



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2023



Lake Forest, California

Annual Comprehensive Financial Report

For Fiscal Year ended June 30, 2023

El Toro Water District

Lake Forest, California

Board of Directors

Kay Havens, President

Mark Monin, Vice President

Kathryn Freshley, Director

Mike Gaskins, Director

Fred Adjarian, Director

General Manager

Dennis P. Cafferty

Prepared by:

El Toro Water District
Finance Department

EL TORO WATER DISTRICT
COMPREHENSIVE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

**EL TORO WATER DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL	1
BOARD OF DIRECTORS AND MANAGEMENT	7
ORGANIZATIONAL CHART	8
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING	9

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	11
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	15
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	25
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	26
STATEMENT OF CASH FLOWS	27
NOTES TO BASIC FINANCIAL STATEMENTS	29
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS	49
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUE BY CATEGORY	51
SCHEDULE OF EXPENSES BY CATEGORY	52

STATISTICAL SECTION (UNAUDITED)

INDEX TO STATISTICAL SECTION	54
CHANGES IN NET POSITION AND NET POSITION BY COMPONENT	55
OPERATING REVENUES BY SOURCE	57
OPERATING EXPENSES BY ACTIVITY	58

**EL TORO WATER DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

SOURCE OF WATER FOR SALES	59
WATER OPERATION RATES AND CHARGES	60
SEWER OPERATION RATES AND CHARGES	61
WATER CUSTOMERS BY TYPE	62
TOP TEN WATER CUSTOMERS	63
OUTSTANDING DEBT BY TYPE	64
DEBT SERVICE COVERAGE	65
DEMOGRAPHICS AND ECONOMIC STATISTICS – COUNTY OF ORANGE	66
PRINCIPAL EMPLOYERS	67
FULL TIME EQUIVALENT EMPLOYEES BY DEPARTMENT	68
OPERATING AND CAPACITY INDICATORS	69

INTRODUCTORY SECTION



El Toro Water District

"A District of Distinction"

Serving the Public – Respecting the Environment

November 2, 2023

Board of Directors

Kay Havens
President

Mark L. Monin
Vice President

Kathryn Freshley
Director

Mike Gaskins
Director

Fred Adjarian
Director

General Manager

Dennis P. Cafferty

Board of Directors
El Toro Water District

Submitted for your review and consideration are the Comprehensive Financial Statements for the El Toro Water District (the "District"), for the fiscal year ended June 30, 2023 (FY 2023). California Statute requires special purpose governments to publish a complete set of financial statements within 180 days of the close of each fiscal year. The enclosed FY 2023 Comprehensive Financial Statements are issued by the District to comply with this requirement and to enable The District Board and District residents and stakeholders to obtain a comprehensive understanding of the District's finances.

The financial statements included in this report depict the District's financial position and the changes in that financial position as of June 30, 2023. The Statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) and have been audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants. Responsibility for the accuracy of the data presented, as well as the completeness and fairness of the presentation, including disclosures, rests with the El Toro Water District. The District staff believes the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and changes in financial position of the District. Incorporated into the financial statements are all disclosures necessary to enable the reader to gain a maximum understanding of the District's financial affairs.

The District's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants experienced in auditing special purpose governments in California. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District are free of material misstatements. The independent audit consisted of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based on these audit procedures, the independent auditor concluded there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2023 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the El Toro Water District

The El Toro Water District was formed in 1960 and serves approximately 47,900 residents of five municipalities located in southern Orange County. The District is a fully integrated water, sewer, and recycled water retail operation with a service area that includes the entirety of the City of Laguna Woods and portions of the Cities of Aliso Viejo, Laguna Hills, Lake Forest, and Mission Viejo. The District's service area includes 5,430 acres or approximately 8.48 square miles.

The District is governed by a Board of Directors consisting of five board members who are elected by the registered voters within District boundaries. The Board of Directors establishes policy and makes decisions based on the District's mission, goals, and operations. The Board's policies are administered and implemented by the General Manager, who is appointed by the Board. Public elections are held every two years and Directors serve four-year staggered terms to ensure continuity.

