



El Toro Water District

Comprehensive Annual Financial Report

For the Years Ended June 30, 2019 and 2018



EL TORO WATER DISTRICT – A District of Distinction

24251 Los Alisos Blvd., Lake Forest. CA 92630 – 949-837-0660 / www.etwd.com

**El Toro Water District
Comprehensive Annual Financial Report
For the Years Ended June 30, 2019 and 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

November 13, 2019

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 year ended June 30, 2019, 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) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

District Structure and Leadership

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

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

The District is very proud to have been awarded the District of Distinction Award by the Special District Leadership Foundation in each accreditation cycle since 2007, a testament to the responsible leadership that has been a long-standing tradition at the District.

Board of Directors

Jose F. Vergara
President

Mark L. Monin
Vice President

Kathryn Freshley
Director

Mike Gaskins
Director

Kay Havens
Director

General Manager

Dennis P. Cafferty

Treasurer

Neely Shahbakhti



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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."

The District has 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, adds approximately 28,500 feet of new recycled water pipelines and appurtenances to the existing recycled water system. The Project also 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 early 2020.

The Oso Sewer Lift Station Improvement Project, budgeted at \$ 1.5 million, is expected to be complete by the end of 2020. This project will replace the aging sewer lift station and increase the reliability and efficiency of the sewer pumping facilities.



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Director

General Manager

Dennis P. Cafferty

Treasurer

Neely Shahbakhthi

Internal Control Structure

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

Budgetary Control

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

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

Investment Policy

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

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.



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Mike Gaskins
Director

Kay Havens
Director

General Manager

Dennis P. Cafferty

Treasurer

Neely Shahbakti

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 LLP has conducted the audit of the District's financial statements. Their unmodified 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,

Dennis P. Cafferty
General Manager

Neely Shahbakti
Finance Manager/Controller



DISTRICT OFFICIALS

Board of Directors

Jose Vergara, President

Mark Monin, Vice President

Kathryn Freshley, Director

Mike Gaskins, Director

Kay Havens, Director

District Management

Robert R. Hill, General Manager

Dennis P. Cafferty, Assistant General Manager/District Engineer

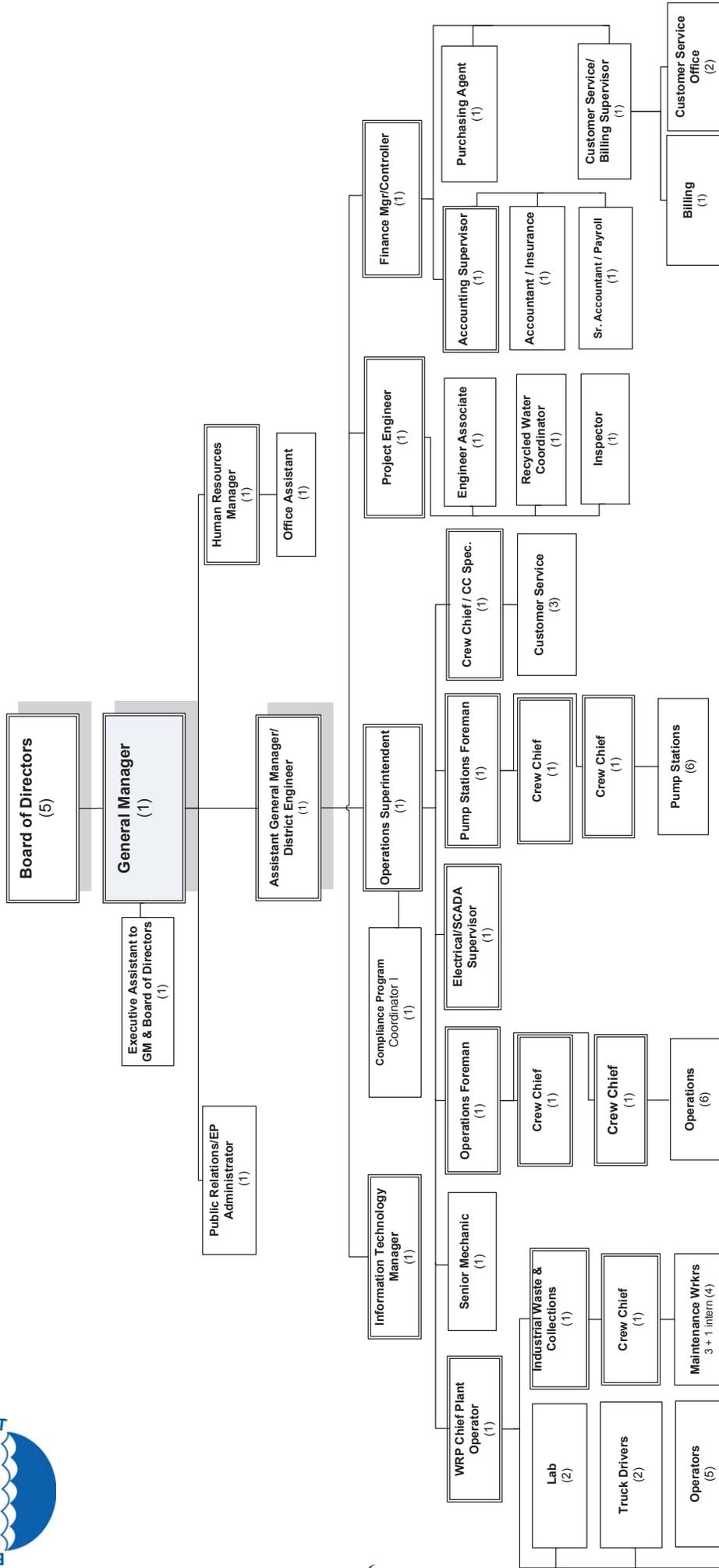
Neely Shahbakhti, Finance Manager/Controller

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, 2018

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the El Toro Water District (the "District"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2019 and 2018, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 55 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and Statistical Section 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 13, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
November 13, 2019



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of El Toro Water District (the "District"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (the "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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control 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 PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
November 13, 2019

El Toro Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2019 and 2018

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 year ended June 30, 2019 and 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 2019, the District's net position increased 2.53% or \$1,594,604 to \$64,553,048 as a result of operations.
- In 2018, the District's net position decreased 8.70% or (\$5,998,577) to \$62,958,444 as a result of operations.
- In 2019, the District's operating revenues decreased 3.07%, or (\$781,804), primarily due to a \$984,662 decrease in water consumption sales and a \$130,472 decrease in sewer services.
- 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 2019, the District's operating expenses before depreciation decreased 1.25%, or (\$284,296), primarily due to a \$643,551 decrease in source of supply and a \$473,971 decrease in transmission and distribution.
- 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.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

Financial Analysis of the District

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

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

Notes to the Basic Financial Statements

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

Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Change	June 30, 2017	Change
Assets:					
Current assets	\$ 21,961,987	\$ 16,550,066	\$ 5,411,921	\$ 19,553,765	\$ (3,003,699)
Restricted assets	2,076,518	1,648,811	427,707	1,626,039	22,772
Capital assets, net	94,473,600	96,109,953	(1,636,353)	94,743,188	1,366,765
Total assets	118,512,105	114,308,830	4,203,275	115,922,992	(1,614,162)
Deferred outflows of resources:					
OPEB related deferred outflows of resources	3,337,168	237,713	3,099,455	-	237,713
Total deferred outflows of resources	3,337,168	237,713	3,099,455	-	237,713
Liabilities:					
Current liabilities	5,058,237	5,491,773	(433,536)	\$4,558,062	933,711
Noncurrent liabilities	52,237,988	46,096,326	6,141,662	42,407,909	3,688,417
Total liabilities	57,296,225	51,588,099	5,708,126	46,965,971	4,622,128
Net position:					
Net investment in capital assets	56,355,138	60,300,968	(3,945,830)	57,194,565	3,106,403
Restricted	2,076,518	1,648,811	427,707	1,626,039	22,772
Unrestricted	6,121,392	1,008,665	5,112,727	10,136,417	(9,127,752)
Total net position	\$ 64,553,048	\$ 62,958,444	\$ 1,594,604	\$ 68,957,021	\$ (5,998,577)

In 2019, total assets increased by \$4,203,275, total liabilities increased by \$5,708,126, total deferred outflows of resources increased by \$3,099,455 and net position increased by \$1,594,604.

In 2019, the increase in current assets of \$5,411,921 is directly related to the issuance of SRF Loan – 2018 with amount of \$4,085,782.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

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 and deferred outflows of resources of the District exceeded liabilities by \$64,315,335 and \$62,720,731 as of June 30, 2019 and 2018, respectively.

By far the largest portion of the District's net position (88% as of June 30, 2019 and 96% as of June 30, 2018) 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 2019 and 2018, the District showed a balance in its restricted net position of \$2,076,518 and \$1,648,811, respectively, which is restricted for debt service and capital projects.

At the end of fiscal years 2019 and 2018, the District showed a positive balance in its unrestricted net position of \$5,883,679 and \$770,952, respectively, which may be utilized in future years. The significant increase in unrestricted net position is due to the OPEB related deferred outflows of resources in the amount of \$3,099,455 as of June 30, 2019.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>	<u>June 30, 2017</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 24,663,457	\$ 25,445,261	\$ (781,804)	\$ 24,032,874	\$ 1,412,387
Non-operating revenues	2,627,873	1,299,509	1,328,364	1,298,287	1,222
Total revenues	<u>27,291,330</u>	<u>26,744,770</u>	<u>546,560</u>	<u>25,331,161</u>	<u>1,413,609</u>
Expenses:					
Operating expenses	26,928,835	26,859,040	69,795	25,287,726	1,571,314
Non-operating expenses	753,794	790,753	(36,959)	706,683	84,070
Total expenses	<u>27,682,629</u>	<u>27,649,793</u>	<u>32,836</u>	<u>25,994,409</u>	<u>1,655,384</u>
Capital contributions	<u>1,985,903</u>	<u>45,853</u>	<u>1,940,050</u>	<u>85,821</u>	<u>(39,968)</u>
Change in net position	<u>1,594,604</u>	<u>(859,170)</u>	<u>2,453,774</u>	<u>(577,427)</u>	<u>(281,743)</u>
Net position:					
Beginning of year	62,958,444	68,957,021	(5,998,577)	69,534,448	(577,427)
Restatement:					
Due to implementation of GASB 75	-	(5,139,407)	5,139,407	-	(5,139,407)
End of year	<u>\$ 64,553,048</u>	<u>\$ 62,958,444</u>	<u>\$ 1,594,604</u>	<u>\$ 68,957,021</u>	<u>\$ (5,998,577)</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 increased by \$2,691,487 and decreased by \$519,456, respectively, for the fiscal years ended June 30, 2019 and 2018.

