



El Toro Water District

# Comprehensive Annual Financial Report

**For the Year Ended June 30, 2018**



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



**El Toro Water District  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2018**

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## **INTRODUCTORY SECTION**

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# El Toro Water District

*"A District of Distinction"*

Serving the Public - Respecting the Environment

## Board of Directors

M. Scott Goldman  
Jose F. Vergara  
Frederick J. Adjarian  
Mark L. Monin  
Kathryn Freshley

## General Manager

Robert R. Hill

November 15, 2018

Board of Directors  
El Toro Water District

### **Introduction**

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the El Toro Water District (District) for the fiscal years ended June 30, 2018, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

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

### **District Structure and Leadership**

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

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

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

### **Economic Condition and Outlook**

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

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

## Major initiatives

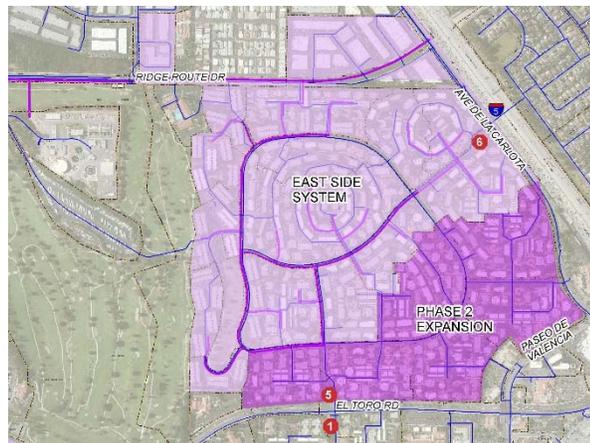
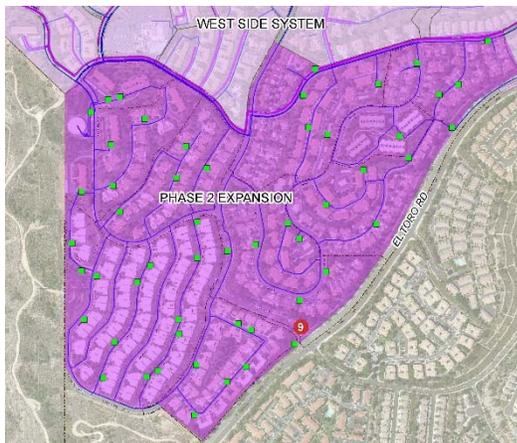
The mission of the El Toro Water District is to “provide its customers a safe, adequate and reliable supply of water and wastewater service in an environmentally and economically responsible way.”

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

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

Some major capital improvement projects include:

The Phase II Recycled Water Distribution System Expansion Project (Project), budgeted at \$8 million, which adds approximately 28,500 feet of new recycled water pipelines and appurtenances to the existing recycled water system. The Project adds 65 dedicated recycled water irrigation meters to the recycled water system. Construction for the waterline project was completed in third quarter of 2018. On-site retrofits are anticipated to be completed by mid-2019.



The Oso Sewer Lift Station Improvement Project, budgeted at \$ 1.5 million, is expected to be complete by the third quarter of 2019. This project will replace the aging sewer lift station and increase the reliability and efficiency of the sewer pumping facilities.



### **Internal Control Structure**

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

### **Budgetary Control**

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

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

### **Investment Policy**

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

### **Water Rates and District Revenues**

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

**Audit and Financial Reporting**

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

**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,



Robert Hill  
General Manager



Neely Shahbakti  
Finance Manager/Controller



## **DISTRICT OFFICIALS**

### **Board of Directors**

M. Scott Goldman, President

Jose Vergara, Vice President

Mark Monin, Treasurer

Frederick Adjarian, Director

### **District Management**

Robert R. Hill, General Manager

Dennis P. Cafferty, Assistant General Manager/District Engineer

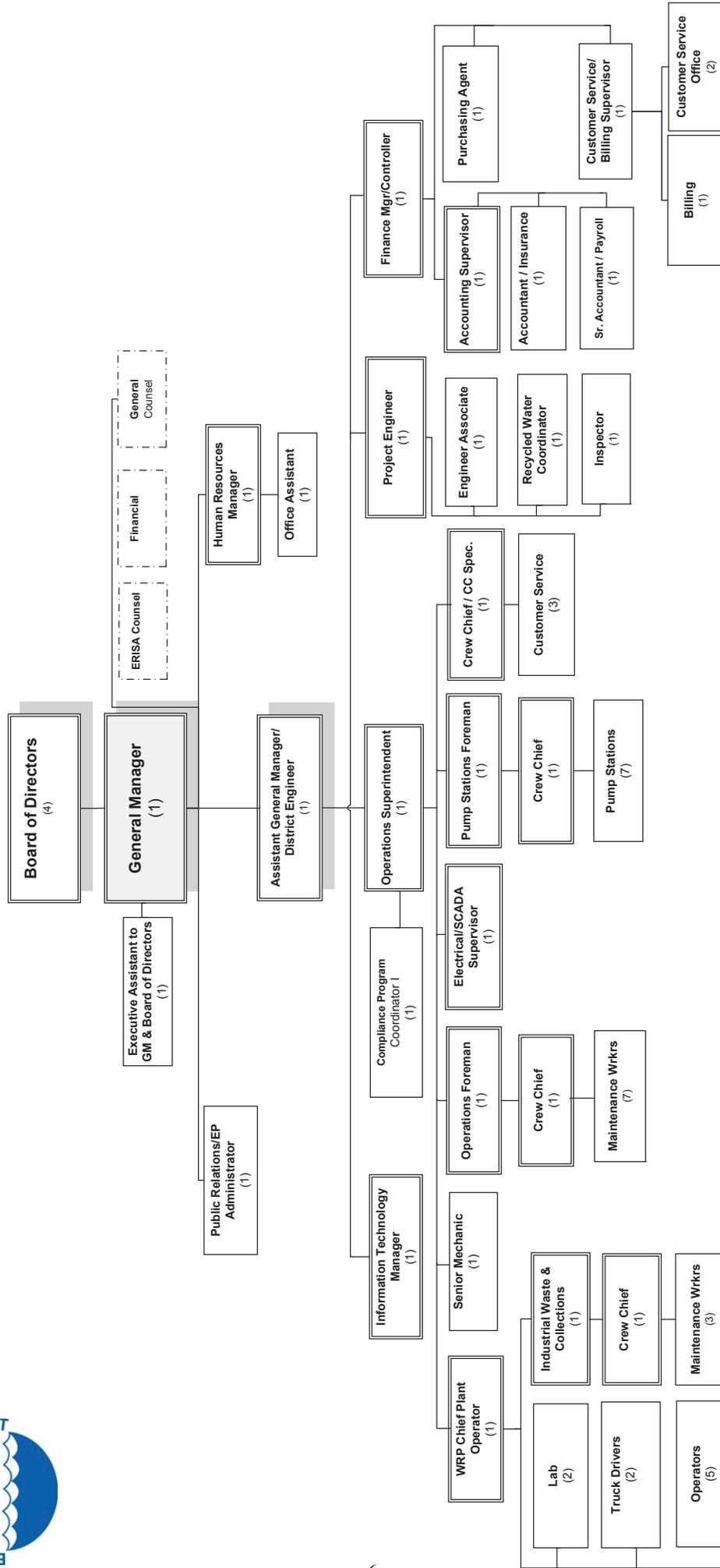
Neely Shahbakhti, Finance Manager/Controller

Judy Cimorell, Human Resource Manager

Michael Miazga, Information Technology Manager



# EL TORO WATER DISTRICT ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**El Toro Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the El Toro Water District (District), which comprise of the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the year ended and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2018 and the respective changes in financial position, and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 19 and the Schedule of Changes in Total OPEB Liability and Related Ratio on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Santa Ana, California  
November 15, 2018



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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 15, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

To the Board of Directors  
of the El Toro Water District  
Lake Forest, California  
Page 2

**Purpose of this Report**

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

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
November 15, 2018

**El Toro Water District**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2018**

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The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the El Toro Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- In 2018, the District's net position decreased 9.04% or \$6,236,290 to \$62,720,731 as a result of operations.
- In 2018, the District's operating revenues increased 5.88%, or \$1,412,387, primarily due to a \$823,991 increase in water consumption sales and a \$325,729 increase in sewer services.
- In 2018, the District's operating expenses before depreciation increased 7.20%, or \$1,527,717, primarily due to an increase in source of supply of \$858,485.

**Required Financial Statements**

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

The Statement of Net Position include all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. The statements measure the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. The statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the District**

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

These two statements report the District's *net position* and changes in them. One can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

**El Toro Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2018**

**Notes to the Basic Financial Statements**

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

**Condensed Statement of Net Position**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 16,550,066	\$ 19,553,765	\$ (3,003,699)
Restricted assets	1,648,811	1,626,039	22,772
Capital assets, net	96,109,953	94,743,188	1,366,765
<b>Total assets</b>	<u>114,308,830</u>	<u>115,922,992</u>	<u>(1,614,162)</u>
<b>Liabilities:</b>			
Current liabilities	5,491,773	4,558,062	933,711
Noncurrent liabilities	46,096,326	42,407,909	3,688,417
<b>Total liabilities</b>	<u>51,588,099</u>	<u>46,965,971</u>	<u>4,622,128</u>
<b>Net position:</b>			
Net investment in capital assets	60,300,968	57,194,565	3,106,403
Restricted	1,648,811	1,626,039	22,772
Unrestricted	770,952	10,136,417	(9,365,465)
<b>Total net position</b>	<u>\$ 62,720,731</u>	<u>\$ 68,957,021</u>	<u>\$ (6,236,290)</u>

In 2018, total assets decreased by \$1,614,162, total liabilities increased by \$4,622,128, and net position decreased by \$6,236,290.

In 2018, the decrease in current assets of \$3,003,699 is directly related to the \$1.4 million increase capital assets as the District continues to utilize its cash reserves to construct its capital projects.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$62,720,731 and \$68,957,021 as of June 30, 2018 and 2017, respectively.

By far the largest portion of the District's net position (96% as of June 30, 2018 and 83% as of June 30, 2017) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2018 and 2017, the District showed a balance in its restricted net position of \$1,648,811 and \$1,626,039, respectively, which is restricted for debt service and capital projects.

At the end of fiscal years 2018 and 2017, the District showed a positive balance in its unrestricted net position of \$770,952 and \$10,136,417, respectively, which may be utilized in future years. The significant decrease in unrestricted net position due to the implementation of GASB Statement No. 75, which reported \$11,191,763 of Total OPEB Liability as of June 30, 2018.

**El Toro Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2018**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues	\$ 25,445,261	\$ 24,032,874	\$ 1,412,387
Non-operating revenues	1,299,509	1,298,287	1,222
<b>Total revenues</b>	<u>26,744,770</u>	<u>25,331,161</u>	<u>1,413,609</u>
<b>Expenses:</b>			
Operating expenses	22,746,700	21,218,983	1,527,717
Depreciation	4,350,053	4,068,743	281,310
Non-operating expenses	790,753	706,683	84,070
<b>Total expenses</b>	<u>27,887,506</u>	<u>25,994,409</u>	<u>1,893,097</u>
<b>Capital contributions</b>	<u>45,853</u>	<u>85,821</u>	<u>(39,968)</u>
<b>Change in net position</b>	(1,096,883)	(577,427)	(519,456)
<b>Net position:</b>			
Beginning of year	68,957,021	69,534,448	(577,427)
Restatement due to implementation of GASB 75	(5,139,407)	-	(5,139,407)
End of year	<u>\$ 62,720,731</u>	<u>\$ 68,957,021</u>	<u>\$ (6,236,290)</u>

The statements of revenues, expenses and changes of net position reflect how the District's net position changed during the fiscal year. In the case of the District, the District's change in net position decreased by \$6,236,290 and decreased by \$577,427, respectively, for the fiscal years ended June 30, 2018 and 2017.

