARE FLEXIBLE SPENDING ACCOUNT	596.16
		Total Payroll Expense	**663,295.68**
Direct Debits			
	09/30/2026	BANK and ADP FEES	4,846.35
	09/30/2026	ACH payments (Health Equity)	2,178.64
		Total Other Expense	**7,024.99**
		TOTAL INTERBANK WIRES / ACH / DEBIT TRANSFERS	**$ 670,320.67**
		TOTAL DISBURSEMENTS	**$ 3,963,787.24**

Agenda Item No. 15

STAFF REPORT

To:	**Board of Directors**	**Meeting Date: October 19, 2026**
From:	**Judy Cimorell, Director of Human Resources** **Oscar Hernandez, Accounting Technician**	
Subject:	**Quarterly Insurance Report**	

The Quarterly Insurance Report for the period July 1, 2026 through September 30, 2026 is attached.

Recommended Action

Staff recommends that the Board Receive and File the Quarterly Insurance Report for the period July 1, 2026 through September 30, 2026.

EL TORO WATER DISTRICT
INSURANCE UPDATE
October 2026

Liability Program

There is nothing new to report this quarter.

Property Insurance

There is nothing new to report this quarter.

Excess Public Employee Fidelity Program

There is nothing new to report this quarter.

Cyber Security Insurance

The Cyber Security Insurance has been renewed with JPIA effective July 1, 2026. The new premium is $10,555.10 from $10,052.00.

Underground Storage Tank Pollution Liability

The Underground Storage Tank Pollution Liability has been renewed with JPIA effective July 1, 2026. The new premium is $2,203.06 from $2,061.91.

Dam Failure Liability

There is nothing new to report this quarter.

Fiduciary Liability Policy

There is nothing new to report this quarter.

Liability & Property Claims

On June 20, 2026, El Toro Water District responded to a report from the Golden Rain Foundation regarding a main water line leak that affected multiple areas of the property. The Foundation filed a property damage claim seeking $33,753.10 in compensation for the reported damages. A claim has been filed with the district's insurance provider, ACWA JPIA.

Workers' Compensation Policy

The Workers' Compensation Policy renewed on July 1, 2026, and runs through June 30, 2027.

Workers' Compensation Claims

There were no Workers' Compensation injuries reported this quarter.

Medical Insurance

The District offers five medical plans as follows:

Kaiser Health - $10 office co-pay with no annual deductibles.

Anthem Blue Cross – HMO; Offers a $10 copay with no annual deductibles.

Anthem Blue Cross – PPO; this plan offers benefits within the physician network and outside of the network. In network, there is a co-pay of $15.00 with an annual deductible of $200 per person and $600 per family. Out of the network, benefits are offered at 20% cost to the employee for all covered services with the same annual deductibles.

Kaiser Consumer Driven Health Plan along with an HSA – A high deductible tax advantaged health plan that provides for current medical and pharmacy expenses and allows saving for future health care expenses. $1,500 individual / $3,000 family deductible

Anthem Consumer Driven Health Plan along with a Health Savings Account - A high deductible tax advantaged plan that provides for current medical and pharmacy expenses and allows saving for future health care expenses. $1,500 individual / $3,000 family deductible.

The average cost per month per employee for the first quarter is $1710.89.

Vision Insurance

VSP provides vision coverage to our employees, Directors and dependents. It provides an annual eye exam and discounted rates for frames, lenses and contacts.

The cost per month per employee for the first quarter is $17.21.

Dental Insurance

The District provides dental coverage with Delta Dental. Our dental insurance pays up to $3,000 per calendar year for covered services. All preventative services are covered at no charge which includes three cleanings per year with the copay waived.

The average cost per month per employee for the first quarter is $127.47.

Long and Short Term Disability Insurance

The District offers Long and Short Term Disability Program through Lincoln National Life Insurance Company. The Long Term Disability program provides a maximum monthly benefit of $10,000. The Short Term Disability program provides a maximum weekly benefit of $ 1,500.