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

Total Revenues

Operating revenues:	June 30, 2019	June 30, 2018	Change	June 30, 2017	Change
Water consumption sales	\$ 8,474,791	\$ 9,459,453	\$ (984,662)	\$ 8,635,462	\$ 823,991
Water service charges	4,623,068	4,325,454	297,614	4,177,505	147,949
Sewer service charges	10,955,238	11,085,710	(130,472)	10,759,981	325,729
Standby charges	247	418	(171)	1,525	(1,107)
Reimbursements from others	383,810	403,445	(19,635)	331,179	72,266
Other charges for services	226,303	170,781	55,522	127,222	43,559
Total operating revenues	24,663,457	25,445,261	(781,804)	24,032,874	1,412,387
Non-operating revenues:					-
Property taxes	1,012,576	927,672	84,904	888,973	38,699
Rental revenue	204,160	188,183	15,977	181,491	6,692
Investment earnings	500,786	124,001	376,785	75,113	48,888
Other non-operating revenue	910,351	59,653	850,698	152,710	(93,057)
Total non-operating revenues	2,627,873	1,299,509	1,328,364	1,298,287	1,222
Total revenue	\$ 27,291,330	\$ 26,744,770	\$ 546,560	\$ 25,331,161	\$ 1,413,609

In 2019, the District's operating revenues decreased 3.07%, or (\$781,804), primarily due to a \$984,662 decrease in water consumption sales and a \$130,472 decrease in sewer services.

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

Operating expenses:	June 30, 2019	June 30, 2018	Change	June 30, 2017	Change
Source of supply	\$ 7,650,468	\$ 8,294,019	\$ (643,551)	\$ 7,435,534	\$ 858,485
Pumping	1,480,556	1,491,273	(10,717)	1,460,096	31,177
Water treatment	3,744,102	3,567,648	176,454	3,380,526	187,122
Transmission and distribution	4,561,123	5,035,094	(473,971)	5,037,124	(2,030)
Customer service	720,714	686,217	34,497	694,479	(8,262)
General and administrative	4,305,441	3,434,736	870,705	3,211,224	223,512
Depreciation	4,466,431	4,350,053	116,378	4,068,743	281,310
Total operating expenses	26,928,835	26,859,040	69,795	25,287,726	1,571,314
Non-operating expenses:					
Interest expense	753,794	790,753	(36,959)	706,683	84,070
Total non-operating expenses	753,794	790,753	(36,959)	706,683	84,070
Total expenses	\$ 27,682,629	\$ 27,649,793	\$ 32,836	\$ 25,994,409	\$ 1,655,384

In 2019, the District's operating expenses decreased 0.62%, or \$167,918, primarily due to a \$643,551 decrease in source of supply and a \$473,971 decrease in transmission and distribution.

In 2018, the District's operating expenses increased 7.15%, or \$1,809,027 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 Years Ended June 30, 2019 and 2018

Capital Assets

Capital asset balances were as follows:

<u>Description</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Non-depreciable assets	\$ 14,290,118	\$ 12,888,375	\$ 9,293,359
Depreciable assets	155,531,931	154,242,110	152,232,271
Accumulated depreciation	<u>(75,348,449)</u>	<u>(71,020,532)</u>	<u>(66,782,442)</u>
Total capital assets, net	<u>\$ 94,473,600</u>	<u>\$ 96,109,953</u>	<u>\$ 94,743,188</u>

At the end of fiscal years 2019 and 2018 and 2017, the District's investment in capital assets amounted to \$94,473,600 \$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, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Loans payable	\$ 38,118,462	\$ 35,808,985	\$ 37,548,623
Total long-term debt	<u>\$ 38,118,462</u>	<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
Statements of Net Position
June 30, 2019 and 2018

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents (Note 2)	\$ 8,571,750	\$ 3,380,895
Investments (Note 2)	9,316,213	9,019,914
Accrued interest receivable	89,721	64,229
Accounts receivable – water sales and sewer services	3,092,800	3,125,385
Accounts receivable – grants	146,157	84,542
Accounts receivable – other	7,609	2,501
Property taxes receivable	9,297	8,413
Materials and supplies inventory	625,472	659,179
Prepaid items	102,968	205,008
Total current assets	21,961,987	16,550,066
Non-current assets:		
Restricted – cash and cash equivalents (Note 2)	2,076,518	1,648,811
Capital assets – not being depreciated (Note 3)	14,290,118	12,888,375
Capital assets, net – being depreciated (Note 3)	80,183,482	83,221,578
Total non-current assets	96,550,118	97,758,764
Total assets	118,512,105	114,308,830
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related deferred outflows of resources	3,337,168	237,713
Total deferred outflows of resources	3,337,168	237,713
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	1,975,697	2,679,399
Accrued salaries and related payables	246,798	237,515
Customer deposits and unearned revenue	54,541	56,283
Accrued interest payable	280,268	295,535
Long-term liabilities – due within one year:		
Compensated absences (Note 4)	327,800	440,556
Loans payable (Note 5)	2,173,133	1,782,485
Total current liabilities	5,058,237	5,491,773
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 4)	1,088,189	878,063
Net other post-employment benefits liability (Note 7)	15,204,470	11,191,763
Loans payable (Note 5)	35,945,329	34,026,500
Total non-current liabilities	52,237,988	46,096,326
Total liabilities	57,296,225	51,588,099
NET POSITION		
Net investment in capital assets (Note 8)	56,355,138	60,300,968
Restricted – capital projects	64,514	45,853
Restricted – debt service	2,012,004	1,602,958
Unrestricted	6,121,392	1,008,665
Total net position	\$ 64,553,048	\$ 62,958,444

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El Toro Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES:		
Water consumption sales	\$ 8,474,791	\$ 9,459,453
Water service charges	4,623,068	4,325,454
Sewer service charges	10,955,238	11,085,710
Standby charges	247	418
Reimbursements from others	383,810	403,445
Other charges for services	226,303	170,781
Total operating revenues	24,663,457	25,445,261
OPERATING EXPENSES:		
Source of supply	7,650,468	8,294,019
Pumping	1,480,556	1,491,273
Treatment	3,744,102	3,567,648
Transmission and distribution	4,561,123	5,035,094
Customer service	720,714	686,217
General and administrative	4,305,441	3,434,736
Depreciation expense	4,466,431	4,350,053
Total operating expenses	26,928,835	26,859,040
OPERATING (LOSS)	(2,265,378)	(1,413,779)
NON-OPERATING REVENUES (EXPENSES):		
Property taxes	1,012,576	927,672
Rental revenue	204,160	188,183
Investment earnings	500,786	124,001
Interest expense	(753,794)	(790,753)
Other non-operating revenue	910,351	59,653
Total non-operating revenues, net	1,874,079	508,756
Net (loss) before capital contributions	(391,299)	(905,023)
Capital contributions:		
Capital grants	1,985,903	45,853
Total capital contributions	1,985,903	45,853
Change in net position	1,594,604	(859,170)
Net position:		
Beginning of year, as restated (Note 11)	62,958,444	63,817,614
End of year	\$ 64,553,048	\$ 62,958,444

See accompanying Notes to the Basic Financial Statements.

El Toro Water District
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers for water sales and services	\$ 25,599,543	\$ 25,308,470
Cash paid to employees for salaries and wages	(8,253,510)	(7,974,791)
Cash paid to vendors and suppliers for materials and services	(13,994,658)	(13,640,499)
Net cash provided by operating activities	3,351,375	3,693,180
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from property taxes	1,011,692	928,668
Net cash provided by non-capital financing activities	1,011,692	928,668
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(2,830,078)	(5,716,818)
Capital contributions – Grants	1,924,288	8,291
Principal paid	(1,776,305)	(1,739,638)
Interest paid	(769,061)	(805,729)
Issuance of loans payable	4,085,782	-
Net cash (used in) capital and related financing activities	634,626	(8,253,894)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment earnings	475,295	115,434
Proceeds from rental income	204,160	188,183
Net cash provided by investing activities	679,455	303,617
Net (decrease) in cash and cash equivalents	5,677,148	(3,328,429)
CASH AND CASH EQUIVALENTS:		
Beginning of year	14,049,620	17,378,049
End of year	\$ 19,726,768	\$ 14,049,620
CASH AND CASH EQUIVALENTS:		
Cash and investments	\$ 17,887,963	\$ 12,400,809
Restricted – cash and cash equivalents	2,076,518	1,648,811
Total cash and investments	\$ 19,964,481	\$ 14,049,620

El Toro Water District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2019 and 2018

	2019	2018
RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net (Loss)	\$ (2,265,378)	\$ (1,413,779)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	4,466,431	4,350,053
Other non-operating revenue	910,351	59,653
Changes in operating assets and liabilities		
Accounts receivable – water sales and sewer services	32,585	(199,726)
Accounts receivable – other	(5,108)	209
Materials and supplies inventory	33,706	(96,729)
Prepaid items	102,040	(6,123)
OPEB related deferred outflows of resources	(3,337,168)	(237,713)
Accounts payable and accrued expenses	(703,702)	808,172
Accrued salaries and related payables	9,283	(8,678)
Customer deposits and unearned revenue	(1,742)	3,073
Compensated absences	97,370	(5,788)
Other postemployment benefits liability	4,012,707	440,556
Net cash provided by operating activities	\$ 3,351,375	\$ 3,693,180

See accompanying Notes to the Basic Financial Statements.

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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 Years Ended June 30, 2019 and 2018

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 Years Ended June 30, 2019 and 2018

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 Years Ended June 30, 2019 and 2018

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

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.

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

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

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, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2017
Measurement Period	July 1, 2017 to June 30, 2018	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 *net investment in capital assets*.

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

Water Sales and Sewer Services

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

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

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

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

GASB Statement No. 83, *Certain Asset Retirement Obligations (GASB 83)*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. See Note 5 for District’s long-term debt disclosures.

Note 2 – Cash and Investments

At June 30, 2019 and 2018, cash and investments were classified in the accompanying financial statements as follows:

	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 8,571,750	\$ 3,380,895
Investments	9,316,213	9,019,914
Restricted – cash and cash equivalents	2,076,518	1,648,811
Total	\$ 19,964,481	\$ 14,049,620

At June 30, 2019 and 2018, cash and investments consisted of the following:

	June 30, 2019	June 30, 2018
Cash on hand	\$ 700	\$ 700
Demand deposits held with financial institutions	1,793,933	554,365
Investments	18,169,848	13,494,555
Total	\$ 19,964,481	\$ 14,049,620

Demand Deposits

At June 30, 2019 and 2018, the carrying amount of the District’s demand deposits was \$1,793,933 and \$554,365, respectively, and the financial institution balance was \$1,979,398 and \$631,584, respectively. The \$185,465 and \$77,219 net difference as of June 30, 2019 and 2018 represents outstanding checks, deposits-in-transit and/or other reconciling items.