**El Toro Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2018**

**Total Revenues**

<b>Operating revenues:</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Change</b>
Water consumption sales	\$ 9,459,453	\$ 8,635,462	\$ 823,991
Water service charges	4,325,454	4,177,505	147,949
Sewer service charges	11,085,710	10,759,981	325,729
Standby charges	418	1,525	(1,107)
Reimbursements from others	403,445	331,179	72,266
Other charges for services	170,781	127,222	43,559
<b>Total operating revenues</b>	<b>25,445,261</b>	<b>24,032,874</b>	<b>1,412,387</b>
<b>Non-operating revenues:</b>			
Property taxes	927,672	888,973	38,699
Rental revenue	188,183	181,491	6,692
Investment earnings	124,001	75,113	48,888
Other non-operating revenue	59,653	152,710	(93,057)
<b>Total non-operating revenues</b>	<b>1,299,509</b>	<b>1,298,287</b>	<b>1,222</b>
<b>Total revenue</b>	<b>\$ 26,744,770</b>	<b>\$ 25,331,161</b>	<b>\$ 1,413,609</b>

In 2018, the District's operating revenues increased 5.88%, or \$1,412,387, primarily due to a \$823,991 increase in water consumption sales and a \$325,729 increase in sewer services.

**Total Expenses**

<b>Operating expenses:</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Change</b>
Source of supply	\$ 8,294,019	\$ 7,435,534	\$ 858,485
Pumping	1,491,273	1,460,096	31,177
Water treatment	3,567,648	3,380,526	187,122
Transmission and distribution	5,035,094	5,037,124	(2,030)
Customer service	686,217	694,479	(8,262)
General and administrative	3,672,449	3,211,224	461,225
<b>Total operating expenses</b>	<b>22,746,700</b>	<b>21,218,983</b>	<b>1,527,717</b>
Depreciation	4,350,053	4,068,743	281,310
<b>Non-operating expenses:</b>			
Interest expense	790,753	706,683	84,070
<b>Total non-operating expenses</b>	<b>790,753</b>	<b>706,683</b>	<b>84,070</b>
<b>Total expenses</b>	<b>\$ 27,887,506</b>	<b>\$ 25,994,409</b>	<b>\$ 1,893,097</b>

In 2018, the District's operating expenses before depreciation increased 7.20%, or \$1,527,717 primarily due to an increase in source of supply of \$858,485 and General and administrative of \$461,225.

**El Toro Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2018**

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**Capital Assets**

Capital asset balances were as follows:

<u>Description</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Non-depreciable assets	\$ 12,888,375	\$ 9,293,359
Depreciable assets	154,242,110	152,232,271
Accumulated depreciation	<u>(71,020,532)</u>	<u>(66,782,442)</u>
Total capital assets, net	<u>\$ 96,109,953</u>	<u>\$ 94,743,188</u>

At the end of fiscal years 2018 and 2017, the District's investment in capital assets amounted to \$96,109,953 and \$94,743,188 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process, etc. (See Note 3 for further information)

**Debt Administration**

Long-term debt balances were as follows:

<u>Description</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Loans payable	<u>\$ 35,808,985</u>	<u>\$ 37,548,623</u>
Total long-term debt	<u>\$ 35,808,985</u>	<u>\$ 37,548,623</u>

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

**Conditions Affecting Current Financial Position**

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

**Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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**El Toro Water District**  
**Statement of Net Position**  
**June 30, 2018**

**ASSETS**

**Current assets:**

Cash and cash equivalents (Note 2)	\$	3,380,895
Investments (Note 2)		9,019,914
Accrued interest receivable		64,229
Accounts receivable – water sales and sewer services		3,125,385
Accounts receivable – grants		84,542
Accounts receivable – other		2,501
Property taxes receivable		8,413
Materials and supplies inventory		659,179
Prepaid items		205,008
<b>Total current assets</b>		<b>16,550,066</b>

**Non-current assets:**

Restricted – cash and cash equivalents (Note 2)		1,648,811
Capital assets – not being depreciated (Note 3)		12,888,375
Capital assets, net – being depreciated (Note 3)		83,221,578
<b>Total non-current assets</b>		<b>97,758,764</b>
<b>Total assets</b>	\$	<b>114,308,830</b>

**LIABILITIES**

**Current liabilities:**

Accounts payable and accrued expenses	\$	2,679,399
Accrued salaries and related payables		237,515
Customer deposits and unearned revenue		56,283
Accrued interest payable		295,535
Long-term liabilities – due within one year:		
Compensated absences (Note 4)		440,556
Loans payable (Note 5)		1,782,485
<b>Total current liabilities</b>		<b>5,491,773</b>

**Non-current liabilities:**

Long-term liabilities – due in more than one year:		
Compensated absences (Note 4)		878,063
Net other post-employment benefits liability (Note 7)		11,191,763
Loans payable (Note 5)		34,026,500
<b>Total non-current liabilities</b>		<b>46,096,326</b>
<b>Total liabilities</b>		<b>51,588,099</b>

**NET POSITION**

Net investment in capital assets (Note 8)		60,300,968
Restricted – capital projects		45,853
Restricted – debt service		1,602,958
Unrestricted		770,952
<b>Total net position</b>	\$	<b>62,720,731</b>

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**El Toro Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2018**

<b>Operating revenues:</b>	
Water consumption sales	\$ 9,459,453
Water service charges	4,325,454
Sewer service charges	11,085,710
Standby charges	418
Reimbursements from others	403,445
Other charges for services	170,781
<b>Total operating revenues</b>	<b>25,445,261</b>
 <b>Operating expenses:</b>	
Source of supply	8,294,019
Pumping	1,491,273
Treatment	3,567,648
Transmission and distribution	5,035,094
Customer service	686,217
General and administrative	3,672,449
<b>Total operating expenses</b>	<b>22,746,700</b>
<b>Operating income before depreciation</b>	2,698,561
Depreciation expense	(4,350,053)
<b>Operating (loss)</b>	<b>(1,651,492)</b>
 <b>Non-operating revenues(expenses):</b>	
Property taxes	927,672
Rental revenue	188,183
Investment earnings	124,001
Interest expense	(790,753)
Other non-operating revenue	59,653
<b>Total non-operating revenues, net</b>	<b>508,756</b>
<b>Net (loss) before capital contributions</b>	(1,142,736)
 <b>Capital contributions:</b>	
Capital grants	45,853
<b>Total capital contributions</b>	<b>45,853</b>
<b>Change in net position</b>	(1,096,883)
 <b>Net position:</b>	
Beginning of year, as restated (Note 11)	63,817,614
End of year	<b>\$ 62,720,731</b>

**El Toro Water District**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from customers for water sales and services	\$ 25,308,470
Cash paid to employees for salaries and wages	(7,974,791)
Cash paid to vendors and suppliers for materials and services	(13,640,499)
<b>Net cash provided by operating activities</b>	3,693,180
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Proceeds from property taxes	928,668
<b>Net cash provided by non-capital financing activities</b>	928,668
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	(5,716,818)
Capital contributions	8,291
Principal paid	(1,739,638)
Interest paid	(805,729)
<b>Net cash (used in) capital and related financing activities</b>	(8,253,894)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from investment earnings	115,434
Proceeds from rental income	188,183
<b>Net cash provided by investing activities</b>	303,617
<b>Net (decrease) in cash and cash equivalents</b>	(3,328,429)
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year	17,378,049
End of year	\$ 14,049,620
<b>CASH AND CASH EQUIVALENTS:</b>	
Cash and investments	\$ 12,400,809
Restricted – cash and investments	1,648,811
<b>Total cash and investments</b>	\$ 14,049,620

**El Toro Water District**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2018**

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**RECONCILIATION OF NET OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating (Loss)	\$	(1,651,492)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense		4,350,053
Other non-operating revenue		59,653
Changes in operating assets and liabilities		
Accounts receivable – water sales and sewer services		(199,726)
Accounts receivable – other		209
Materials and supplies inventory		(96,729)
Prepaid items		(6,123)
Accounts payable and accrued expenses		808,172
Accrued salaries and related payables		(8,678)
Customer deposits and unearned revenue		3,073
Compensated absences		(5,788)
Other postemployment benefits liability		440,556
<b>Net cash provided by operating activities</b>	<b>\$</b>	<b><u>3,693,180</u></b>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**El Toro Water District**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

***Organization and Operations of the Reporting Entity***

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of U.S. GAAP. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component that has substantively the same governing body as the District's governing body, and additionally (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 have operational responsibility for the activities of the component unit.

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

**Basis of Presentation**

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (GASB) commonly referred to as accounting principles generally accepted in the United States of America (U.S. GAAP). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Financial Statements (i.e., statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government. The District accounts for its 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, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through member assessments and charges for services; 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.

The Financial Statements are reported using the “*economic resources*” measurement focus and 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. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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

***Use of Estimates***

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

***Cash and Cash Equivalents***

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

***Investments***

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

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

***Restricted Assets***

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

***Accounts Receivable***

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

***Prepaid Items***

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

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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

***Materials and Supplies Inventory***

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

***Property Taxes***

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

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

***Capital Assets***

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

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

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

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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

***Construction-in-Process***

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

***Compensated Absences***

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

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

***Other Postemployment Benefits***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("OPEB Plan") and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2018
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

***Net Position***

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

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

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

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

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

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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

***Water Sales and Sewer Services***

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

***Capital Contributions***

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

***Implementation of new GASB pronouncements***

During fiscal year ended June 30, 2018, the District has implemented the following new GASB Pronouncements:

***GASB Statement No. 75*** - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the District's fiscal year ending June 30, 2018.

***GASB Statement No. 81*** - In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split -interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the District's fiscal year ending June 30, 2018.

***GASB Statement No. 82*** - In December 2015, GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures of those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for District's fiscal year ending June 30, 2018.

***GASB Statement No. 85*** - In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of areas including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Application of this statement is effective for the District's fiscal year ending June 30, 2018.

***GASB Statement No. 86*** - In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement is effective for the District's fiscal year ending June 30, 2018.

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 2 – Cash and Investments**

At June 30, 2018, cash and investments were classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 3,380,895
Investments	9,019,914
Restricted – cash and cash equivalents	1,648,811
Total	\$ 14,049,620

At June 30, 2018, cash and investments consisted of the following:

Cash on hand	\$ 700
Demand deposits held with financial institutions	554,365
Investments	13,494,555
Total	\$ 14,049,620

***Demand Deposits***

At June 30, 2018, the carrying amount of the District’s demand deposits was \$554,365, and the financial institution balance was \$631,584. The \$77,219 net difference as of June 30, 2018 represents outstanding checks, deposits-in-transit and/or other reconciling items.

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

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

***Investments***

The District’s investments as of June 30, 2018 were as follows:

Type of Investments	Measurement Input	Credit Rating Moody's	June 30, 2018 Fair Value	Maturity 12 Months or Less
Local Agency Investment Fund (LAIF)	Uncategorized	N/A	\$ 4,474,641	\$ 4,474,641
California Asset Management Program (CAMP) Pool	Level 2	N/A	9,019,914	9,019,914
<b>Total investments</b>			<b>\$ 13,494,555</b>	<b>\$ 13,494,555</b>

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 2 – Cash and Investments (Continued)**

***Authorized Deposits and Investments***

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy.