Both Short and Long-Term Disability Programs are paid by the District and provides disability payments up to two thirds of an employee's weekly or monthly salary if the claim is approved.

Average cost per month per employee for the first quarter is $75.85.

Life Insurance Coverage

The District offers Life Insurance coverage through Lincoln National Life Insurance Company at twice the employee's annual salary up to a maximum of $300,000.

Lincoln National Life Insurance Company also provides life insurance coverage for the Directors.

Premium rates are based on the age and salary of insured employees. The premium is adjusted on the employee's birthday every fifth year.

The average cost per month per employee for the first quarter is $63.35.

Employee Assistance Program (EAP) Coverage

UNUM is the District's carrier for the Employee Assistance Program. This program offers assistance in many areas such as childcare, eldercare, legal consultations, and health information, personal relationship issues, financial planning assistance, stress management, and career development. This benefit also comes with a $5,000 portable term life insurance benefit.

The cost per month per employee for the first quarter is $1.91.

An insurance report of Budget vs. Actual Costs for the fiscal year 2026/2027 is attached for the Board's review as well as a summary of currently held District insurance policies.

Submitted by:
Judy Cimorell
Oscar Hernandez

Budget vs. Actual - Q1 2026/2027
10/1/2026

Insurance Coverage	Budget	Actual Paid to Date	Remaining
Liability	$275,000.00	$258,408.00	$16,592.00
Property	$133,000.00	$157,948.00	($24,948.00)
Fiduciary Liability	$12,000.00	$11,746.00	$254.00
Cyber Liability	$10,100.00	$10,555.10	($455.10)
Dam Insurance (Includes Excess)	$53,000.00	$57,167.00	($4,167.00)
Less: SMWD - 50% R-6 Cost Share		-$28,583.50	
MNWD - 5% R-6 Cost Share		-$2,858.35	
Dam Insurance (Rossmoor)	$4,500.00	$2,258.00	$2,242.00
Underground Storage Tank	$2,100	$2,203.06	($103.06)
Excess Crime	$1,500	$1,315.00	$185.00
Total Insurance		**$470,158.31**	

Benefits - Directors	FY 26/27 Annual Budget	Q1 Budget	Accumulative Q1 Actual	Budget Remaining
Medical Employer Paid	$27,881	$6,970	$6,638	$21,243
Health Savings Account	$1,750	$438	$0	$1,750
Dental	$4,675	$1,169	$1,157	$3,518
Vision	$1,050	$263	$258	$792
Life	$161	$40	$34	$127
Total Benefits Directors	**$35,517**	**$8,879**	**$8,087**	**$27,430**
Retiree Benefits				
Medical Employer Paid	$451,000	$112,750	$99,132	$351,868
Total retiree benefits	**$451,000**	**$112,750**	**$99,132**	**$351,868**
Employee Benefits				
Emp.Assistance Program	$1,382	$346	$326	$1,056
Medical Employer Paid	$1,221,790	$305,448	$292,561	$929,229
Health Savings Account	$27,150	$6,788	$0	$27,150
Life/AD&D	$43,220	$10,805	$10,833	$32,387
Dental	$93,994	$23,499	$22,179	$71,815
Vision	$11,450	$2,863	$2,926	$8,524
LTD/STD	$55,954	$13,989	$12,970	$42,984
Workers comp.	$150,641	$37,660	$50,749	$99,892
Total Employee Benefits	**$1,605,581**	**$401,395**	**$392,545**	**$1,213,036**

SUMMARY OF COVERAGE

Type of Coverage	**GENERAL LIABILITY**	**Coverage Term: 10/25-10/26**
Coverage Includes	1. Commercial General Liability 2. Contractual Liability 3. Products/Completed Operations 4. Personal Injury	**Premium - $274,157.37**
Coverage Limits	**Insurance Carrier**	**Policy Number**
	Pooled Self-insured	MOLC - 100110