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 2 – Cash and Investments (Continued)

Demand Deposits (Continued)

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

As of June 30, 2019, and 2018, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018.

The District's investments as of June 30, 2019 were as follows:

Type of Investments	Measurement Input	Credit Rating Moody's	June 30, 2019 Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. treasury obligations	Level 2	Aaa	\$ 1,551,510	\$ -	\$ 861,450	\$ 690,061
Government sponsored entities securities	Level 2	Aaa-Aa3	1,809,335	1,047,037	713,295	49,003
Corporate medium-term notes	Level 2	Aaa-A3	2,352,258	1,522,892	739,475	89,891
Negotiable certificates of deposit	Level 2	Aa2-P-1	957,543	571,174	386,369	-
Asset-backed securities	Level 2	Aaa	942,984	-	38,993	903,991
Local Agency Investment Fund (LAIF)	Uncategorized	N/A	8,853,635	8,853,635	-	-
California Asset Management Program (CAMP) Pool	Level 2	N/A	1,702,582	1,702,582	-	-
Total investments			\$ 18,169,848	\$ 13,697,320	\$ 2,739,582	\$ 1,732,946

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	13 to 24 Months	25 to 60 Months
U.S. treasury obligations	Level 2	Aaa	\$ 1,519,520	\$ -	\$ -	\$ 1,519,520
Government sponsored entities securities	Level 2	Aaa-Aa3	1,847,455	-	1,081,689	765,766
Corporate medium-term notes	Level 2	Aaa-Baa1	2,467,520	149,424	1,504,395	813,701
Commercial paper	Level 2	P-1	149,000	149,000	-	-
Negotiable certificates of deposit	Level 2	Aa2-P-1	1,755,412	807,377	567,524	380,511
Asset-backed securities	Level 2	Aaa-NR	1,267,792	-	1,507	1,266,285
Local Agency Investment Fund (LAIF)	Uncategorized	N/A	4,474,641	4,474,641	-	-
California Asset Management Program (CAMP) Pool	Level 2	N/A	13,215	13,215	-	-
Total investments			\$ 13,494,555	\$ 5,593,658	\$ 3,155,115	\$ 4,745,782

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 2 – Cash and Investments (Continued)

Investments (Continued)

The District’s level 2 investments are valued based on institutional bond quotes or matrix pricing.

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.

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

Investment in California – Local Agency Investment Fund (LAIF)

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

The District’s investments with LAIF at June 30, 2019 and 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.

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 2 – Cash and Investments (Continued)

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

The District had \$8,853,635 and \$4,474,641 invested in LAIF, which had invested 1.77% and 2.67% of the pooled investment funds as of June 30, 2019 and 2018, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.00171179 and 0.998126869 was used to calculate the fair value of the investments in LAIF as of June 30, 2019 and 2018, respectively.

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 \$1,702,582 and \$13,215 at June 30, 2019 and 2018, respectively.

Fair Value Measurement Input

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

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, 2019 and 2018, the District has presented its investment security credit rating ranges as noted in the table above.

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 2 – Cash and Investments (Continued)

Interest Rate Risk

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

Concentration of Credit Risk

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

Summary of changes in capital assets for the year ended June 30, 2019 were as follows:

Description	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Non-depreciable assets:				
Land	\$ 7,451,586	\$ -	\$ -	\$ 7,451,586
Construction-in-process	5,436,789	1,401,743	-	6,838,532
Total non-depreciable assets	12,888,375	1,401,743	-	14,290,118
Depreciable assets:				
Capacity rights	342,382	-	-	342,382
Sources of supply	19,968,006	-	-	19,968,006
Pumping	21,767,754	198,433	-	21,966,187
Treatment	39,122,399	728,232	-	39,850,631
Transmission and collection	59,051,266	63,860	-	59,115,126
General plant facilities	13,990,303	437,810	(138,514)	14,289,599
Total depreciable assets	154,242,110	1,428,335	(138,514)	155,531,931
Accumulated depreciation:				
Capacity rights	(232,849)	(6,846)	-	(239,695)
Sources of supply	(10,777,622)	(370,619)	-	(11,148,241)
Pumping	(11,447,001)	(960,660)	-	(12,407,661)
Treatment	(25,896,727)	(1,345,327)	-	(27,242,054)
Transmission and collection	(11,589,280)	(1,214,703)	-	(12,803,983)
General plant facilities	(11,077,053)	(568,276)	138,514	(11,506,815)
Total accumulated depreciation	(71,020,532)	(4,466,431)	138,514	(75,348,449)
Total depreciable assets, net	83,221,578	(3,038,096)	-	80,183,482
Total capital assets, net	\$ 96,109,953	\$ (1,636,353)	\$ -	\$ 94,473,600

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 3 – Capital Assets (Continued)

Summary of 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
Non-depreciable assets:					
Land	\$ 7,451,586	\$ -	\$ -	\$ -	\$ 7,451,586
Construction-in-process	1,841,773	4,518,303	-	(923,287)	5,436,789
Total non-depreciable assets	9,293,359	4,518,303	-	(923,287)	12,888,375
Depreciable assets:					
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
Total depreciable assets	152,232,271	1,198,515	(111,963)	923,287	154,242,110
Accumulated depreciation:					
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)
Total accumulated depreciation	(66,782,442)	(4,350,053)	111,963	-	(71,020,532)
Total depreciable assets, net	85,449,829	(3,151,538)	-	923,287	83,221,578
Total capital assets, net	\$ 94,743,188	\$ 1,366,765	\$ -	\$ -	\$ 96,109,953

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 \$6,838,532 and \$5,436,789 as of June 30, 2019 and 2018, respectively.

Construction-in-process consisted of the following projects as of June 30, 2019 and 2018:

Project Description	June 30, 2019	June 30, 2018
Oso Lift Station Improvement	\$ 264,767	\$ 192,360
R-6 Sodium Hypochlorite Tanks Replacement	225,457	-
Recycled water distribution system expansion	6,176,786	5,196,865
Various other minor projects <\$100,000	171,522	47,564
Total construction-in-progress	\$ 6,838,532	\$ 5,436,789

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 4 – Compensated Absences

Summary of changes to compensated absences for the year ended June 30, 2019 were as follows:

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

Summary of changes to compensated absences for the year ended June 30, 2018 were 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

Summary of changes to long-term debt for the year ended June 30, 2019 were as follows:

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

Summary of changes to long-term debt for the year ended June 30, 2018 were 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	<u>\$ 37,548,623</u>	<u>\$ -</u>	<u>\$ (1,739,638)</u>	<u>\$ 35,808,985</u>	<u>\$ 1,782,485</u>	<u>\$ 34,026,500</u>

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 5 – Long-Term Debt (Continued)

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, 2019 and 2018 was \$6,180, respectively.

State Revolving Fund Loan 2010 – Northline Lift Station Improvement Project

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

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

Fiscal Year	Principal	Interest	Total
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	203,110	55,036	258,146
2025-2029	1,100,831	189,899	1,290,730
2030-2032	734,426	40,012	774,438
Total	<u>\$ 2,798,794</u>	<u>\$ 557,104</u>	<u>\$ 3,355,898</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:

Fiscal Year	Principal	Interest	Total
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	1,309,395	293,563	1,602,958
2025-2029	6,888,537	1,126,253	8,014,790
2030-2034	7,494,312	520,478	8,014,790
2035	1,576,163	28,405	1,604,568
Total	<u>\$ 22,290,739</u>	<u>\$ 3,358,199</u>	<u>\$ 25,648,938</u>

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

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
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	460,108	224,154	684,262
2025-2029	2,523,544	897,770	3,421,314
2030-2034	2,939,708	481,605	3,421,313
2035-2036	1,307,421	61,104	1,368,525
Total	<u>\$ 8,936,967</u>	<u>\$ 2,695,497</u>	<u>\$ 11,632,464</u>

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

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

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

Fiscal Year	Principal	Interest	Total
2020	\$ 353,143	\$ 55,903	\$ 409,046
2021	345,591	63,455	409,046
2022	351,466	57,580	409,046
2023	357,441	51,605	409,046
2024	363,518	45,528	409,046
2025-2029	1,912,414	132,817	2,045,230
2030	402,209	6,838	409,046
Total	<u>\$ 4,085,782</u>	<u>\$ 413,725</u>	<u>\$ 4,499,507</u>

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

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 \$920,220 and \$909,909 as of June 30, 2019 and 2018, respectively.

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, 2019 and 2018 were \$21,419,567 and \$20,286,055, respectively.

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

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.

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Other Post-Employment Benefits (Continued)

Employees Covered

At June 30, 2018 and 2017 valuation date, the following current and former employees were covered by the benefit terms:

	2018	2017
Active employees	61	59
Inactive employees or beneficiaries currently receiving benefits	22	19
Inactive employees entitled to, but not yet receiving benefits	-	-
Total	83	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 the year ended June 30, 2019 and 2018, contributions were made totaling \$237,713 and \$228,570, respectively.

Actuarial Assumptions

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

Actuarial Valuation Date	June 30, 2018	
Discount Rate	3.78% net of expenses at June 30, 2018	
Health Care Trend	4% per year	
Salaries increases	3% per year	
Inflation	2.75% per year	
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study (2% @55 rates for Tiers 1-3, modified rates for Tier 4)	
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2018	
Medical Trend		
Non-Medicare	7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076	
Medicare	6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076	
Healthcare Participation at Retirement		
Actives	95% Tiers 1-3, 90% Tier 4	
Retirees	100%	
Spouse Healthcare Participation at Retirement		
Spouse currently covered	100% Tiers 1-3, 50% Tier 4,	
Spouse not currently covered	0%	
Medical Plan Election at Retirement	Same as currently elected	
Surviving Spouse Participation	100% if eligible	
Spouse Age		
Actives	Males 3 years older than females	
Retirees	Males 3 years older than females if spouse birth date not available	
PPACA Excise Tax	2% on cash benefit for PPACA High Cost Plan Excise Tax	
Medicare Eligibility	All participants assumed to be Medicare eligible and elect Medicare plans at age 65	
Tier 4 Retirement Rates	Based on 50% of the CalPERS 2% @ 55 rates before age 60 and 20 years of service	

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Other Post-Employment Benefits (Continued)

Actuarial Assumptions (Continued)

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	
		<u>Pre-65</u> <u>Post-65</u>
	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 Participaption %	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 2018 and 2017 total OPEB liability was 3.87% percent and 3.8% percent, respectively. This discount rate is the Bond Buyer 20-Bond GO index.