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

***Investment in California – Local Agency Investment Fund (LAIF)***

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the entity’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Further information about LAIF is available on the California State Controller’s website: [www.treasurer.ca.gov/pmia-laif/](http://www.treasurer.ca.gov/pmia-laif/)

The District’s investments with LAIF at June 30, 2018 included a portion of the pool funds invested in structured notes and asset-backed securities:

**Structured Notes:** debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

**Asset-Backed Securities:** generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had \$4,474,641 invested in LAIF, which had invested 2.67% of the pooled investment funds as of June 30, 2018, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF as of June 30, 2018.

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 2 – Cash and Investments (Continued)**

***Investment in California Asset Management Program (CAMP)***

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

The District has a separate account with the Investment Advisor to manage the District's CAMP portfolio which consists of \$9,019,914 at June 30, 2018.

***Fair Value Measurement Input***

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

***Custodial Credit Risk***

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

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized statistical rating organization. The District has utilized Moody's for its investment credit ratings. As of June 30, 2018, the District has presented its investment security credit rating ranges as noted in the table above.

***Interest Rate Risk***

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

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 2 – Cash and Investments (Continued)**

***Concentration of Credit Risk***

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

**Note 3 – Capital Assets**

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

Changes in capital assets for the year ended June 30, 2018 were as follows:

Description	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Non-depreciable assets:</b>					
Land	\$ 7,451,586	\$ -	\$ -	\$ -	\$ 7,451,586
Construction-in-process	1,841,773	4,518,303	-	(923,287)	5,436,789
<b>Total non-depreciable assets</b>	<b>9,293,359</b>	<b>4,518,303</b>	<b>-</b>	<b>(923,287)</b>	<b>12,888,375</b>
<b>Depreciable assets:</b>					
Capacity rights	342,382	-	-	-	342,382
Sources of supply	19,968,006	-	-	-	19,968,006
Pumping	21,633,019	134,735	-	-	21,767,754
Treatment	38,512,495	391,194	-	218,710	39,122,399
Transmission and collection	58,879,960	167,046	-	4,260	59,051,266
General plant facilities	12,896,409	505,540	(111,963)	700,317	13,990,303
<b>Total depreciable assets</b>	<b>152,232,271</b>	<b>1,198,515</b>	<b>(111,963)</b>	<b>923,287</b>	<b>154,242,110</b>
<b>Accumulated depreciation:</b>					
Capacity rights	(226,003)	(6,846)	-	-	(232,849)
Sources of supply	(10,406,642)	(370,980)	-	-	(10,777,622)
Pumping	(10,528,787)	(918,214)	-	-	(11,447,001)
Treatment	(24,542,264)	(1,354,463)	-	-	(25,896,727)
Transmission and collection	(10,373,397)	(1,215,883)	-	-	(11,589,280)
General plant facilities	(10,705,349)	(483,667)	111,963	-	(11,077,053)
<b>Total accumulated depreciation</b>	<b>(66,782,442)</b>	<b>(4,350,053)</b>	<b>111,963</b>	<b>-</b>	<b>(71,020,532)</b>
<b>Total depreciable assets, net</b>	<b>85,449,829</b>	<b>(3,151,538)</b>	<b>-</b>	<b>923,287</b>	<b>83,221,578</b>
<b>Total capital assets, net</b>	<b>\$ 94,743,188</b>	<b>\$ 1,366,765</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 96,109,953</b>

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 3 – Capital Assets (Continued)**

***Construction-In-Process***

The District is involved in various construction projects throughout the year. Once completed, those projects are capitalized and depreciated over the life of the asset. The balance of construction-in-process was \$5,436,789 as of June 30, 2018.

Construction-in-process consisted of the following projects as of June 30, 2018:

Project Description	
Oso Lift Station Improvement	\$ 192,360
Recycled water distribution system expansion	5,196,865
Various other minor projects <\$100,000	47,564
Total construction-in-progress	\$ 5,436,789

**Note 4 – Compensated Absences**

Changes to compensated absences for the year ended June 30, 2018 was as follows:

Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Current Portion	Non-current Portion
\$ 1,324,406	\$ 447,443	\$ (453,230)	\$ 1,318,619	\$ 440,556	\$ 878,063

**Note 5 – Long-Term Debt**

Changes to long-term debt for the year ended June 30, 2018 was as follows:

Description	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amount Due Within One Year	Amount Due In More Than One Year
Loans payable:						
Main extension contract	\$ 6,180	\$ -	\$ -	\$ 6,180	\$ 6,180	\$ -
SRF Loan – 2010	3,149,677	-	(173,105)	2,976,572	177,778	2,798,794
SRF Loan – 2013	24,677,731	-	(1,183,437)	23,494,294	1,203,555	22,290,739
Baker water treatment plant – refinance loan	9,715,035	-	(383,096)	9,331,939	394,972	8,936,967
Total loans payable	\$ 37,548,623	\$ -	\$ (1,739,638)	\$ 35,808,985	\$ 1,782,485	\$ 34,026,500

***Main Extension Contracts***

The Main Extension Contracts are payable to the developers without interest. The payments are based on a percentage of revenue received from units served by the water main. The contracts must be repaid in not more than 25 years, but may be paid off in advance at the option of the District. The outstanding balance at June 30, 2018 was \$6,180.

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 5 – Long-Term Debt (Continued)**

***State Revolving Fund Loan 2010 – Northline Lift Station Improvement Project***

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 177,778	\$ 80,368	\$ 258,146
2020	182,578	75,568	258,146
2021	187,508	70,638	258,146
2022	192,571	65,575	258,146
2023	197,770	60,376	258,146
2024-2028	1,071,890	218,840	1,290,730
2029-2032	966,477	66,107	1,032,584
Total	<u>\$ 2,976,572</u>	<u>\$ 637,472</u>	<u>\$ 3,614,044</u>

***State Revolving Fund Loan 2013 – Recycled Water Treatment Plan Project***

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,203,555	\$ 399,403	\$ 1,602,958
2020	1,224,015	378,943	1,602,958
2021	1,244,824	358,134	1,602,958
2022	1,265,986	336,972	1,602,958
2023	1,287,507	315,451	1,602,958
2024-2028	6,773,389	1,241,401	8,014,790
2029-2033	7,369,039	645,751	8,014,790
2034-2035	3,125,979	81,547	3,207,526
Total	<u>\$ 23,494,294</u>	<u>\$ 3,757,602</u>	<u>\$ 27,251,896</u>

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 5 – Long-Term Debt (Continued)**

***Baker Water Treatment Plant Agreement and Refinance Loan***

In December 2013, the District entered into the Baker Water Treatment Plant Agreement, along with five other public entities relating to the Baker treatment plant. In January 2014, the District entered into an installment sale agreement with the Irvine Ranch Water District (IRWD) for the purchase of the District’s portion of rights, title and interest to the capacity, not-to-exceed the amount of \$12,500,000. As of June 30, 2018, construction costs used for the project were \$8,936,967 and also accrued as a long-term debt liability on the financial statements.

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

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

Fiscal Year	Principal	Interest	Total
2019	\$ 394,972	\$ 289,290	\$ 684,262
2020	407,217	277,046	684,263
2021	419,840	264,422	684,262
2022	432,855	251,407	684,262
2023	446,274	237,989	684,263
2024-2028	2,447,666	973,647	3,421,313
2029-2033	2,851,317	569,996	3,421,313
2034-2036	1,931,798	120,990	2,052,788
Total	<u>\$ 9,331,939</u>	<u>\$ 2,984,787</u>	<u>\$ 12,316,726</u>

**Note 6 – Defined Contribution and Deferred Compensation Plans**

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

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

In addition, the District contributes an amount equal to 9% of compensation for a plan year, for all qualified participants regardless of whether they are employee on the last day of the plan year, and regardless of whether they made any salary deferrals to the plan. Employees are immediately vested in the employer contributions. District contributions were \$909,909 as of June 30, 2018.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors. Market value of the plan assets held in trust at June 30, 2018 were \$20,286,055.

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 6 – Defined Contribution and Deferred Compensation Plans (Continued)**

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

**Note 7 – Other Post-Employment Benefits**

***Plan Description***

The District pays all or a portion of the cost of health insurance for retirees (including prescription drug benefits) under any group plan offered by the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) Health Program, subject to certain restrictions as determined by the District. The District’s plan is an agent multiple-employer 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 Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) Health Program, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

***Employees Covered***

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms:

Active employees	59
Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to, but not yet receiving benefits	-
Total	78

***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). For fiscal year 2018, contributions were made totaling \$228,570.

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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

**Actuarial Assumptions**

The total OPEB liability, measured as of June 30, 2017, was determined using the following actuarial assumptions:

Actuarial Valuation Date	June 30, 2017									
Discount Rate	3.8% net of expenses at June 30, 2017									
Health Care Trend	4% per year									
Salaries increases	2.75% per year									
Inflation	2.75% per year									
Mortality Rate	2014 CalPERS Active Mortality for Miscellaneous Employees									
Retirement Rate	2009 CalPERS 2.0% @ 60 Rates for Miscellaneous Employees									
Services Requirement										
Hired before 6/1/2018	100% at 10 Years of Services									
Hired on or after 6/1/2018	100% at 20 Years of Services									
Costs for Retiree Coverage	Future Retiree									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 25%; text-align: center;">Pre-65</th> <th style="width: 25%; text-align: center;">Post-65</th> </tr> </thead> <tbody> <tr> <td>    Hired on or after 6/1/2018</td> <td style="text-align: right;">\$ 11,262</td> <td style="text-align: right;">\$ 5,621</td> </tr> <tr> <td>    Hired before 6/1/2018</td> <td style="text-align: right;">\$ 2,053</td> <td style="text-align: right;">\$ 9,675</td> </tr> </tbody> </table>		Pre-65	Post-65	Hired on or after 6/1/2018	\$ 11,262	\$ 5,621	Hired before 6/1/2018	\$ 2,053	\$ 9,675
	Pre-65	Post-65								
Hired on or after 6/1/2018	\$ 11,262	\$ 5,621								
Hired before 6/1/2018	\$ 2,053	\$ 9,675								
Participation Rates										
<65 Non-Medicare Participation %	95%									
65+ Medicare Particiaption %	95%									
Turnover	2009 CalPERS Turnover for Miscellaneous Employees									
Spouse Prevalence	80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.									

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.80% percent. This discount rate is the Bond Buyer 20-Bond GO index.

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

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2017:

Plan's Total OPEB Liability		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(2.80%)	(3.80%)	(4.80%)
\$ 13,073,145	\$ 11,191,763	\$ 9,680,102

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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

**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 a health care 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, 2017:

Plan's Total OPEB Liability		
Healthcare Cost		
-1%	Tread Rate	+1%
\$ 9,709,495	\$ 11,191,763	\$ 12,962,612

**Change in Total OPEB Liability**

Balance at June 30, 2016	\$ 10,751,207
Changes Recognized for the Measurement Period:	
Service Cost	260,117
Interest on the total OPEB liability	409,009
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Contribution from the employer	-
Net investment income	-
Administrative expenses	-
Benefit payments	(228,570)
Net changes during July 1, 2016 to June 30, 2017	440,556
Balance at June 30, 2017	\$ 11,191,763

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

For the year ended June 30, 2018, OPEB expense in the amount of \$669,126 is included in the accompanying statement of activities. For the year ended June 30, 2018, the District did not reported any deferred outflows or inflows of resources related to OPEB due to initial valuation of OPEB under GASB Statement No. 75.

**Note 8 – Net Position**

Net investment in capital assets consisted of the following:

Description	
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 12,888,375
Capital assets, net – being depreciated	83,221,578
Loans payable – current	(1,782,485)
Loans payable – non-current	(34,026,500)
Total net investment in capital assets	\$ 60,300,968

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 9 – Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2018, the District participated in the liability and property programs of the ACWA/JPIA as follows:

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

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

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

Settled claims have not exceeded any of the coverage amounts and there were no reductions in the District’s insurance coverage during the year ending June 30, 2018. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2018.