Type of Coverage	**AUTO LIABILITY**	**Coverage Term: 10/25-10/26**
Coverage Includes	1. Owned Automobiles/Trucks 2. Non-owned Automobiles/Trucks 3. Hired Automobiles/Trucks	**Premium - Included**
Coverage Limits	**Insurance Carrier**	**Policy Number**
	Pooled Self-insured	MOLC - 100110

Type of Coverage	**PUBLIC OFFICIALS LIABILITY**	**Coverage Term: 10/25-10/26**
Coverage Includes	1. Errors & Omissions	**Premium - Included**
Coverage Limits	**Insurance Carrier**	**Policy Number**
	Pooled Self-insured	MOLC - 100110

Type of Coverage	**PROPERTY**	**Coverage Term: 4/26 - 4/27**
Coverage Includes	1. Basic Property Values- Building, Fixed Equipment, Personal Property 2. Mobile Equipment Value 3. Licensed Vehicle - Comprehensive & Collision - Private Passenger, Light Truck, Sport Utility, Other Vehicles	**Premium - $191,296.46**
Automobile Physical Damage **Comprehensive - 83 Vehicles** **Collision - 83 Vehicles**		
Coverage Limits	**Insurance Carrier**	**Policy Number**
	Pooled Self-insured	MOLC - 100110

Type of Coverage	**EXCESS CRIME PROGRAM**	**Coverage Term: 4/26 - 4/27**
Coverage Includes	1. Public Employee Dishonesty 2. Forgery or Alteration 3. Computer Fraud 4. Faithful Performance of Duty 5. Treasurer/Tax Collector/Board Members (included)	**Premium - $1,922.00**
Coverage Limits	**Insurance Carrier**	**Policy Number**
	Pooled Self-insured	MOLC - 100110

Type of Coverage	**UNDERGROUND STORAGE TANK POLLUTION LIABILITY**	**Coverage Term: 7/26 - 06/27**
Coverage Includes	1. Claims-Made 2. Environmental Incident	**Premium - $2,203.06**
Covers 1 Tank Located at: **23542 Moulton Parkway** **Laguna Woods, CA 92637**		
Coverage Limits	**Insurance Carrier**	**Policy Number**
	Pooled Self-insured	MOLC - 100110

Type of Coverage	**DAM FAILURE LIABILITY**	**Coverage Term: 10/25-10/26**
Coverage (Includes Excess Ins. for El Toro Reservoir)	$10,000,000.00	**Premium - $52,701.00**
Covers: **El Toro Reservoir** **Rossmoor Dam**	$5,000,000.00	**Premium - $2,240.00**
Coverage Limits	**Insurance Carrier**	**Policy Number**
		MOLC - 100110

Type of Coverage	**FIDUCIARY LIABILITY**	**Coverage Term: 9/25-9/26**
Coverage Includes	1. Executive Protection Policy	**Premium - $11,787.00**
Parent Organization: **ETWD Retirement Savings Plan &**	**Trust Agreement**	
Coverage Limits	**Insurance Carrier** Hudson Insurance Company	**Policy Number** SFD31211603

Type of Coverage	**CYBER SECURITY**	**Coverage Term: 7/26-7/27**
First Year		**Premium - $10,555.10**

Type of Coverage	WORKERS' COMPENSATION	Coverage Term: 7/26 - 6/27
Coverage Includes	1. Coverage A - Workers' Compensation 2. Coverage B - Employer's Liability	**1st Quarter Premium $50,749**
Coverage Limits	**Insurance Carrier**	**Policy Number**
Coverage A **$0 - $2 Million** **$2 Million to Statutory**	Pooled Self-insured	MOLC - 100110
Coverage Limits	**Insurance Carrier**	**Policy Number**
Coverage B **$0 - $2 Million** **$2 Million excess of $2 Million SIR**	Pooled Self-insured	MOLC - 100110