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

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

Plan's Total OPEB Liability		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(2.87%)	(3.87%)	(4.87%)
\$ 17,832,722	\$ 15,204,470	\$ 13,106,214

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Other Post-Employment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (Continued)

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

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, 2018:

Plan's Total OPEB Liability		
Healthcare Cost		
-1%	Tread Rate	+1%
\$ 12,909,716	\$ 15,204,470	\$ 18,116,839

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

Summary of change in total OPEB liability for the measurement date June 30, 2018 were as follows:

Balance at Measurement Date June 30, 2017	\$ 11,191,763
Changes Recognized for the Measurement Period:	
Service Cost	267,270
Interest on the total OPEB liability	430,926
Changes in benefit terms	-
Difference between expected and actual experience	987,411
Changes in assumptions	2,564,813
Contribution from the employer	-
Net investment income	-
Administrative expenses	-
Benefit payments	(237,713)
Net changes during July 1, 2017 to June 30, 2018	4,012,707
Balance at Measurement Date June 30, 2018	\$ 15,204,470

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Other Post-Employment Benefits (Continued)

Change in Total OPEB Liability (Continued)

Summary of change in total OPEB liability for the measurement date June 30, 2017 were as follows:

Balance at Measurement Date 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, 2017 to June 30, 2018		<u>440,556</u>
Balance at Measurement Date June 30, 2018	\$	<u><u>11,191,763</u></u>

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

For the year ended June 30, 2019, OPEB expense in the amount of \$913,252 is included in the accompanying statement of activities. For the year ended June 30, 2019, the District reported deferred outflows or inflows of resources related to OPEB due to initial valuation of OPEB under GASB Statement No. 75 as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made after measurement date	\$ 292,405	\$ -
Differences between expected and actual experience	846,352	-
Changes in assumptions	2,198,411	-
Net difference between projected and actual earnings on pension plan investments	-	-
	<u>\$ 3,337,168</u>	<u>\$ -</u>

For the year ended June 30, 2018, OPEB expense in the amount of \$202,843 is included in the accompanying statement of activities. For the year ended June 30, 2018, the District reported deferred outflows or inflows of resources related to OPEB due to initial valuation of OPEB under GASB Statement No. 75 as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made after measurement date	\$ 237,713	\$ -
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
	<u>\$ 237,713</u>	<u>\$ -</u>

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Other Post-Employment Benefits (Continued)

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

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

Deferred outflows of resources related to differences between expected and actual experience will be recognized in future OPEB expenses as follows:

Year Ending	
June 30	Amount
2020	\$ 141,059
2021	141,059
2022	141,059
2023	141,059
2024	141,059
Thereafter	141,057
Total	<u>\$ 846,352</u>

Deferred outflows of resources related to changes in assumptions will be recognized in future OPEB expenses as follows:

Year Ending	
June 30	Amount
2020	\$ 366,402
2021	366,402
2022	366,402
2023	366,402
2024	366,402
Thereafter	366,401
Total	<u>\$ 2,198,411</u>

The \$237,713 reported as deferred outflows of resources related to OPEB resulting from the District’s contributions subsequent to the measurement date during the year ended June 30, 2018 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 8 – Net Position

Net investment in capital assets at June 30, 2019 and 2018 consisted of the following:

Description	June 30, 2019	June 30, 2018
Net investment in capital assets:		
Capital assets – not being depreciated	\$ 14,290,118	12,888,375
Capital assets, net – being depreciated	80,183,482	83,221,578
Loans payable – current	(2,173,134)	(1,782,485)
Loans payable – non-current	(35,945,328)	(34,026,500)
Total net investment in capital assets	<u>\$ 56,355,138</u>	<u>\$ 60,300,968</u>

Note 9 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2019, 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, 2019. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2019 and 2018.

El Toro Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2019 and 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.

Note 11 – Prior Period Adjustments

The District recorded a prior period adjustment to adjust the deferred outflows of resources related to OPEB in the amount of \$237,713. Accordingly, the net position as of July 1, 2018 was restated as follows:

Net Position, as originally reported	\$ 62,720,731
Restatement:	
Deferred outflows of resources related to OPEB	(237,713)
Net Position, as restated	\$ 62,483,018

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	(5,139,407)
Net Position, as restated	\$ 63,817,614

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REQUIRED SUPPLEMENTARY INFORMATION

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El Toro Water District
Required Supplementary Information
For the Years Ended June 30, 2019 and 2018

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

Ten –Year Schedule

	<u>2019</u>	<u>2018</u>
For the Measurement Period:	<u>2017-2018</u>	<u>2016-2017</u>
Total OPEB Liability:		
Service Cost	\$ 267,270	\$ 260,117
Interest on the total OPEB liability	430,926	409,009
Changes in benefit terms	-	-
Difference between expected and actual experience	987,411	-
Changes in assumptions	2,564,813	-
Contribution from the employer	-	-
Benefit payments	<u>(237,713)</u>	<u>(228,570)</u>
Net changes in Total OPEB Liability	4,012,707	440,556
Beginning of Year	<u>11,191,763</u>	<u>10,751,207</u>
End of Year	<u>\$ 15,204,470</u>	<u>\$ 11,191,763</u>
Plan Fiduciary Net Position:		
Employer contribution	\$ 237,713	\$ 228,570
Employee contributions	-	-
Net investment income	-	-
Administrative expenses	-	-
Benefit payments	(237,713)	(228,570)
Other	<u>-</u>	<u>-</u>
Net changes in Fiduciary Net Position	-	-
Beginning of Year	<u>-</u>	<u>-</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability	\$ 15,204,470	\$ 11,191,763
Fiduciary Net Position as a % of Total OPEB Liability	0.00%	0.00%
Covered Payroll	\$ 5,709,337	\$ 5,696,461
Net OPEB Liability as a % of Payroll	266.31%	196.47%

GASB 75 was implemented in fiscal year 2018, therefore only two years of 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, 2019 and 2018

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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	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	61
Revenue Capacity These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales.	63
Debt Capacity These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	70
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	72
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	75

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 18,619,690	\$ 19,483,679	\$ 21,323,356	\$ 22,592,576	\$ 23,188,691
Operating expenses ^(see Schedule 3)	<u>(20,476,460)</u>	<u>(21,120,634)</u>	<u>(22,010,956)</u>	<u>(22,785,966)</u>	<u>(24,484,521)</u>
Operating income (loss)	<u>(1,856,770)</u>	<u>(1,636,955)</u>	<u>(687,600)</u>	<u>(193,390)</u>	<u>(1,295,830)</u>
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	715,968	690,711	691,377	753,865	774,568
Rental revenue	-	-	-	-	165,282 ⁽²⁾
Investment earnings	335,679	268,749	208,446	124,439	51,881
Interest expense	(647,011)	(521,469)	(487,724)	(327,684)	(185,655)
Other non-operating revenues	374,266	347,260	527,254	463,981	56,564
Other non-operating expenses	-	-	-	(1,571,619) ⁽¹⁾	-
Total non-operating revenues(expenses), net	<u>778,902</u>	<u>785,251</u>	<u>939,353</u>	<u>(557,018)</u>	<u>862,640</u>
Net income before capital contributions	(1,077,868)	(851,704)	251,753	(750,408)	(433,190)
Capital contributions	<u>76,396</u>	<u>105,199</u>	<u>124,071</u>	<u>3,092,146</u>	<u>1,648,257</u>
Changes in net position	<u><u>\$ (1,001,472)</u></u>	<u><u>\$ (746,505)</u></u>	<u><u>\$ 375,824</u></u>	<u><u>\$ 2,341,738</u></u>	<u><u>\$ 1,215,067</u></u>
Net position by component:					
Net investment in capital assets	\$ 43,164,937	\$ 44,623,580	\$ 45,207,184	\$ 53,386,647	\$ 57,218,606
Restricted:					
Debt Service	3,438,994	3,646,427	3,888,332	3,326,941	2,772,564
Capital Projects	<u>960,095</u>	<u>1,010,945</u>	<u>1,221,358</u>	<u>29,640</u>	<u>83,771</u>
Total restricted	4,399,089	4,657,372	5,109,690	3,356,581	2,856,335
Unrestricted	<u>18,847,302</u>	<u>16,383,871</u>	<u>15,723,773</u>	<u>11,639,157</u>	<u>9,522,511</u>
Total net position	<u><u>\$ 66,411,328</u></u>	<u><u>\$ 65,664,823</u></u>	<u><u>\$ 66,040,647</u></u>	<u><u>\$ 68,382,385</u></u>	<u><u>\$ 69,597,452</u></u>

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

	Fiscal Year				
	2015	2016	2017	2018	2019
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 23,124,200	\$ 22,516,781	\$ 24,032,874	\$ 25,445,261	\$ 24,663,457
Operating expenses ^(see Schedule 3)	<u>(24,469,909)</u>	<u>(23,990,984)</u>	<u>(25,287,726)</u>	<u>(26,859,040)</u>	<u>(26,928,835)</u>
Operating income (loss)	<u>(1,345,709)</u>	<u>(1,474,203)</u>	<u>(1,254,852)</u>	<u>(1,413,779)</u>	<u>(2,265,378)</u>
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	815,554	843,301	888,973	927,672	1,012,576
Rental revenue	246,196	172,665	181,491	188,183	204,160
Investment earnings	76,804	147,447	75,113	124,001	500,786 ⁽⁵⁾
Interest expense	(132,375)	(397,680)	(706,683) ⁽³⁾	(790,753)	(753,794)
Other non-operating revenues	218,824	188,701	152,710	59,653	910,351 ⁽⁶⁾
Other non-operating expenses	-	-	-	-	-
Total non-operating revenues(expenses), net	<u>1,225,003</u>	<u>954,434</u>	<u>591,604</u>	<u>508,756</u>	<u>1,874,079</u>
Net income before capital contributions	(120,706)	(519,769)	(663,248)	(905,023)	(391,299)
Capital contributions	<u>-</u>	<u>577,471</u>	<u>85,821</u>	<u>45,853</u>	<u>1,985,903</u>
Changes in net position	<u>\$ (120,706)</u>	<u>\$ 57,702</u>	<u>\$ (577,427)</u>	<u>\$ (859,170)</u>	<u>\$ 1,594,604</u>
Net position by component:					
Net investment in capital assets	\$ 52,204,625	\$ 57,306,311	\$ 57,194,565	\$ 60,300,968	\$ 56,355,138
Restricted:					
Debt Service	2,285,068	1,602,958	1,602,958	1,602,958	2,012,004
Capital Projects	<u>571,268</u>	<u>577,471</u>	<u>23,081</u>	<u>45,853</u>	<u>64,514</u>
Total restricted	2,856,336	2,180,429	1,626,039	1,648,811	2,076,518
Unrestricted	<u>14,415,785</u>	<u>10,047,708</u>	<u>10,136,417</u>	<u>1,008,665</u> ⁽⁴⁾	<u>6,121,392</u> ⁽⁴⁾
Total net position	<u>\$ 69,476,746</u>	<u>\$ 69,534,448</u>	<u>\$ 68,957,021</u>	<u>\$ 62,958,444</u>	<u>\$ 64,553,048</u>