**Note 10 – Commitments and Contingencies**

***Construction Contracts***

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

***Litigation***

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

**El Toro Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 11 – Prior Period Adjustments**

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recorded a prior period adjustment to retrospective report the beginning balance of the Total Other Postemployment Benefits Liability. Accordingly, the net position as of July 1, 2017 was restated as follows:

Net Position, as originally reported	\$ 68,957,021
Restatement:	
Due to implementation of GASB 75	<u>(5,139,407)</u>
Net Position, as restated	<u><u>\$ 63,817,614</u></u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**El Toro Water District  
Required Supplementary Information  
For the Year Ended June 30, 2018**

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**Note 1- Schedule of Changes in Total OPEB Liability and Related Ratio**

**Ten –Year Schedule**

	2018
<b>For the Measurement Period:</b>	2016-2017
<b>Total OPEB Liability:</b>	
Service Cost	\$ 260,117
Interest on the total OPEB liability	409,009
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Contribution from the employer	-
Benefit payments	(228,570)
<b>Net changes in Total OPEB Liability</b>	440,556
<b>Beginning of Year</b>	10,751,207
<b>End of Year</b>	\$ 11,191,763
<b>Plan Fiduciary Net Position:</b>	
Employer contribution	\$ 228,570
Employee contributions	-
Net investment income	-
Administrative expenses	-
Benefit payments	(228,570)
Other	-
<b>Net changes in Fiduciary Net Position</b>	-
<b>Beginning of Year</b>	-
<b>End of Year</b>	\$ -
<b>Net OPEB Liability</b>	\$ 11,191,763
<b>Fiduciary Net Position as a % of Total OPEB Liability</b>	0.00%
<b>Covered Payroll</b>	\$ 5,696,461
<b>Net OPEB Liability as a % of Payroll</b>	196.47%

GASB 75 was implemented in fiscal year 2018, therefore only one year data is presented.

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## **STATISTICAL SECTION**

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**El Toro Water District**  
**Index to the Statistical Section**  
**For the Year Ended June 30, 2018**

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

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These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	59
These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	
Debt Capacity	66
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.	
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This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	71
This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	

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

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Changes in net position:</b>					
Operating revenues <sup>(see Schedule 2)</sup>	\$ 17,899,450	\$ 18,619,690	\$ 19,483,679	\$ 21,323,356	\$ 22,592,576
Operating expenses <sup>(see Schedule 3)</sup>	<u>(19,193,622)</u>	<u>(20,476,460)</u>	<u>(21,120,634)</u>	<u>(22,010,956)</u>	<u>(22,785,966)</u>
Operating income (loss)	<u>(1,294,172)</u>	<u>(1,856,770)</u>	<u>(1,636,955)</u>	<u>(687,600)</u>	<u>(193,390)</u>
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	735,906	715,968	690,711	691,377	753,865
Rental revenue	-	-	-	-	-
Investment earnings	669,632	335,679	268,749	208,446	124,439
Interest expense	(748,153)	(647,011)	(521,469)	(487,724)	(327,684)
Other non-operating revenues	418,911	374,266	347,260	527,254	463,981
Other non-operating expenses	-	-	-	-	(1,571,619) <sup>(1)</sup>
Total non-operating revenues(expenses), net	<u>1,076,296</u>	<u>778,902</u>	<u>785,251</u>	<u>939,353</u>	<u>(557,018)</u>
Net income before capital contributions	(217,876)	(1,077,868)	(851,704)	251,753	(750,408)
Capital contributions	<u>368,603</u>	<u>76,396</u>	<u>105,199</u>	<u>124,071</u>	<u>3,092,146</u>
<b>Changes in net position</b>	<u>\$ 150,727</u>	<u>\$ (1,001,472)</u>	<u>\$ (746,505)</u>	<u>\$ 375,824</u>	<u>\$ 2,341,738</u>
<b>Net position by component:</b>					
Net investment in capital assets	\$ 42,688,205	\$ 43,164,937	\$ 44,623,580	\$ 45,207,184	\$ 53,386,647
Restricted:					
Debt Service	3,113,524	3,438,994	3,646,427	3,888,332	3,326,941
Capital Projects	<u>1,067,938</u>	<u>960,095</u>	<u>1,010,945</u>	<u>1,221,358</u>	<u>29,640</u>
Total restricted	4,181,462	4,399,089	4,657,372	5,109,690	3,356,581
Unrestricted	<u>20,543,133</u>	<u>18,847,302</u>	<u>16,383,871</u>	<u>15,723,773</u>	<u>11,639,157</u>
<b>Total net position</b>	<u>\$ 67,412,800</u>	<u>\$ 66,411,328</u>	<u>\$ 65,664,823</u>	<u>\$ 66,040,647</u>	<u>\$ 68,382,385</u>

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

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>Changes in net position:</b>					
Operating revenues <sup>(see Schedule 2)</sup>	\$ 23,188,691	\$ 23,124,200	\$ 22,516,781	\$ 24,032,874	\$ 25,445,261
Operating expenses <sup>(see Schedule 3)</sup>	<u>(24,484,521)</u>	<u>(24,469,909)</u>	<u>(23,990,984)</u>	<u>(25,287,726)</u>	<u>(27,096,753)</u>
Operating income (loss)	<u>(1,295,830)</u>	<u>(1,345,709)</u>	<u>(1,474,203)</u>	<u>(1,254,852)</u>	<u>(1,651,492)</u>
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	774,568	815,554	843,301	888,973	927,672
Rental revenue	165,282 <sup>(2)</sup>	246,196	172,665	181,491	188,183
Investment earnings	51,881	76,804	147,447	75,113	124,001
Interest expense	(185,655)	(132,375)	(397,680)	(706,683) <sup>(3)</sup>	(790,753)
Other non-operating revenues	56,564	218,824	188,701	152,710	59,653
Other non-operating expenses	-	-	-	-	-
Total non-operating revenues(expenses), net	<u>862,640</u>	<u>1,225,003</u>	<u>954,434</u>	<u>591,604</u>	<u>508,756</u>
Net income before capital contributions	(433,190)	(120,706)	(519,769)	(663,248)	(1,142,736)
Capital contributions	<u>1,648,257</u>	<u>-</u>	<u>577,471</u>	<u>85,821</u>	<u>45,853</u>
<b>Changes in net position</b>	<u>\$ 1,215,067</u>	<u>\$ (120,706)</u>	<u>\$ 57,702</u>	<u>\$ (577,427)</u>	<u>\$ (1,096,883)</u>
<b>Net position by component:</b>					
Net investment in capital assets	\$ 57,218,606	\$ 52,204,625	\$ 57,306,311	\$ 57,194,565	\$ 60,300,968
Restricted:					
Debt Service	2,772,564	2,285,068	1,602,958	1,602,958	1,602,958
Capital Projects	<u>83,771</u>	<u>571,268</u>	<u>577,471</u>	<u>23,081</u>	<u>45,853</u>
Total restricted	2,856,335	2,856,336	2,180,429	1,626,039	1,648,811
Unrestricted	<u>9,522,511</u>	<u>14,415,785</u>	<u>10,047,708</u>	<u>10,136,417</u>	<u>770,952</u> <sup>(4)</sup>
<b>Total net position</b>	<u>\$ 69,597,452</u>	<u>\$ 69,476,746</u>	<u>\$ 69,534,448</u>	<u>\$ 68,957,021</u>	<u>\$ 62,720,731</u>

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

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

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

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

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

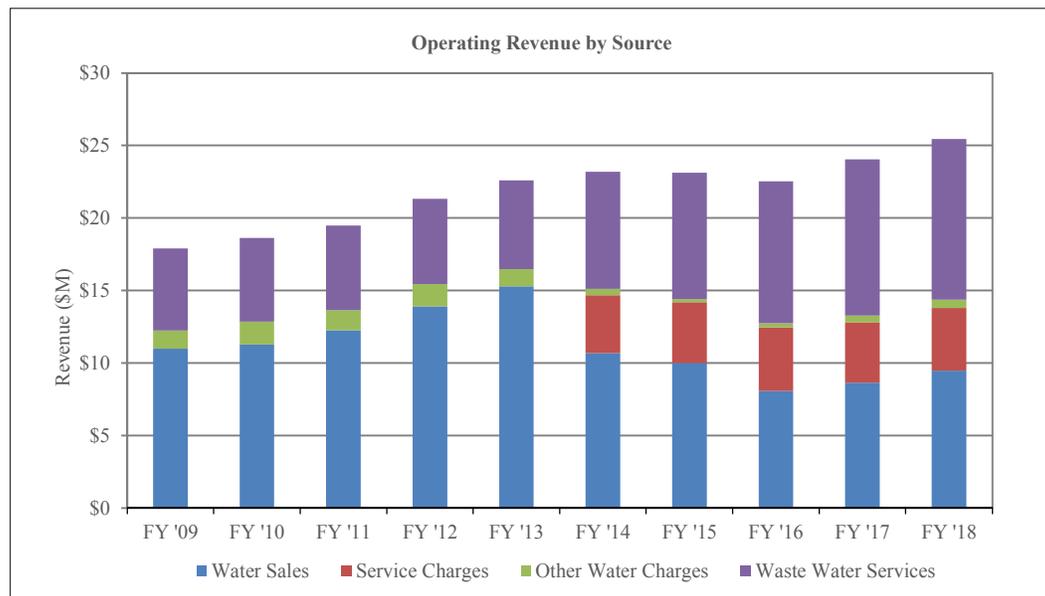
<b>Fiscal Year</b>	<b>Water Sales</b>	<b>Service Charges</b>	<b>Other Water Charges</b>	<b>Waste Water Services</b>	<b>Total Operating Revenue</b>
2009	10,979,651	-	1,249,794	5,670,005	17,899,450
2010	11,279,626	-	1,559,956	5,780,108	18,619,690
2011	12,247,255	-	1,387,466	5,848,958	19,483,679
2012	13,902,298	-	1,538,758	5,882,300	21,323,356
2013	15,293,372	-	1,169,883	6,129,321	22,592,576
2014	10,687,396	3,979,752 <sup>(1)</sup>	443,673 <sup>(2)</sup>	8,077,870	23,188,691
2015	9,998,985	4,183,699	216,108	8,725,408	23,124,200
2016	8,069,726	4,381,402	294,329	9,771,324	22,516,781
2017	8,635,462	4,177,505	459,926	10,759,981	24,032,874
2018	9,459,453	4,325,454	574,644	11,085,710	25,445,261

**Other Water Charges - by Category**

<b>Fiscal Year</b>	<b>Standby Charge</b>	<b>Reimbursement</b>	<b>Other</b>	<b>Total Other Water Charges</b>
2009	982,468	206,912	60,414	1,249,794
2010	993,161	102,061	464,734	1,559,956
2011	983,895	125,860	277,711	1,387,466
2012	970,517	171,014	397,227	1,538,758
2013	984,847	117,364	67,672	1,169,883
2014	10,623 <sup>(2)</sup>	124,353	308,697	443,673
2015	4,818	116,957	94,333	216,108
2016	3,292	233,000	58,037	294,329
2017	1,525	331,179	127,222	459,926
2018	418	403,445	170,781	574,644