Type of Coverage	LIFE & ACCIDENT	1st Quarter Premium $10,866
Coverage Includes	**Coverage - 2 X Annual Income (Max. of $300,000)**	
Insurance Carrier	**Lincoln National Life Insurance Co.**	**Policy # 10218807**
Eligibility Period	**2 Months After Hire**	
Plan Wait or Deductible	**60 Days**	

Type of Coverage	LONG / SHORT TERM DISABILITY	1st Quarter Premium $12,970
Coverage Includes	**Two Thirds of Insured Earnings Max. of $10,000**	
Insurance Carrier	**Lincoln National Life Insurance Co.**	**Policy # 10218808**
Eligibility Period	**1 Year After Hire**	
Plan Wait or Deductible	**30 Days STD 90 Days or 9 Weeks LTD**	

Type of Coverage	MEDICAL	1st Quarter Premium $398,332
Coverage Includes	**HMO, PPO, HDP by Employee Choice**	
Insurance Carrier	**Anthem Blue Cross / Kaiser Insurance thru ACWA/JPIA**	**Policy #229CA**
Eligibility Period	**1 Month After Hire**	
Plan Wait or Deductible	**30 Days** * Premium includes Employees, Retirees & Directors	

Type of Coverage	DENTAL	1st Quarter Premium $23,336
Coverage Includes	$25.00 or $50.00/Family	
Insurance Carrier	Delta Dental Plan of California	Policy #399-1012
Eligibility Period	2 Months After Hire	
Plan Wait or Deductible	60 Days	

Type of Coverage	VISION	1st Quarter Premium $3,184
Coverage Includes	Annual Exam/Frame Every 2 Years	
Insurance Carrier	Vision Service Plan thru ACWA	Policy #399-1012
Eligibility Period	2 Months After Hire	
Plan Wait or Deductible	60 Days	

Type of Coverage	PERSONAL ACCIDENT INSURANCE	1st Quarter Premium Employee Paid
Coverage Includes	$50,000 or $100,000	
Insurance Carrier	CIGNA	Policy # OKH-1253-56
Eligibility Period	Optional	
Plan Wait or Deductible	None	

Type of Coverage	Supplemental Financial Insurance Program	1st Quarter Premium Employee Paid
Coverage Includes	Voluntary - Life, Accident / Injury, Hospital, Critical Care, Short-term Disability, Dental	
Insurance Carrier	AFLAC	Policy # E3B26
Eligibility Period	Optional	
Plan Wait or Deductible	None	

EL TORO WATER DISTRICT

Glossary of Water Terms

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

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

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

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

AFY: Acre-foot per year.

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

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

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

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

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

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

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

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

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

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

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

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

BIA: Building Industry Association

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

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

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

Brackish water: A mixture of freshwater and saltwater

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

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

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

CEQA: California Environmental Quality Act.

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

CFS: Cubic feet per second.

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

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

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

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

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

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

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

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

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

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

Crisis:

1. A: The turning point for better or worse B. a paroxysmal attack of pain, distress, or disordered function C. an emotionally significant event or radical change of status in a person's life < a midlife crisis>
2. The decisive moment (as in a literary plot)
3. A: An unstable or crucial time or state of affairs in which a decisive change is impending; especially one with the distinct possibility of a highly undesirable outcome < a financial crisis> B. a situation that has reached a critical phase

CTP: Coastal Treatment Plant

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

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

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

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

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

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

Delta Vision: Delta Vision is intended to identify a strategy for managing the Sacramento- San Joaquin Delta as a sustainable ecosystem that would continue to support environmental and economic functions that are critical to the people of California.
Demineralize: To reduce the concentrations of minerals from water by ion exchange, distillation, electro-dialysis, or reverse osmosis.

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

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

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

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

Disinfection: Water treatment which destroys potentially harmful bacteria.

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

Drought: A prolonged period of below- average precipitation.