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

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

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

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

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

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

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

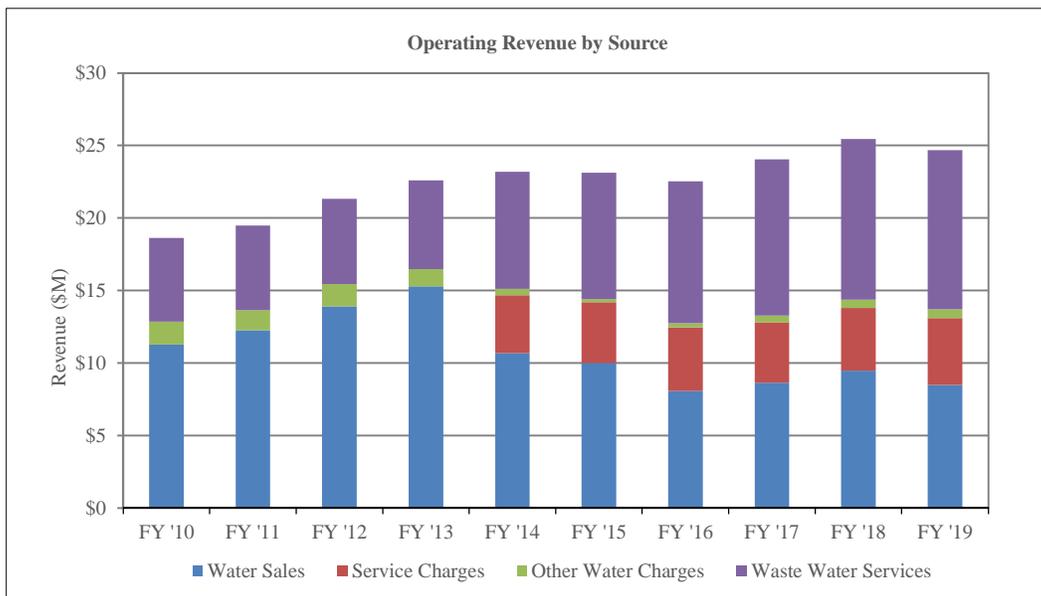
Fiscal Year	Water Sales	Service Charges	Other Water Charges	Waste Water Services	Total Operating Revenue
2010	11,279,626	-	1,559,956	5,780,108	18,619,690
2011	12,247,255	-	1,387,466	5,848,958	19,483,679
2012	13,902,298	-	1,538,758	5,882,300	21,323,356
2013	15,293,372	-	1,169,883	6,129,321	22,592,576
2014	10,687,396	3,979,752 ⁽¹⁾	443,673 ⁽²⁾	8,077,870	23,188,691
2015	9,998,985	4,183,699	216,108	8,725,408	23,124,200
2016	8,069,726	4,381,402	294,329	9,771,324	22,516,781
2017	8,635,462	4,177,505	459,926	10,759,981	24,032,874
2018	9,459,453	4,325,454	574,644	11,085,710	25,445,261
2019	8,474,791	4,623,068	610,360	10,955,238	24,663,457

Other Water Charges - by Category

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

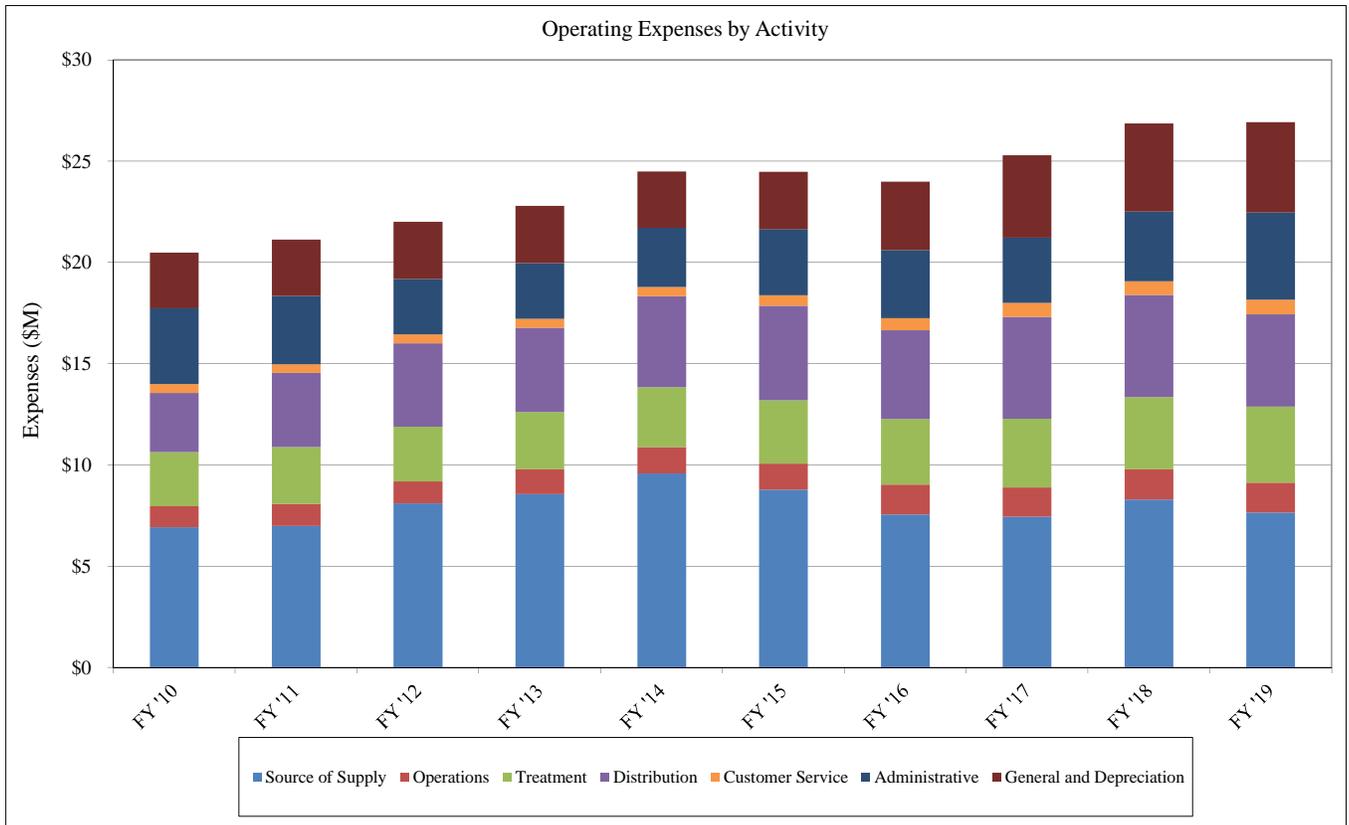
(1) Starting in 2014, Service Charge Revenues was separated from Water Sales Revenues.

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



El Toro Water District Operating Revenues by Activity Last Ten Fiscal Years

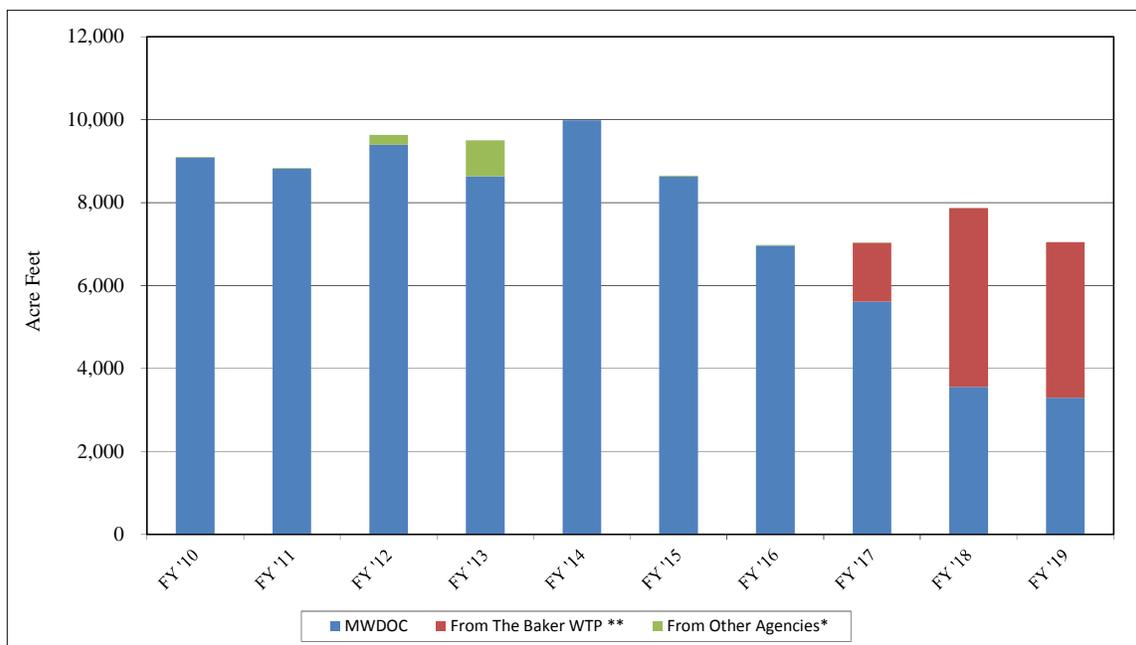
Fiscal Year	Source of Supply	Pumping Operations	Water Treatment	Water Distribution	Customer Service	General and Administrative	Depreciation	Operating Expenses
2010	6,924,687	1,038,275	2,673,452	2,922,913	442,574	3,733,666	2,740,893	20,476,460
2011	6,993,701	1,076,206	2,813,771	3,658,325	423,521	3,381,145	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	3,434,736	4,350,053	26,859,040
2019	7,650,468	1,480,556	3,744,102	4,561,123	720,714	4,305,441	4,466,431	26,928,835



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

Source of Water for Sales (AF)