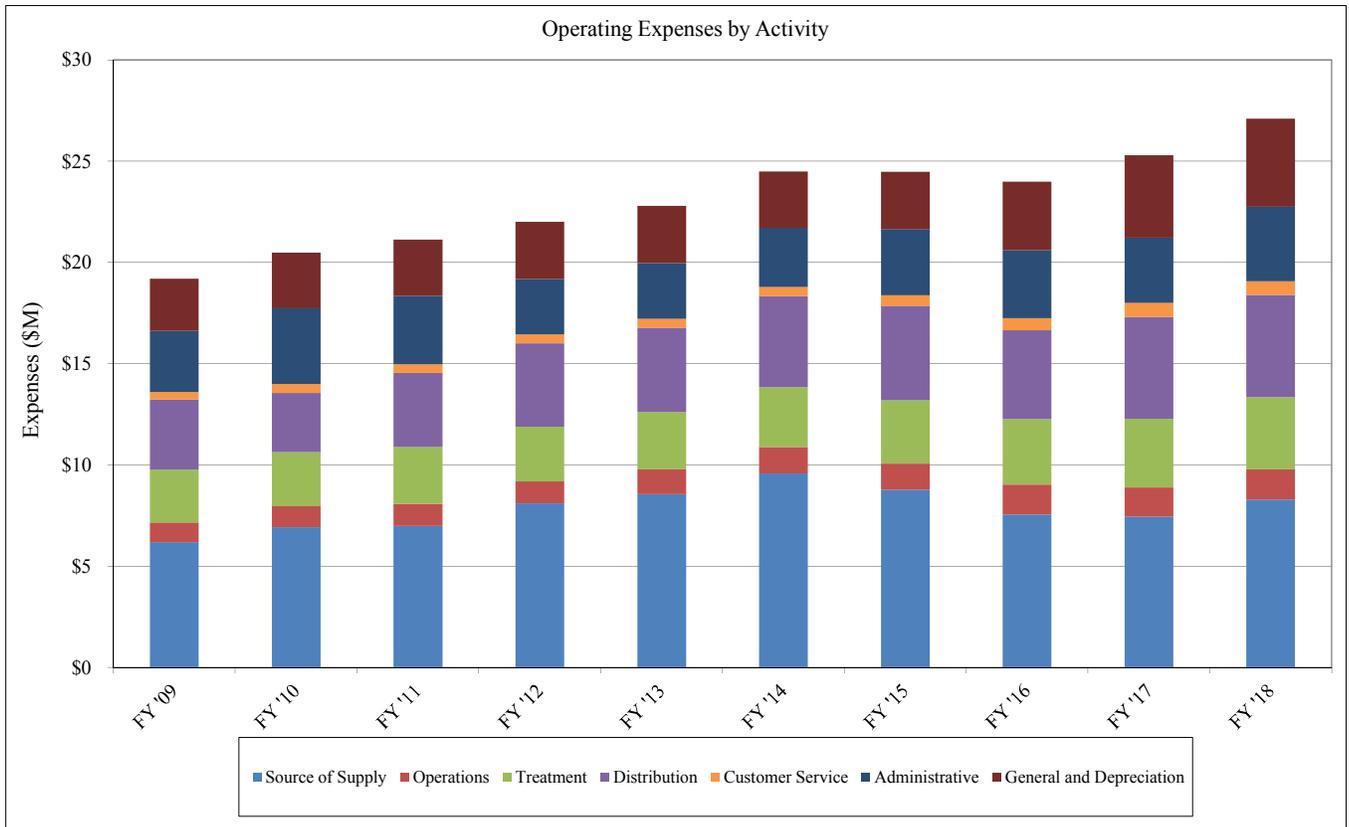
(1) Starting in 2014, Service Charge Revenues was separated from Water Sales Revenues.

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



**El Toro Water District  
Operating Expenses by Activity  
Last Ten Fiscal Years**

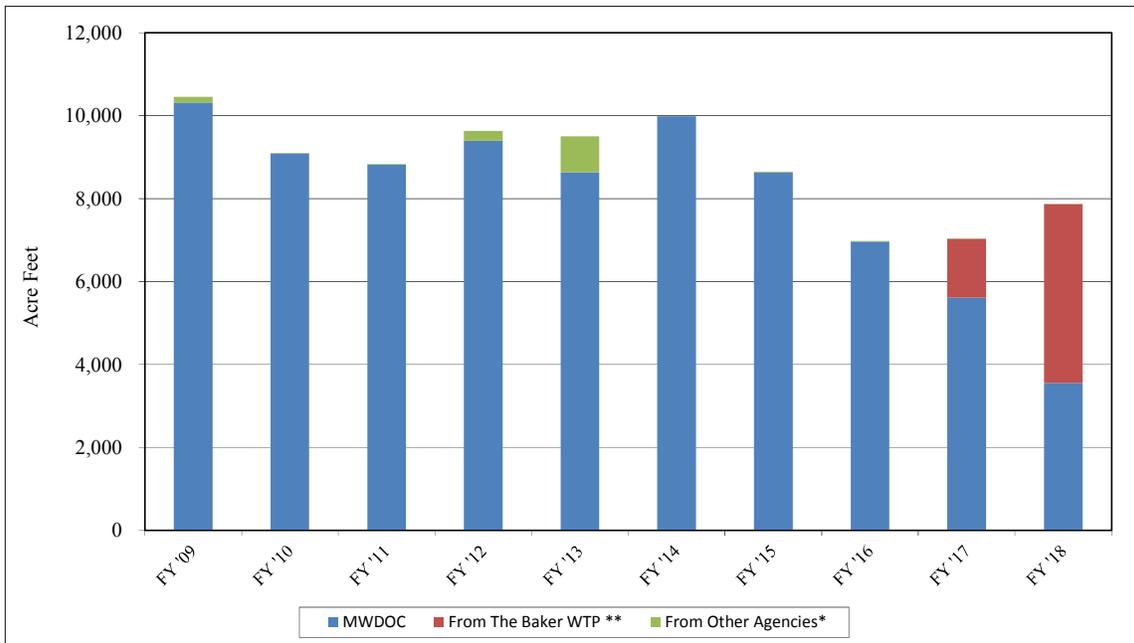
<b>Fiscal Year</b>	<b>Source of Supply</b>	<b>Pumping Operations</b>	<b>Water Treatment</b>	<b>Water Distribution</b>	<b>Customer Service</b>	<b>General and Administrative</b>	<b>Depreciation</b>	<b>Operating Expenses</b>
2009	6,186,436	980,644	2,599,942	3,464,569	362,977	3,031,571	2,567,483	19,193,622
2010	6,924,687	1,038,275	2,673,452	2,922,913	442,574	3,733,666	2,740,893	20,476,460
2011	6,993,701	1,076,206	2,813,771	3,658,325	423,521	3,381,145	2,773,965	21,120,634
2012	8,096,104	1,096,347	2,688,844	4,124,778	440,218	2,732,748	2,831,917	22,010,956
2013	8,554,214	1,232,213	2,831,190	4,160,251	438,053	2,753,292	2,816,753	22,785,966
2014	9,584,718	1,293,752	2,953,328	4,492,432	465,163	2,913,731	2,781,397	24,484,521
2015	8,771,110	1,295,650	3,126,545	4,673,922	516,361	3,255,140	2,831,181	24,469,909
2016	7,555,626	1,466,757	3,243,194	4,388,871	592,405	3,365,722	3,378,409	23,990,984
2017	7,435,534	1,460,096	3,380,526	5,037,124	694,479	3,211,224	4,068,743	25,287,726
2018	8,294,019	1,491,273	3,567,648	5,035,094	686,217	3,672,449	4,350,053	27,096,753



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

**Source of Water for Sales (AF)**

<b>Fiscal Year</b>	<b>MWDOC</b>	<b>From The Baker WTP **</b>	<b>From Other Agencies*</b>	<b>Total Production</b>
2009	10,319	-	133	10,452
2010	9,088	-	17	9,105
2011	8,819	-	15	8,834
2012	9,395	-	235	9,630
2013	8,640	-	861	9,501
2014	9,986	-	-	9,986
2015	8,631	-	19	8,650
2016	6,967	-	8	6,976
2017	5,616	1,417	1	7,034
2018	3,559	4,312	3	7,874



**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 <sup>(1)</sup>					
Fiscal Year	Rate per CCF <sup>(2)</sup>				Rate per AF
	Tier 1	Tier 2	Tier 3	Tier 4	Commercial / Industrial
2009	1.57	1.57	1.57	1.57	1.57
2010	1.89	1.89	1.89	1.89	1.89
2011	1.80	2.20	4.38	5.94	2.06
2012	1.92	2.32	4.50	6.06	2.15
2013	2.07	2.47	4.79	6.35	2.30
2014	2.19	2.59	4.91	6.47	2.42
2015	2.34	2.68	5.04	7.04	2.63
2016	2.46	2.83	5.61	7.18	2.79
2017	2.46	2.83	5.61	7.18	2.79
2018	2.52	2.91	6.08	7.82	2.89

Monthly Water Service Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter
2009	6.95	8.85	12.70	22.30	45.80
2010	7.60	10.14	15.20	27.87	53.22
2011	7.60	10.14	15.20	27.87	53.22
2012	7.60	10.14	15.20	27.87	53.22
2013	8.56	11.42	17.12	31.38	59.93
2014	9.31	12.42	18.61	34.12	65.15
2015	9.98	13.31	19.95	36.56	69.81
2016	9.98	13.31	19.95	36.56	69.81
2017	10.93	14.58	21.86	40.06	76.48
2018	11.80	15.82	23.85	43.92	84.07

Monthly Water Capital Replacement and Refurbishment (CR&R) Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter
2009	2.21	2.21	3.70	8.99	22.56
2010	2.21	2.21	3.70	8.99	22.56
2011	3.31	3.31	5.54	13.46	33.70
2012	4.66	4.66	7.78	18.91	47.47
2013	4.66	4.66	7.78	18.91	47.47
2014	4.66	4.66	7.78	18.91	47.47
2015	4.66	4.66	7.78	18.91	47.47
2016	4.66	4.66	7.78	18.91	47.47
2017	4.66	4.66	7.78	18.91	47.47
2018	4.66	4.66	7.78	18.91	47.47

**Notes:**

- (1) The District is required to follow the rules of Proposition 218 when raising or adjusting its rates.  
 For more information, goto [http://www.lao.ca.gov/1996/120196\\_prop\\_218/understanding\\_prop218\\_1296.html](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/>