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

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

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

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

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

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

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

Evaporation: The process that changes water (liquid) into water vapor (gas).
Estuary: Where fresh water meets salt water.

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

FCH: Federal Clearing House – Environmental Review/Processing

FEMA: Federal Emergency Management Agency

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

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

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

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

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

God Squad: A seven-member committee that is officially called the “Endangered Species Committee”. Members consist of Secretary of the Interior, the Secretary of Agriculture, the Secretary of the Army, the Chairman of the Council of Economic Advisers, the Administrator of the National Oceanic and Atmospheric Administration and one individual from the affected state. The squad was established in 1978 by an amendment to the 1973 Endangered Species Act (ESA). It has only been called into action three times to deal with proposed federal agency actions that have been determined to cause “jeopardy” to any listed species.

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

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

Groundwater mining: The withdrawal of water from an aquifer in excess of recharge over a period of time. If continued, the underground supply would eventually be exhausted or the water table could drop below economically feasible pumping lifts.
Groundwater overdraft: The condition of a groundwater basin in which the amount of water withdrawn by pumping exceeds the amount of water that recharges the basin over a period of years during which water supply conditions approximate average.

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

Ground water replenishment system (GWRS): A joint project of the Orange County Water District and the Orange County Sanitation District that will provide up to 1000,000 acre-feet of reclaimed water annually. The high-quality water will be used to expand an existing underground seawater intrusion barrier and to replenish the groundwater basin underlying north and central Orange County.

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

GPM: Gallons per minute.

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

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

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

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

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

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

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

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

LAIF: Local Agency Investment Fund. Statewide pool of surplus public agency money managed by state treasurer.

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

MAF: Million-acre feet.

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

MET: Metropolitan Water District of Southern California.

MGD: Million gallons per day.

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

Microorganism: An animal or plant of microscopic size.

MWD: Metropolitan Water District of Southern California.

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

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

NPDES: National Pollution Discharge Elimination System

OCBD: Orange County Business Council

OCEMA: Orange County Environmental Management Agency

OCWD: Orange County Water District

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

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

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

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

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

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

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

Potable water: Suitable and safe for drinking

PPB: Parts per billion

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

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

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

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

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

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

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

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

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

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

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

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

RFP: Request for Proposal

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

RO: Reverse osmosis. See the listing under “reverse osmosis.”

R-O-W: Right-of-way

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

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

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

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

SAFRA: Santa Ana River Flood Protection Agency

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

SAWPA: Santa Ana Watershed Project Authority.

SCADA: Supervisory Control and Data Acquisition

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

SCH: State Clearing House – Environmental Review/Processing

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

> STSS (Short Term Seasonal Storage): financially encourages agencies with local groundwater production capabilities to produce a higher percentage of their demand in the summer from their local groundwater supplies, thus shifting a portion of their demand on the MWD system from the summer to winter;
>
> LTSS (Long Term Seasonal Storage): Financially encourages retail agencies to take and store additional amounts of MWD water above their normal annual demands for later use; Replenishment Water provides less expensive interruptible water that is generally available and used to increase the operating yield of groundwater basins.

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

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

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

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

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

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

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

SJBA: San Juan Basin Authority

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

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

CSC – City of San Clemente
CSJC – City of San Juan Capistrano
CLB – City of Laguna Beach
ETWD – El Toro Water District
EBSD – Emerald Bay Service District
IRWD – Irvine Ranch Water District
MNWD – Moulton Niguel Water District
SCWD – South Coast Water District
SMWD – Santa Margarita Water District
TCWD – Trabuco Canyon Water District

SRF: State Revolving Fund

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

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

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

SWRCB: State Water Resources Control Board

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

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

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

TMA: Too many acronyms.

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

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

Turbidity: Thick of opaque with matter in suspension; muddy water

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

VE: Value Engineering

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

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

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

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

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

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

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

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

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

Water table: The top level of water stored underground.

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

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

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

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

Xeriscape: Landscaping that requires minimal water.