<u>Fiscal Year</u>	<u>MWDOC</u>	<u>From The Baker WTP **</u>	<u>From Other Agencies*</u>	<u>Total Production</u>
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
2019	3,297	3,754	-	7,051



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

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

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

El Toro Water District

Water Operation Rates and Charges

Last Ten Fiscal Years

Water Rates ⁽¹⁾					
Fiscal Year	Rate per CCF ⁽²⁾				Rate per AF
	Tier 1	Tier 2	Tier 3	Tier 4	Commercial / Industrial
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
2019	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
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
2019	12.96	17.37	26.20	48.25	92.36

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
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
2019	4.66	4.66	7.78	18.91	47.47

Notes:

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

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

(2) CCF = 100 Cubic Feet = 748 gallons

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

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

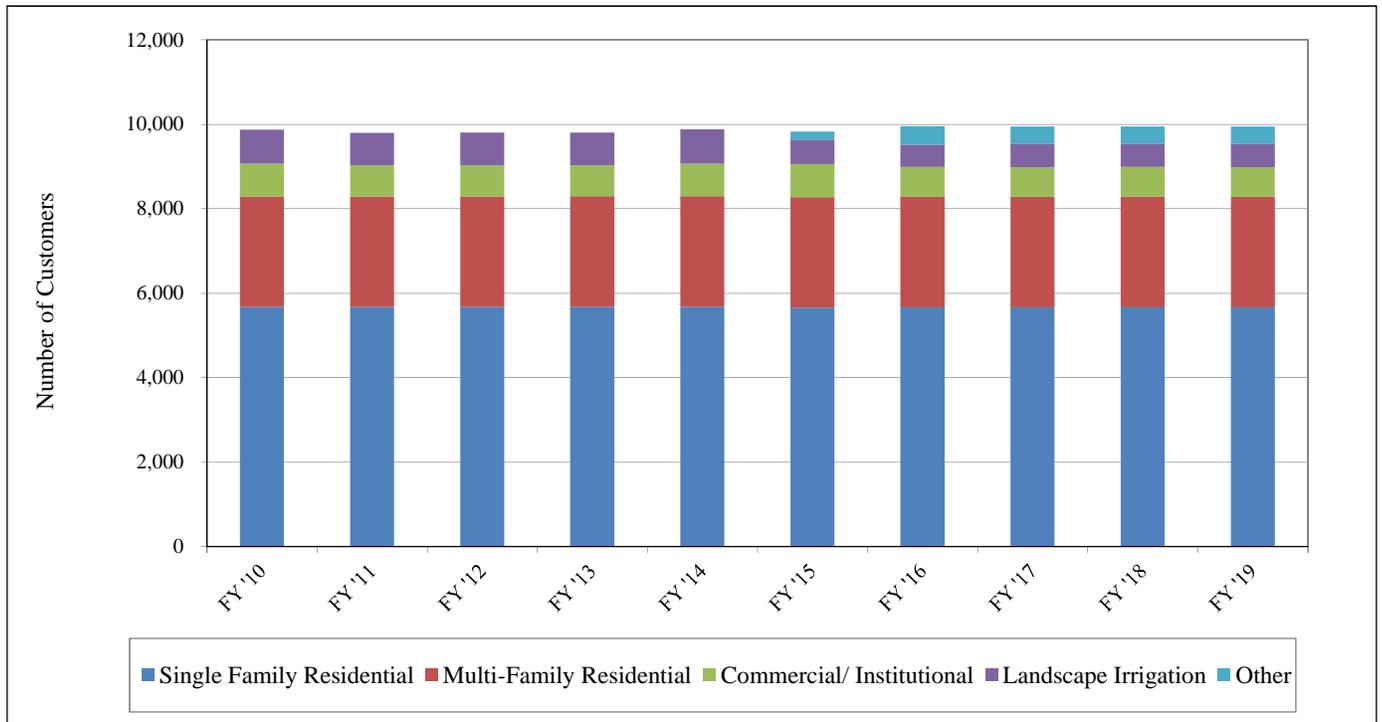
Sewer Rates by Customer Class										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential Rates (monthly charge per EDU)										
Residential Unrestricted	\$ 17.49	\$ 17.49	\$ 17.49	\$ 17.77	\$ 18.99	\$ 20.50	\$ 22.02	\$ 23.11	\$ 23.63	\$ 24.30
Multi-Family Restricted	13.87	13.87	13.87	14.09	15.06	16.26	17.46	18.33	18.74	19.28
Multi-Family Unrestricted	16.49	16.49	16.49	16.75	17.90	19.33	20.76	21.79	22.28	22.92
Commercial Rates (per ccf of water used)										
Animal Kennel / Hospital	\$ 2.86	\$ 2.86	\$ 2.86	\$ 2.91	\$ 3.11	\$ 3.36	\$ 3.61	\$ 3.79	\$ 3.88	\$ 3.99
Car Wash	2.84	2.84	2.84	2.89	3.09	3.34	3.59	3.77	3.86	3.97
Department / Retail Store	2.86	2.86	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99
Dry Cleaners	2.50	2.50	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50
Golf Course / Camp / Park	2.49	2.49	2.49	2.53	2.71	2.93	3.15	3.31	3.39	3.49
Health Spa	2.85	2.85	2.85	2.90	3.10	3.35	3.60	3.78	3.87	3.98
Hospital / Convalescent Home	2.50	2.50	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50
Hotel	4.33	4.33	4.33	4.40	4.71	5.09	5.47	5.74	5.87	6.04
Market	5.68	5.68	5.68	5.77	6.17	6.67	7.17	7.53	7.70	7.92
Mortuary	5.66	5.66	5.66	5.75	6.15	6.64	7.14	7.50	7.67	7.89
Nursery / Greenhouse	2.54	2.54	2.54	2.58	2.76	2.98	3.20	3.36	3.44	3.54
Professional / Financial Office	2.86	2.86	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99
Public Institution	2.80	2.80	2.80	2.85	3.05	3.30	3.55	3.73	3.82	3.93
Repair / Service Station	2.85	2.85	2.85	2.90	3.10	3.35	3.60	3.78	3.87	3.98
Restaurant	2.69	2.69	2.69	2.74	2.93	3.17	3.41	3.58	3.66	3.77
Schools	2.95	2.95	2.95	3.00	3.21	3.47	3.73	3.92	4.01	4.13
Theater	2.86	2.86	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99
Warehouse / Storage	2.25	2.25	2.25	2.29	2.45	2.65	2.85	3.00	3.07	3.16
Basic Commercial	2.50	2.50	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50

Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential Charge (Per EDU)										
Single Family	\$ 3.93	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
Multi-Family Restricted	3.15	3.61	3.95	3.95	3.95	3.95	3.95	3.91	3.91	3.91
Multi-Family Unrestricted	3.74	4.29	4.69	4.69	4.69	4.69	4.69	4.65	4.65	4.65
Commercial (per Meter)										
5/8" Meter	\$ 5.58	\$ 6.42	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34
3/4" Meter	5.44	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34
1" Meter	12.65	12.38	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55
1 1/2" Meter	26.65	25.60	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07
2" Meter	60.78	68.77	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96
Public Authority (per Meter)										
1" Meter	\$ 3.93	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
1 1/2" Meter	17.69	20.48	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65
2" Meter	34.34	35.20	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71

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

Number of Customers by Type

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



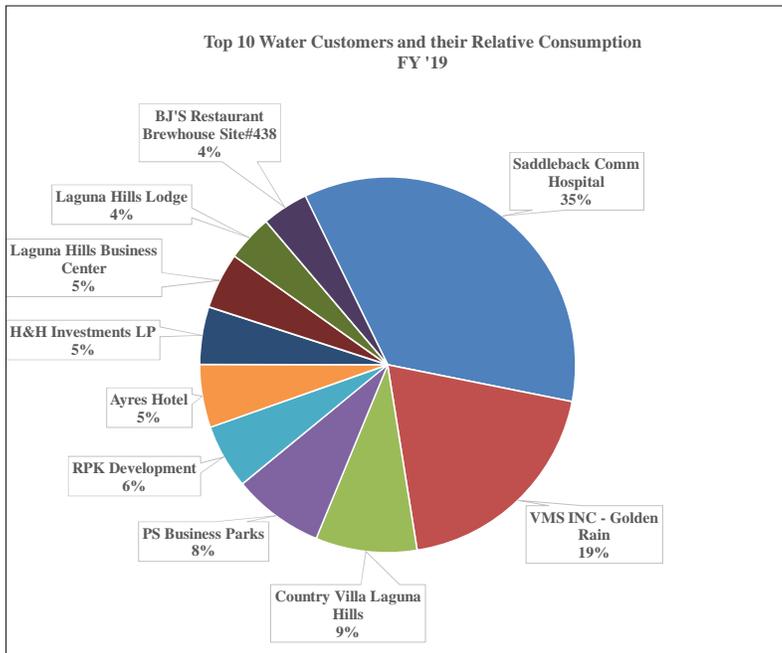
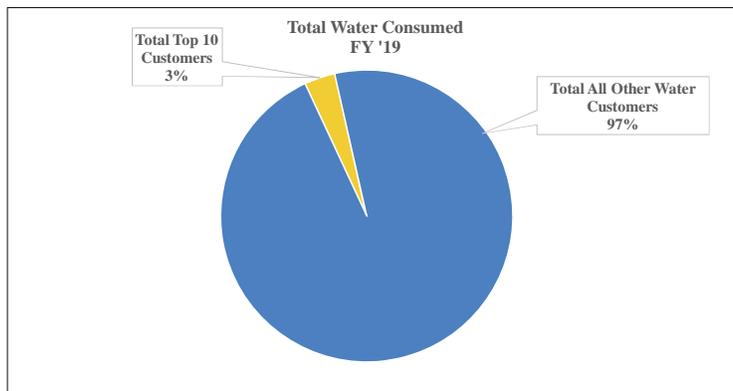
(1) The District did not track "Other" connections in total prior to FY 14/15.