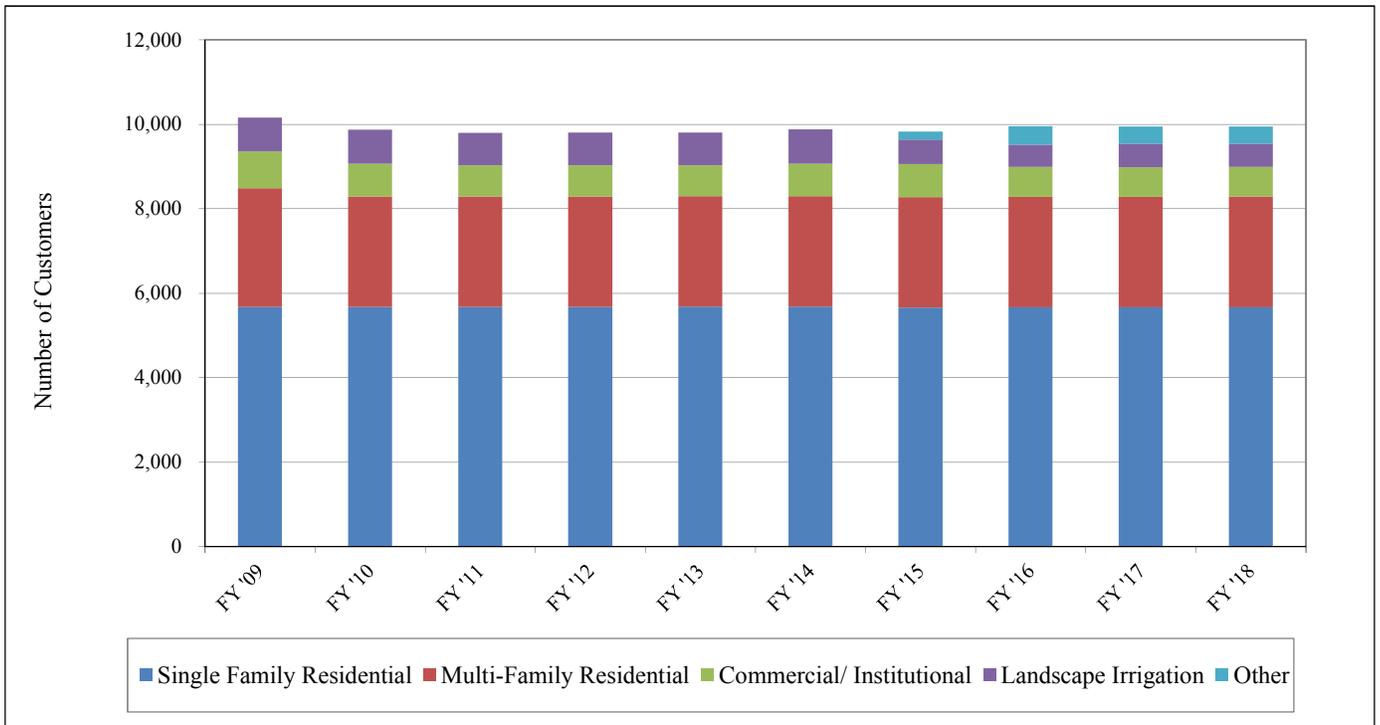
**El Toro Water District  
Sewer Operation Rates and Charges  
Last Ten Fiscal Years**

<b>Sewer Rates by Customer Class</b>										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Residential Rates (monthly charge per EDU)</b>										
Residential Unrestricted	\$ 16.60	\$ 17.49	\$ 17.49	\$ 17.49	\$ 17.77	\$ 18.99	\$ 20.50	\$ 22.02	\$ 23.11	\$ 23.63
Multi-Family Restricted	13.30	13.87	13.87	13.87	14.09	15.06	16.26	17.46	18.33	18.74
Multi-Family Unrestricted	15.80	16.49	16.49	16.49	16.75	17.90	19.33	20.76	21.79	22.28
<b>Commercial Rates (per ccf of water used)</b>										
Animal Kennel / Hospital	\$ 2.40	\$ 2.86	\$ 2.86	\$ 2.86	\$ 2.91	\$ 3.11	\$ 3.36	\$ 3.61	\$ 3.79	\$ 3.88
Car Wash	2.39	2.84	2.84	2.84	2.89	3.09	3.34	3.59	3.77	3.86
Department / Retail Store	2.41	2.86	2.86	2.86	2.91	3.11	3.36	3.61	3.79	3.88
Dry Cleaners	2.13	2.50	2.50	2.50	2.54	2.72	2.94	3.16	3.32	3.40
Golf Course / Camp / Park	2.39	2.49	2.49	2.49	2.53	2.71	2.93	3.15	3.31	3.39
Health Spa	2.39	2.85	2.85	2.85	2.90	3.10	3.35	3.60	3.78	3.87
Hospital / Convalescent Home	2.12	2.50	2.50	2.50	2.54	2.72	2.94	3.16	3.32	3.40
Hotel	3.61	4.33	4.33	4.33	4.40	4.71	5.09	5.47	5.74	5.87
Market	4.70	5.68	5.68	5.68	5.77	6.17	6.67	7.17	7.53	7.70
Mortuary	4.68	5.66	5.66	5.66	5.75	6.15	6.64	7.14	7.50	7.67
Nursery / Greenhouse	2.44	2.54	2.54	2.54	2.58	2.76	2.98	3.20	3.36	3.44
Professional / Financial Office	2.41	2.86	2.86	2.86	2.91	3.11	3.36	3.61	3.79	3.88
Public Institution	2.35	2.80	2.80	2.80	2.85	3.05	3.30	3.55	3.73	3.82
Repair / Service Station	2.41	2.85	2.85	2.85	2.90	3.10	3.35	3.60	3.78	3.87
Restaurant	4.74	2.69	2.69	2.69	2.74	2.93	3.17	3.41	3.58	3.66
Schools	2.49	2.95	2.95	2.95	3.00	3.21	3.47	3.73	3.92	4.01
Theater	2.43	2.86	2.86	2.86	2.91	3.11	3.36	3.61	3.79	3.88
Warehouse / Storage	1.93	2.25	2.25	2.25	2.29	2.45	2.65	2.85	3.00	3.07
Basic Commercial	2.12	2.50	2.50	2.50	2.54	2.72	2.94	3.16	3.32	3.40

<b>Monthly Sewer Capital Replacement and Refurbishment (CR&amp;R) Charge</b>										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Residential Charge (Per EDU)</b>										
Single Family	\$ 3.93	\$ 3.93	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
Multi-Family Restricted	3.15	3.15	3.61	3.95	3.95	3.95	3.95	3.95	3.91	3.91
Multi-Family Unrestricted	3.74	3.74	4.29	4.69	4.69	4.69	4.69	4.69	4.65	4.65
<b>Commercial (per Meter)</b>										
5/8" Meter	\$ 5.58	\$ 5.58	\$ 6.42	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34
3/4" Meter	5.44	5.44	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34
1" Meter	12.65	12.65	12.38	13.55	13.55	13.55	13.55	13.55	13.55	13.55
1 1/2" Meter	26.65	26.65	25.60	24.07	24.07	24.07	24.07	24.07	24.07	24.07
2" Meter	60.78	60.78	68.77	70.96	70.96	70.96	70.96	70.96	70.96	70.96
<b>Public Authority (per Meter)</b>										
1" Meter	\$ 3.93	\$ 3.93	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
1 1/2" Meter	17.69	17.69	20.48	24.65	24.65	24.65	24.65	24.65	24.65	24.65
2" Meter	34.34	34.34	35.20	39.71	39.71	39.71	39.71	39.71	39.71	39.71

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

Number of Customers by Type						
As of June 30	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Landscape Irrigation	Other	Total
2009	5,676	2,809	876	798	-	10,159
2010	5,677	2,613	775	806	-	9,871
2011	5,677	2,613	733	774	-	9,797
2012	5,677	2,613	735	777	-	9,802
2013	5,683	2,610	735	775	-	9,803
2014	5,683	2,610	774	813	-	9,880
2015	5,662	2,610	785	583	187 <sup>(1)</sup>	9,828
2016	5,667	2,612	709	526	439	9,953
2017	5,668	2,616	694	559	406	9,943
2018	5,668	2,618	700	555	407	9,948



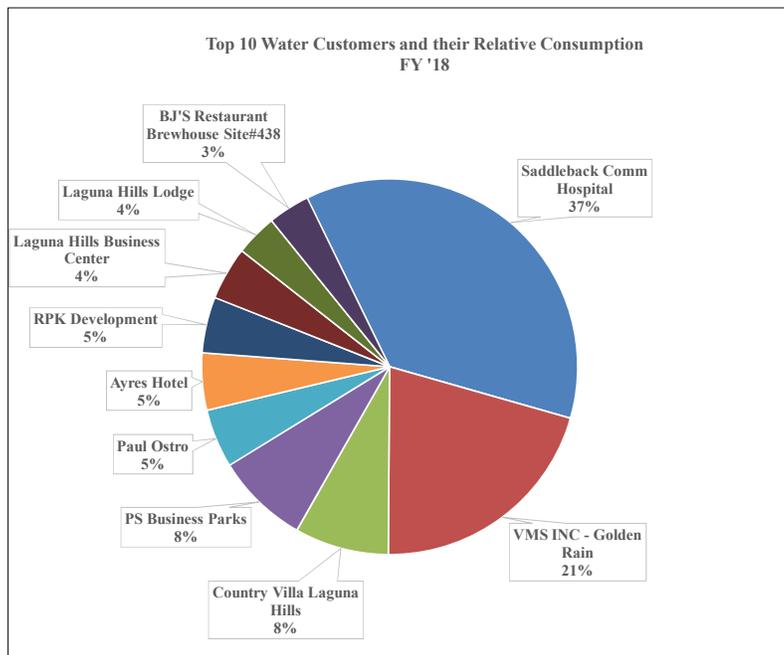
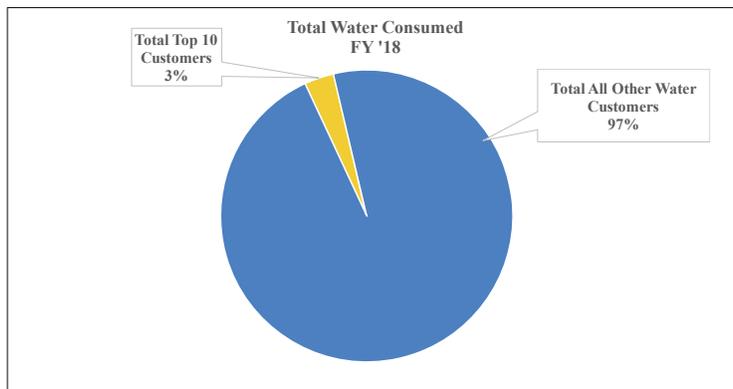
(1) The District did not track "Other" connections in total prior to FY 14/15.

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

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

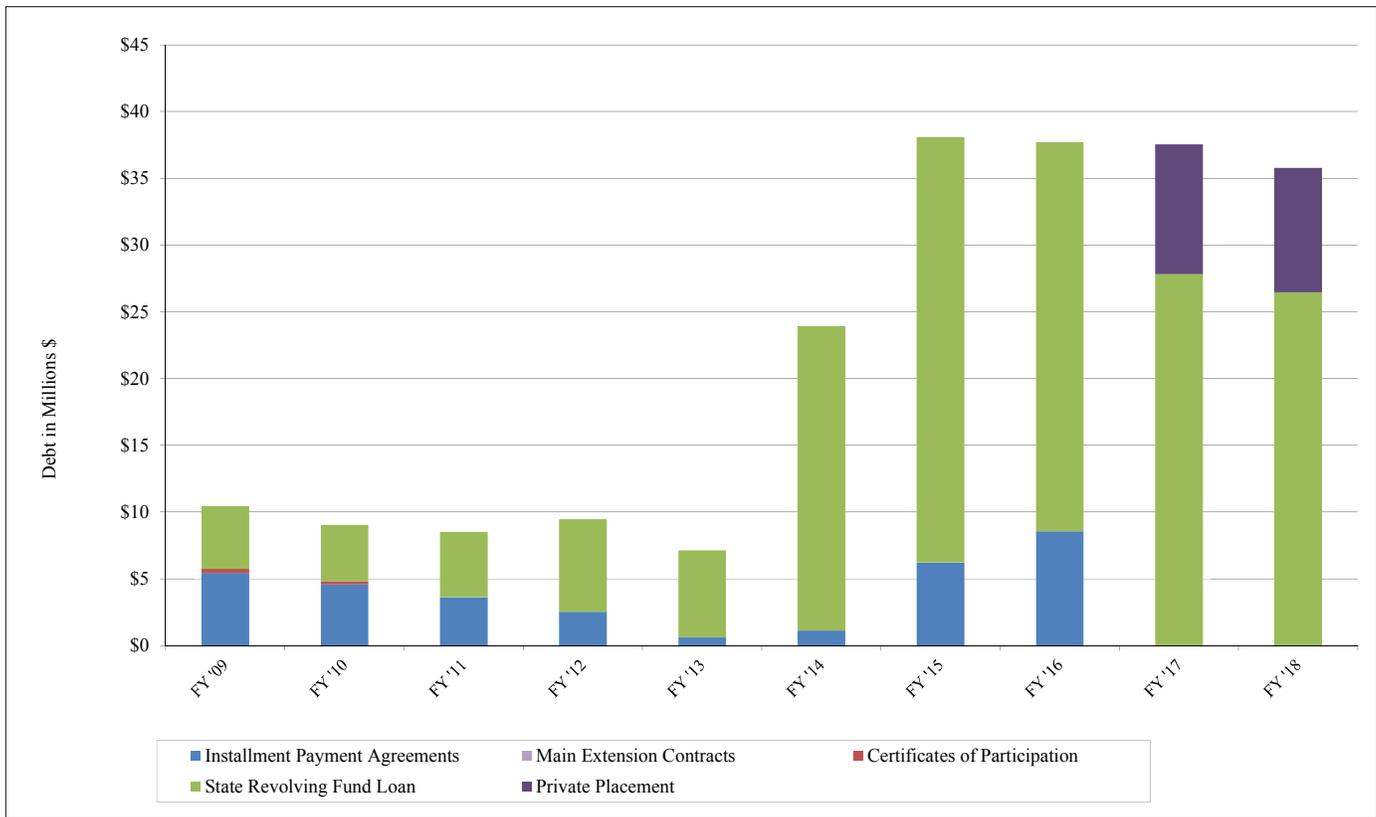
Customer	FY '09		Customer	FY '18	
	Annual Usage (HCF)	Percent of Total		Annual Usage (HCF)	Percent of Total
Saddleback Comm Hospital	54,727	1.19%	Saddleback Comm Hospital	43,840	1.20%
PCM - Golden Rain	26,182	0.57%	VMS INC - Golden Rain	24,770	0.68%
Country Villa Laguna Hills	11,566	0.25%	Country Villa Laguna Hills	9,669	0.26%
Simon Properties #4665	10,812	0.23%	PS Business Parks	9,575	0.26%
PS Business Parks	10,319	0.22%	Paul Ostro	6,054	0.17%
Reg De La Cuesta	8,720	0.19%	Ayres Hotel	5,863	0.16%
LHT Saddleback, LLC	6,463	0.14%	RPK Development	5,775	0.16%
RPK Development	6,276	0.14%	Laguna Hills Business Center	5,478	0.15%
Laguna Hills Business Center	6,243	0.14%	Laguna Hills Lodge	4,305	0.12%
Aura Associates	6,070	0.13%	BJ'S Restaurant Brewhouse Site#438	4,298	0.12%
<b>Total Top 10 Customers</b>	<b>147,378</b>	<b>3.20%</b>	<b>Total Top 10 Customers</b>	<b>119,627</b>	<b>3.27%</b>
<b>Total All Other Water Customers</b>	<b>4,453,662</b>	<b>96.80%</b>	<b>Total All Other Water Customers</b>	<b>3,534,312</b>	<b>96.73%</b>
<b>Total Water Consumed</b>	<b>4,601,040</b>	<b>100.00%</b>	<b>Total Water Consumed</b>	<b>3,653,939</b>	<b>100.00%</b>

HCF = 100 cubic feet



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

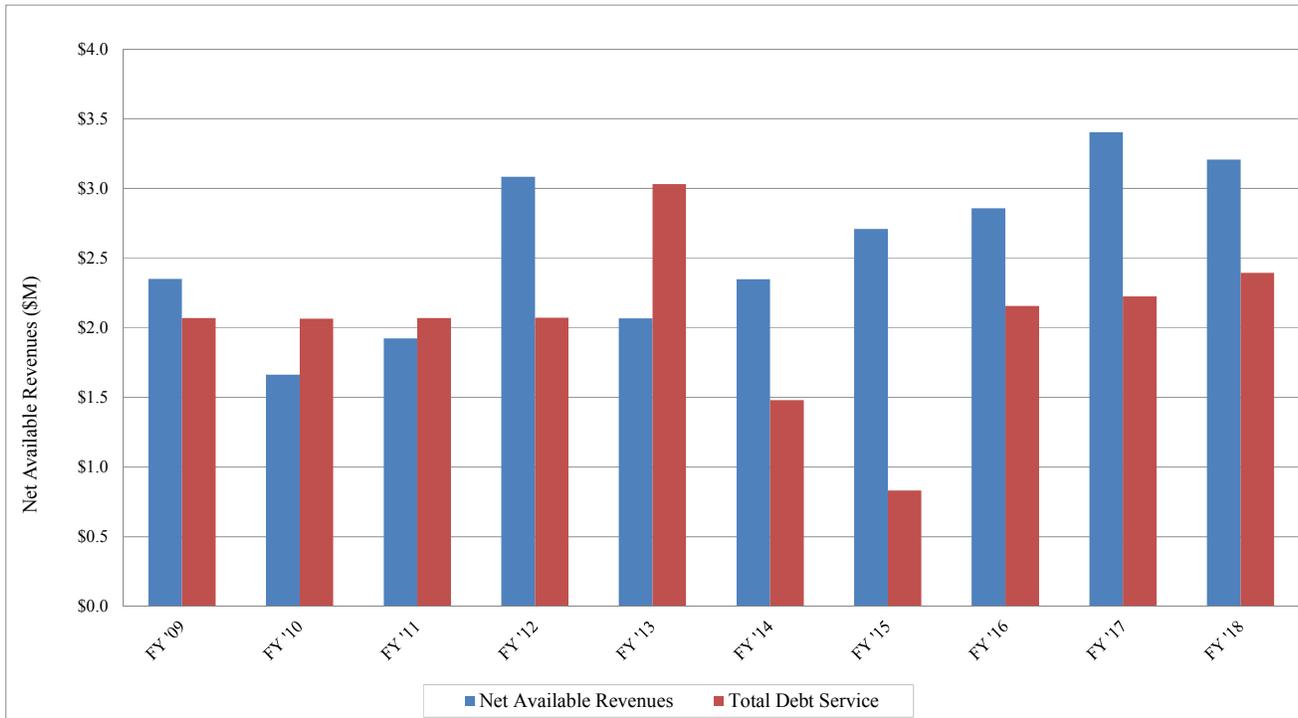
<u>Fiscal Year</u>	<u>Certificates of Participation</u>	<u>Installment Payment Agreements</u>	<u>State Revolving Fund Loan</u>	<u>Main Extension Contracts</u>	<u>Private Placement</u>	<u>Total Debt</u>	<u>Total Debt per Capita</u>	<u>Total Debt as % of Personal Income</u>
2009	310,000	5,434,162	4,706,983	6,180	-	10,457,325	217	0.46%
2010	240,000	4,577,495	4,220,583	6,180	-	9,044,258	188	0.38%
2011	-	3,615,586	4,890,863	6,180	-	8,512,629	177	0.34%
2012	-	2,535,858	6,920,615	6,180	-	9,462,653	198	0.36%
2013	-	621,878	6,505,874	6,180	-	7,133,932	149	0.27%
2014	-	1,123,184 <sup>(1)</sup>	22,823,592 <sup>(2)</sup>	6,180	-	23,952,956	502	0.88%
2015	-	6,215,863 <sup>(1)</sup>	31,873,740 <sup>(2)</sup>	6,180	-	38,095,783	795	1.30%
2016	-	8,562,088 <sup>(1)</sup>	29,159,616 <sup>(2)</sup>	6,180	-	37,727,884	779	1.24%
2017	-	-	27,827,408	6,180	9,715,035 <sup>(1)</sup>	37,548,623	764	1.17%
2018	-	-	26,470,867	6,180	9,331,939	35,808,986	730	N/A <sup>(3)</sup>



**Notes:**  
(1) In Dec 2013 the District entered into an agreement for the Baker Water Treatment Plant with five other entities. Additions in 2013 and 2014 were \$1,123,184 and \$5,092,679 respectively. This project was completed and refinanced in December 2016 with Texas Capital for a lower interest rate.  
(2) In 2013 the District entered into a loan agreement with the State Water Resources Control Board for the Recycled Water Treatment Plan Project. Additions in 2013 and 2014 were \$16,995,763 and \$9,741,814 respectively. Interest rate on the loan is 1.7% per annum.  
(3) Personal Income data is not available for 2018. The Bureau of Economic Analysis typically releases this information in November of the following year.

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

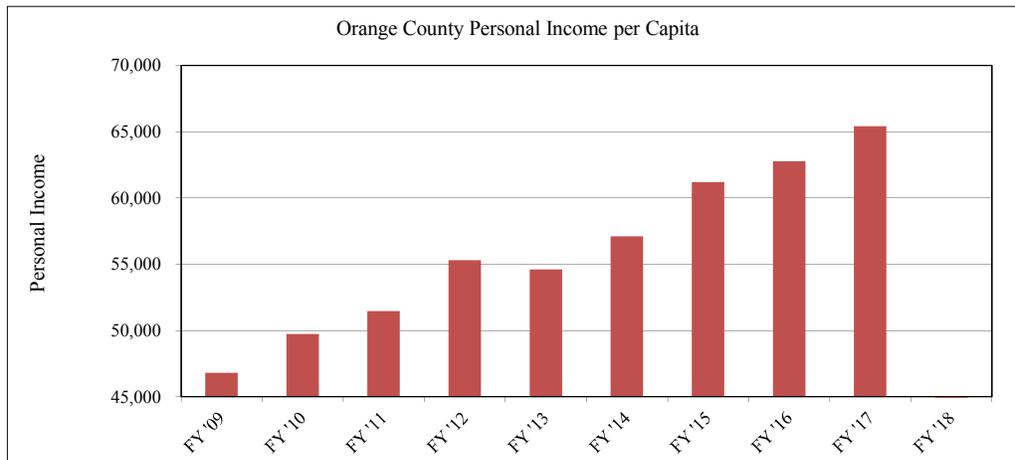
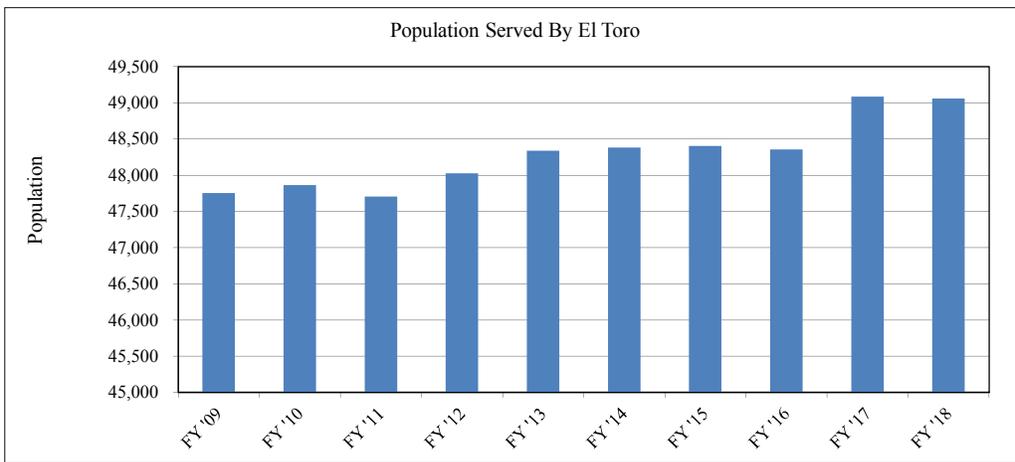
Fiscal Year	Net Revenue			Debt Service			Coverage Ratio
	Total Revenues	Operating Expenses <sup>(1)</sup>	Net Available Revenues	Principal	Interest	Total Debt Service	
2009	19,723,899	17,374,292	2,349,607	1,312,391	757,000	2,069,391	1.14
2010	20,045,603	18,382,578	1,663,025	1,413,067	652,359	2,065,426	0.81
2011	20,790,399	18,868,138	1,922,261	1,532,100	536,214	2,068,314	0.93
2012	22,750,433	19,666,763	3,083,670	1,663,826	406,826	2,070,652	1.49
2013	23,934,861	21,868,516	2,066,345	2,673,722	359,134	3,032,856	0.68
2014	24,236,986	21,888,779	2,348,207	1,299,923	179,490	1,479,413	1.59
2015	24,481,578	21,771,103	2,710,475	691,667	137,746	829,413	3.27
2016	23,868,895	21,010,255	2,858,640	1,697,913	459,070	2,156,983	1.33
2017	25,331,161	21,925,666	3,405,495	1,532,173	691,970	2,224,143	1.53
2018	26,744,770	23,537,453	3,207,317	1,739,638	655,145	2,394,783	1.34



Notes:  
(1) Operating expenses less depreciation and amortization.