*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

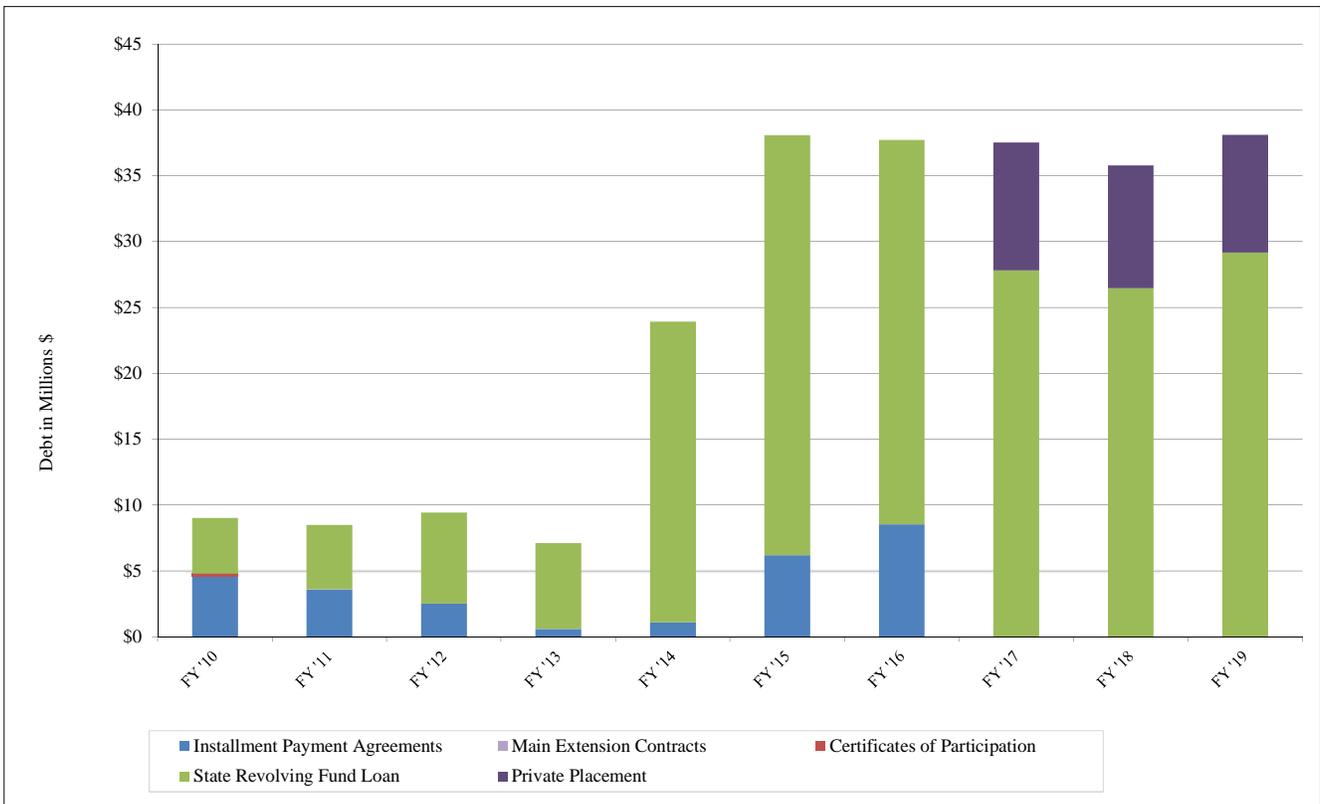
Customer	FY '10		Customer	FY '19	
	Annual Usage (HCF)	Percent of Total		Annual Usage (HCF)	Percent of Total
Saddleback Comm Hospital	54,743	1.44%	Saddleback Comm Hospital	39,939	1.21%
Simon Properties #4665	13,285	0.35%	VMS INC - Golden Rain	21,837	0.66%
Country Villa Laguna Hills	12,437	0.33%	Country Villa Laguna Hills	9,864	0.30%
PS Business Parks	10,439	0.27%	PS Business Parks	8,863	0.27%
BJ'S Restaurant Brewhouse Site#438	6,290	0.16%	RPK Development	6,252	0.19%
RPK Development	6,053	0.16%	Ayres Hotel	6,122	0.19%
PCM - Golden Rain	5,917	0.16%	H&H Investments LP	5,599	0.17%
Ayres Hotel	5,586	0.15%	Laguna Hills Business Center	5,467	0.17%
Reg De La Cuesta	5,385	0.14%	Laguna Hills Lodge	4,492	0.14%
Laguna Hills Business Center	5,117	0.13%	BJ'S Restaurant Brewhouse Site#438	4,486	0.14%
Total Top 10 Customers	125,252	3.29%	Total Top 10 Customers	112,921	3.42%
Total All Other Water Customers	3,687,336	96.71%	Total All Other Water Customers	3,190,180	96.58%
Total Water Consumed	3,812,588	100.00%	Total Water Consumed	3,303,101	100.00%

HCF = 100 cubic feet



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

Fiscal Year	Certificates of Participation	Installment Payment Agreements	State Revolving Fund Loan	Main Extension Contracts	Private Placement	Total Debt	Total Debt per Capita	Total Debt as % of Personal Income
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 ⁽¹⁾	22,823,592 ⁽²⁾	6,180	-	23,952,956	502	0.88%
2015	-	6,215,863 ⁽¹⁾	31,873,740 ⁽²⁾	6,180	-	38,095,783	795	1.30%
2016	-	8,562,088 ⁽¹⁾	29,159,616 ⁽²⁾	6,180	-	37,727,884	779	1.24%
2017	-	-	27,827,408	6,180	9,715,035 ⁽¹⁾	37,548,623	764	1.17%
2018	-	-	26,470,867	6,180	9,331,939	35,808,986	730	1.05%
2019	-	-	29,175,315	6,180	8,936,967	38,118,462	781	N/A ⁽³⁾



Notes:

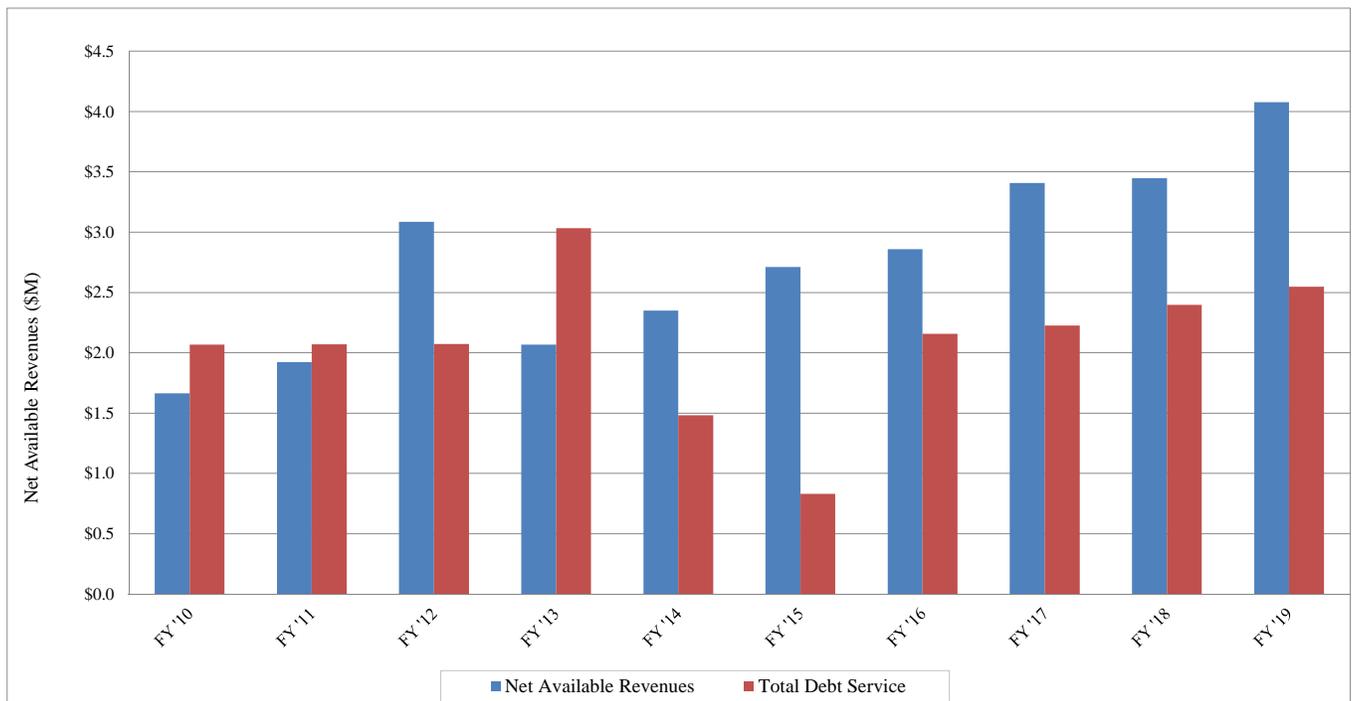
- (1) In Dec 2013 the District entered into an agreement for the Baker Water Treatment Plant with five other entities. Additions in 2013 and 2014 were \$1,123,184 and \$5,092,679 respectively. This project was completed and refinanced in December 2016 with Texas Capital Bank for a lower interest rate.
- (2) In 2013 the District entered into a loan agreement with the State Water Resources Control Board for the Recycled Water Treatment Plan Project. Additions in 2013 and 2014 were \$16,995,763 and \$9,741,814 respectively. Interest rate on the loan is 1.7% per annum.
- (3) Personal Income data is not available for 2019. The Bureau of Economic Analysis typically releases this information in late November of the following year.

El Toro Water District

Debt Service Coverage

Last Ten Fiscal Years

Fiscal Year	Net Revenue			Debt Service			
	Total Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Principal	Interest	Total Debt Service	Coverage Ratio
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	23,299,740	3,445,030	1,739,638	655,145	2,394,783	1.44
2019	27,291,330	23,216,198	4,075,132	1,776,305	769,061	2,545,366	1.60



Notes:

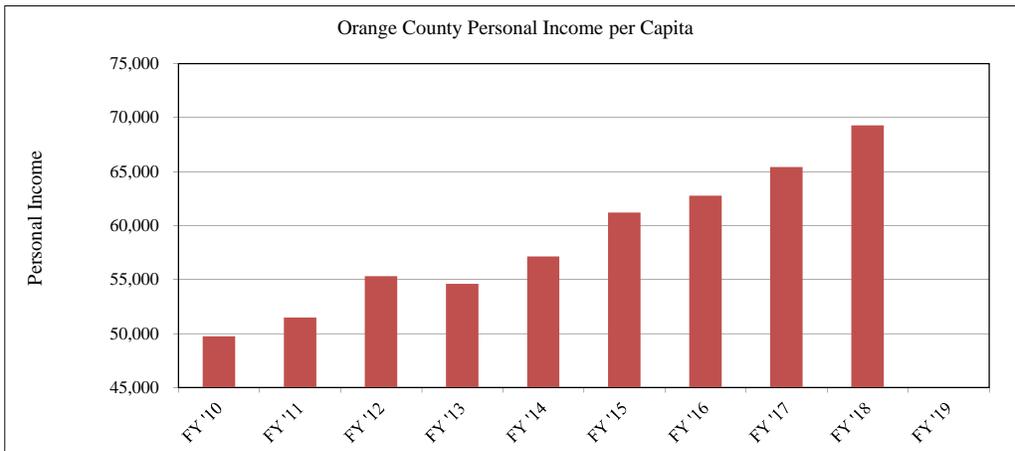
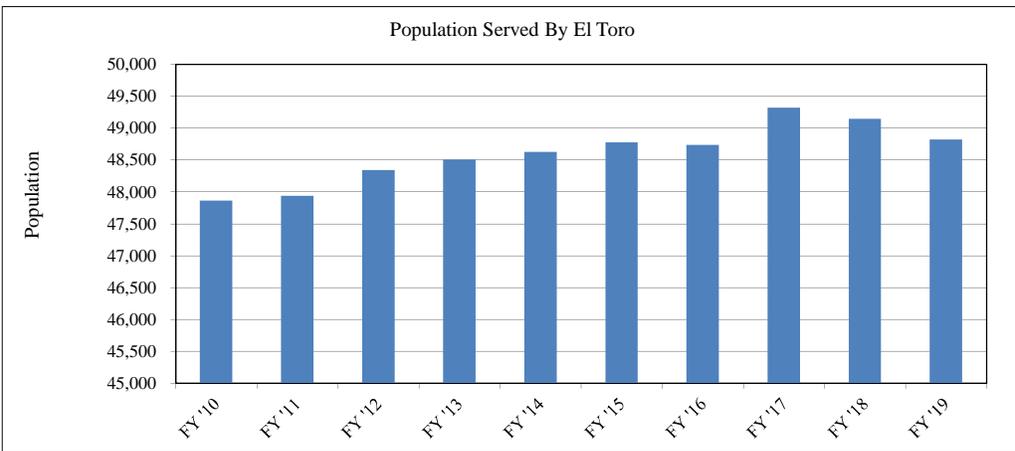
(1) Operating expenses less depreciation and amortization.

El Toro Water District

Demographics and Economic Statistics - County of Orange

Last Ten Fiscal Years

Calendar Year	Population Served by El Toro ¹	Orange County		
		Personal Income ² (thousands \$)	Personal Income per Capita	Unemployment Rate at 6/30
2010	47,861	150,072,420	49,740	9.8%
2011	47,935	157,160,243	51,469	9.4%
2012	48,342	170,609,148	55,296	8.3%
2013	48,507	169,986,956	54,594	6.9%
2014	48,623	179,141,029	57,110	5.5%
2015	48,774	193,358,936	61,178	4.5%
2016	48,736	199,441,555	62,763	4.3%
2017	49,319	208,653,019	65,400	3.8%
2018	49,142	220,684,684	69,268	3.3%
2019	48,821	N/A	N/A	3.0%



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

N/A - Data not available for time period

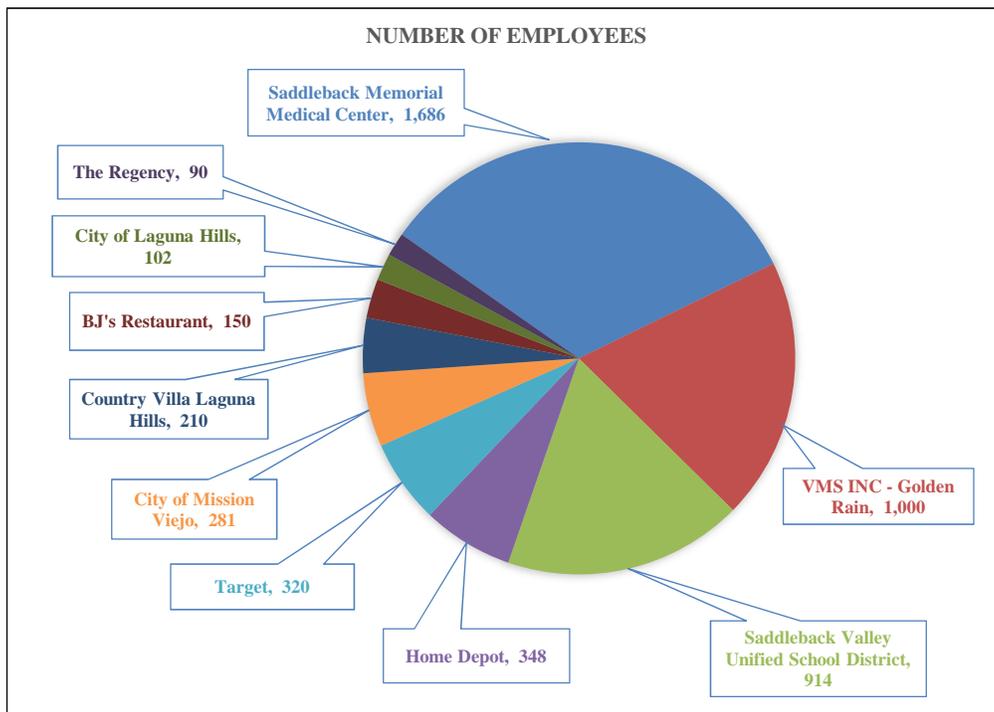
1 The district population data is estimated by the Center for Demographic Research (CDR) at California State University Fullerton.

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

**El Toro Water District
Principal Employers
Current Fiscal Year**

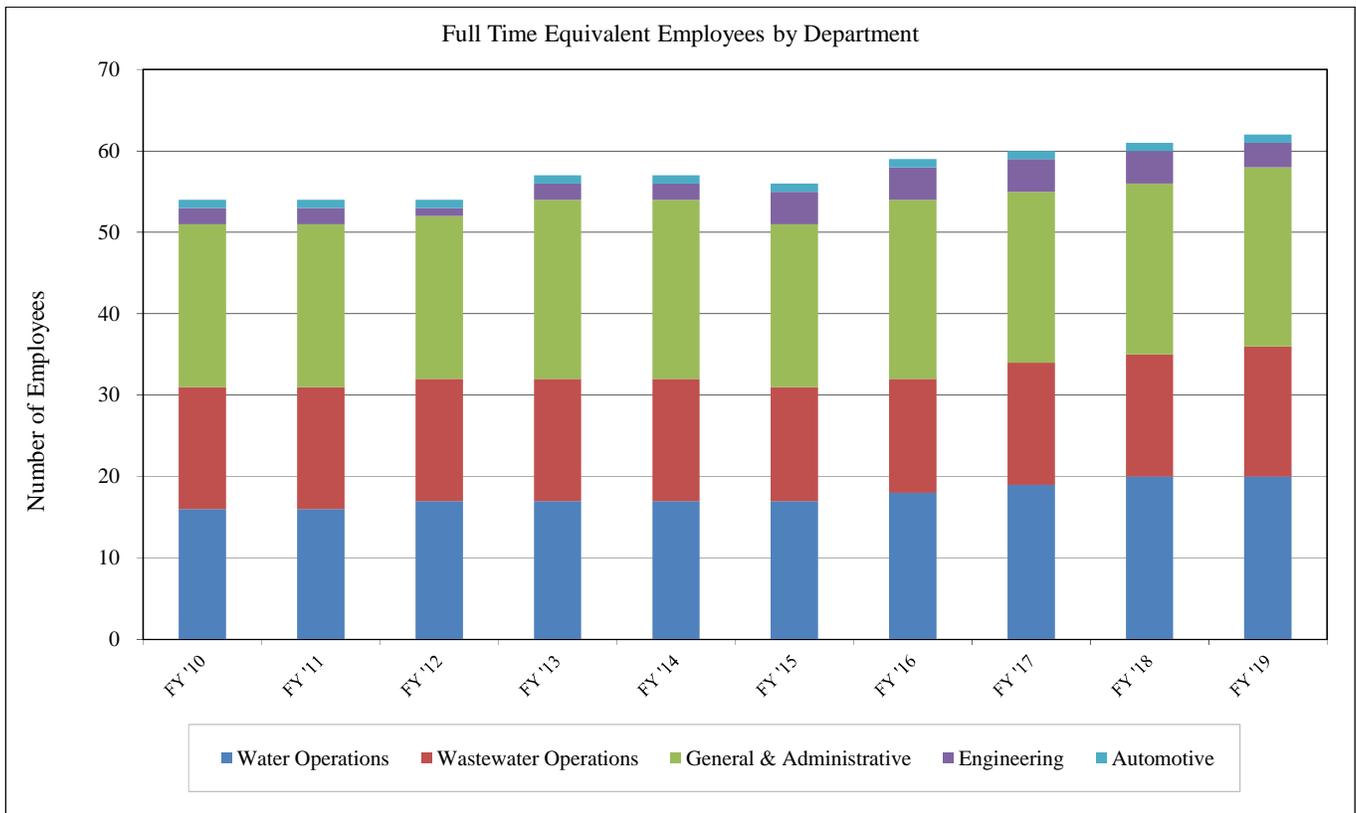
<u>Employer</u>	<u>Number of Employees at 06/30/19</u>	<u>Percent of Total</u>
Saddleback Memorial Medical Center	1,686	33.05%
VMS INC - Golden Rain	1,000	19.60%
Saddleback Valley Unified School District	914	17.92%
Home Depot	348	6.82%
Target	320	6.27%
City of Mission Viejo	281	5.51%
Country Villa Laguna Hills	210	4.12%
BJ's Restaurant	150	2.94%
City of Laguna Hills	102	2.00%
The Regency	90	1.76%
Total Principal Employers	5,101	100.00%

Service Area: Covers about 5,430 acres including all of the city of Laguna Woods (36%), and portions of the cities of Laguna Hills (21%), Mission Viejo (12%), Lake Forest (27%) and Aliso Viejo (4%). The district used data from the fiscal year end 2018 CAFRs for the service area cities listed. Nine years prior information comparison is not available since the district started filing for the CAFR from fiscal year end 2016.



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

Fiscal Year	Water Operations	Wastewater Operations	General & Administrative	Engineering	Automotive	Total
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
2019	20	16	22	3	1	62



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

Fiscal Year	Water System			
	Miles of	Service	Annual	Average Daily
	Water Mains	Connections	Potable Import (MG)	Potable Import (MGD)
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
2019	170	9,949	2,298	6.29

Fiscal Year	Sewer System			
	Miles of	Service	Annual	Daily
	Sewers Lines	Connections	Sewerage (MG)	Sewerage (MGD)
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
2019	114	9,949	1,122	3.07

Fiscal Year	Recycled Water			
	Miles of	Service	Annual	Daily
	Recycled Pipe	Connections	Production (MG)	Production (MGD)
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
2019	26	210	418.89	1.15

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.

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