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

Calendar Year	Population Served by El Toro	Orange County		
		Personal Income (thousands \$)	Personal Income per Capita	Unemployment Rate at 6/30
2009	47,752	139,839,338 (1)	46,813 (1)	9.0%
2010	47,861 (2)	150,072,420 (1)	49,740 (1)	9.8%
2011	47,706 (2)	157,160,243 (1)	51,469 (1)	9.4%
2012	48,023 (2)	170,609,148 (1)	55,296 (1)	8.3%
2013	48,337 (2)	169,986,956 (1)	54,594 (1)	6.9%
2014	48,382 (2)	179,141,029 (1)	57,110 (1)	5.5%
2015	48,401 (2)	193,358,936 (1)	61,178 (1)	4.5%
2016	48,355 (2)	199,441,555 (1)	62,763 (1)	4.3%
2017	49,083 (2)	208,653,019 (1)	65,400 (1)	3.8%
2018	49,059	N/A	N/A	3.3%



N/A - Data not available for time period

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

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

Source: Municipal Water District of Orange County (MWD OC)

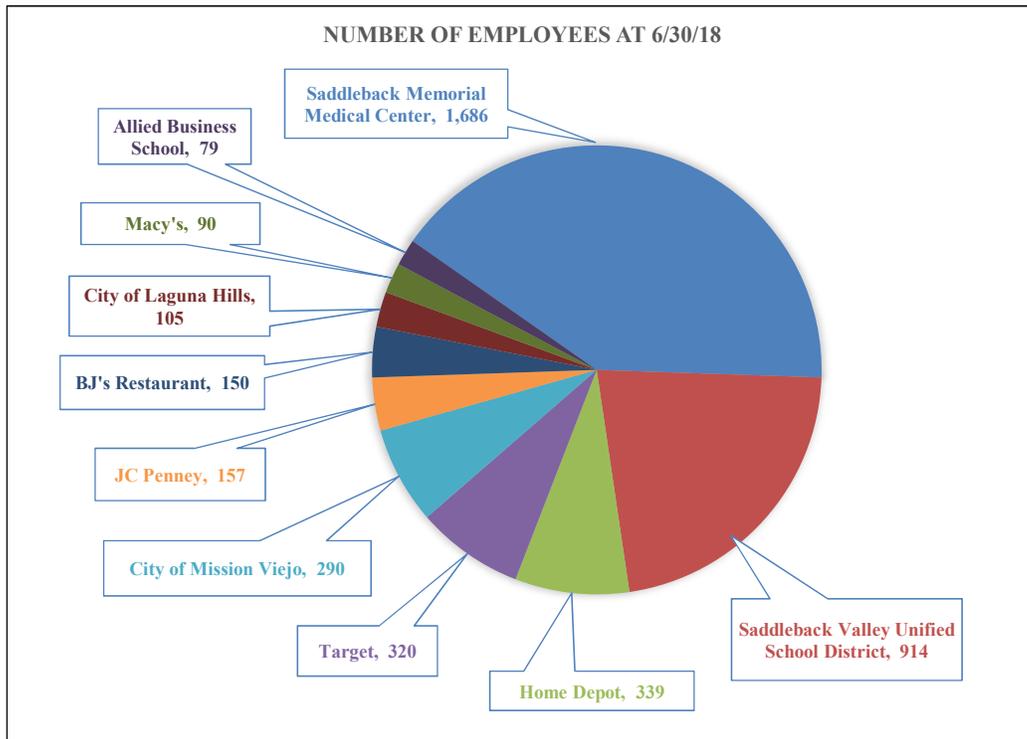
Notes:

- (1) Bureau of Economic Analysis revised statistics for 2001-2016, reflect county population estimates available as of March 2018.
- (2) Data provided by Center for Demographic Research, CSUF were revised to reflect the boundary correction in 2017.

## El Toro Water District Principal Employers Last Ten Fiscal Years

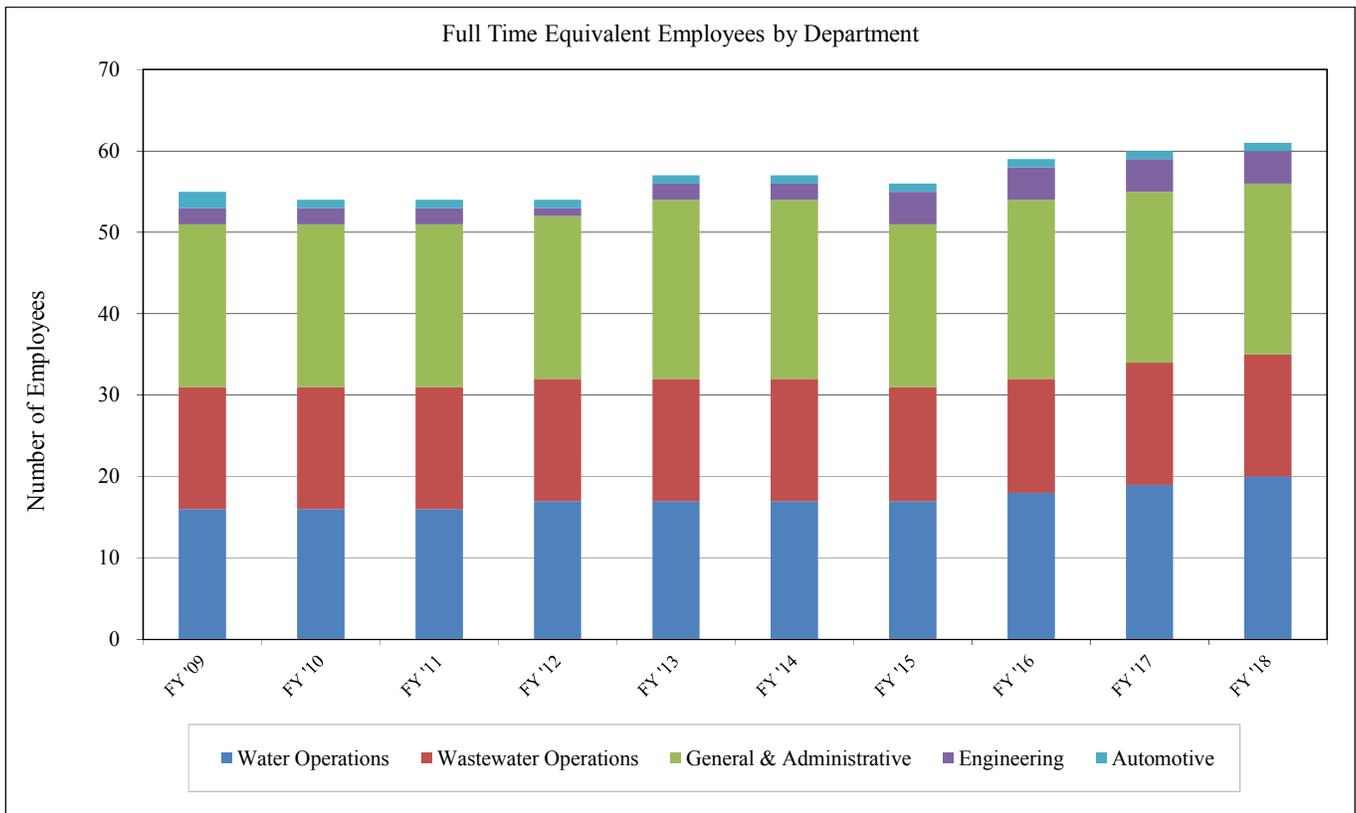
Employer	Number of Employees at 6/30/18	Percent of Total
Saddleback Memorial Medical Center	1,686	40.82%
Saddleback Valley Unified School District	914	22.13%
Home Depot	339	8.21%
Target	320	7.75%
City of Mission Viejo	290	7.02%
JC Penney	157	3.80%
BJ's Restaurant	150	3.63%
City of Laguna Hills	105	2.54%
Macy's	90	2.18%
Allied Business School	79	1.91%
Total Principal Employers	4,130	100.00%

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



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

<b>Fiscal Year</b>	<b>Water Operations</b>	<b>Wastewater Operations</b>	<b>General &amp; Administrative</b>	<b>Engineering</b>	<b>Automotive</b>	<b>Total</b>
2009	16	15	20	2	2	55
2010	16	15	20	2	1	54
2011	16	15	20	2	1	54
2012	17	15	20	1	1	54
2013	17	15	22	2	1	57
2014	17	15	22	2	1	57
2015	17	14	20	4	1	56
2016	18	14	22	4	1	59
2017	19	15	21	4	1	60
2018	20	15	21	4	1	61



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

<b>Fiscal</b>	<b>Water System</b>			
	<b>Miles of</b>	<b>Service</b>	<b>Annual</b>	<b>Average Daily</b>
<b>Year</b>	<b>Water Mains</b>	<b>Connections</b>	<b>Potable Import (MG)</b>	<b>Potable Import (MGD)</b>
2009	170	10,159	3,406	9.33
2010	170	9,871	2,967	8.13
2011	170	9,797	2,879	7.89
2012	170	9,802	3,138	8.60
2013	170	9,803	3,138	8.60
2014	170	9,880	3,254	8.91
2015	170	9,828	2,819	7.72
2016	170	9,953	2,273	6.23
2017	170	9,943	2,292	6.28
2018	170	9,948	2,566	7.03

<b>Fiscal</b>	<b>Sewer System</b>			
	<b>Miles of</b>	<b>Service</b>	<b>Annual</b>	<b>Daily</b>
<b>Year</b>	<b>Sewers Lines</b>	<b>Connections</b>	<b>Sewerage (MG)</b>	<b>Sewerage (MGD)</b>
2009	114	10,159	1,504	4.12
2010	114	9,871	1,489	4.08
2011	114	9,797	1,502	4.11
2012	114	9,802	1,442	3.95
2013	114	9,803	1,396	3.82
2014	114	9,880	1,262	3.46
2015	114	9,828	1,242	3.40
2016	114	9,953	1,096	3.00
2017	114	9,943	1,146	3.14
2018	114	9,948	1,105	3.03

<b>Fiscal</b>	<b>Recycled Water</b>			
	<b>Miles of</b>	<b>Service</b>	<b>Annual</b>	<b>Daily</b>
<b>Year</b>	<b>Recycled Pipe</b>	<b>Connections</b>	<b>Production (MG)</b>	<b>Production (MGD)</b>
2009	19	1	143.53	0.39
2010	19	1	169.58	0.46
2011	19	1	185.16	0.51
2012	19	1	244.39	0.67
2013	19	1	190.26	0.52
2014	19	1	142.58	0.39
2015	19	70 (1)	159.56	0.44
2016	19	138 (1)	337.87	0.93
2017	19	210 (1)	462.49	1.27
2018	26 (2)	210	502.12	1.38

**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.