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

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

Significant Accomplishments during Fiscal Year 2022-23

During each budget cycle the District Board participates in a goal setting discussion for the purpose of establishing or redefining key financial goals and objectives for the upcoming budget year. District Staff utilizes the established budget goals and objectives to guide operations and spending throughout each fiscal year. The achievements in the 2022-23 fiscal year were a result of the goals and objectives established by the Board during the annual budget process and are described below:

General Accomplishments

- The District continued its investment in staff with the critical replacement of the Chief Financial Officer upon the resignation of the former Chief Financial Officer.
- The District transitioned to a new Enterprise Resource Planning software system to integrate multiple stand-alone software systems into one District wide financial system.
- The District began the process of updating all of its long-term engineering planning documents, including updating the Master Plan, beginning a comprehensive Asset Management Study.

- The District made improvements to the Administration Building by replacing the Heating, Ventilation, and Air Conditioning system and upgrading the technology in the Boardroom.

Financial Management

- Continued the District's commitment to superb financial management practices as demonstrated by the receipt of the Certificate of Achievement for Excellence in Financial Reporting for the FY 2021 Annual Comprehensive Financial Report, a national recognition of the District's financial reporting by the Government Finance Officers Association (GFOA) of the United States. The District has applied for the GFOA award for FY 2021-22 and its currently going thru review process and expecting a favorable result.
- The District completed a comprehensive Cost of Service Study to refine its billing rate structure by reexamining all of the assumptions that underpin the District's rate structure.
- The District also continued its commitment to fiscal discipline by approving a budget for the 2023-2024 fiscal year that is balanced and includes funding for several significant capital projects.

Infrastructure Improvements

- The District significantly completed the construction phase of the R-6 Reservoir Floating Cover and Liner Project during the fiscal year 2022-23. It is a \$25 million project to replace the liner and cover for the R-6 Reservoir to maintain its critical functionality for the District's water distribution system for the next 30 years.
- The District completed the R-2 Reservoir Interior Recoating Project, funded by a grant from the Department of Water Resources. The District also completed the construction of the Joint Transmission Main (JTM) Pump Station.
- The District completed the demolition of the former Water Filtration Plant, which had been vacant for more than 20 years, and completed the planning and engineering design to construct a warehouse facility in the same location.

Significant Future Initiatives

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

- A significant project that will be ongoing and completed in the 2024 fiscal year is the replacement of the R-6 Reservoir floating cover and liner. This project will have a significant impact on the District's operations and will improve the overall status of the District's water system infrastructure once complete.
- A second significant project that will occur in fiscal year 2024 construction of a vehicle and equipment storage facility on the site of the former Water Filtration Plant that was demolished in fiscal year 2023, this project is expected to be completed in 2023-24.
- The District will hopefully finalize its effort to update all of its long-term engineering planning documents by completing the Master Plan and the Asset Management Plan.

Financial Management

Internal Control Structure

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

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 processes of the District are consistent with the accrual basis of accounting and financial reporting.

Investment Policy

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

Service Rates and District Revenues

District policy requires that revenues derived from user charges and surcharges from District customers must support all District operations including capital project funding. Accordingly, water and wastewater rates are reviewed annually to ensure they are sufficient to support the District's operations. Water and wastewater rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and fixed charges including an O&M charge and a capital charge. Similarly, waste water rates are composed of an O&M charge and capital charges.

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 CliftonLarsonAllen, LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Awards and Acknowledgements

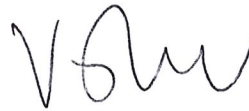
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the El Toro Water District for its Comprehensive Financial Statements for the fiscal year ended June 30, 2021. The District has applied for the GFOA award for FY 2021-22 and its currently going thru review process and expecting a favorable result. The Certificate of Achievement is a prestigious award recognizing conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Financial Statements whose contents conform to program standards, Generally Accepted Accounting Principles (GAAP), and applicable legal requirements. A Certificate of Achievement is valid for one year only. The El Toro Water District has received a Certificate of Achievement for six consecutive years.

Acknowledgements. Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the El Toro Water District's fiscal policies.

Respectfully submitted,



Dennis Cafferty
General Manager



Vishav Sharma
Chief Financial Officer



List of Principal Officials

Board of Directors

Kay Havens, President

Mark Monin, Vice President

Kathryn Freshley, Director

Mike Gaskins, Director

Fred Adjarian, Director

District Management

Dennis P. Cafferty, General Manager

Vishav R. Sharma, Chief Financial Officer

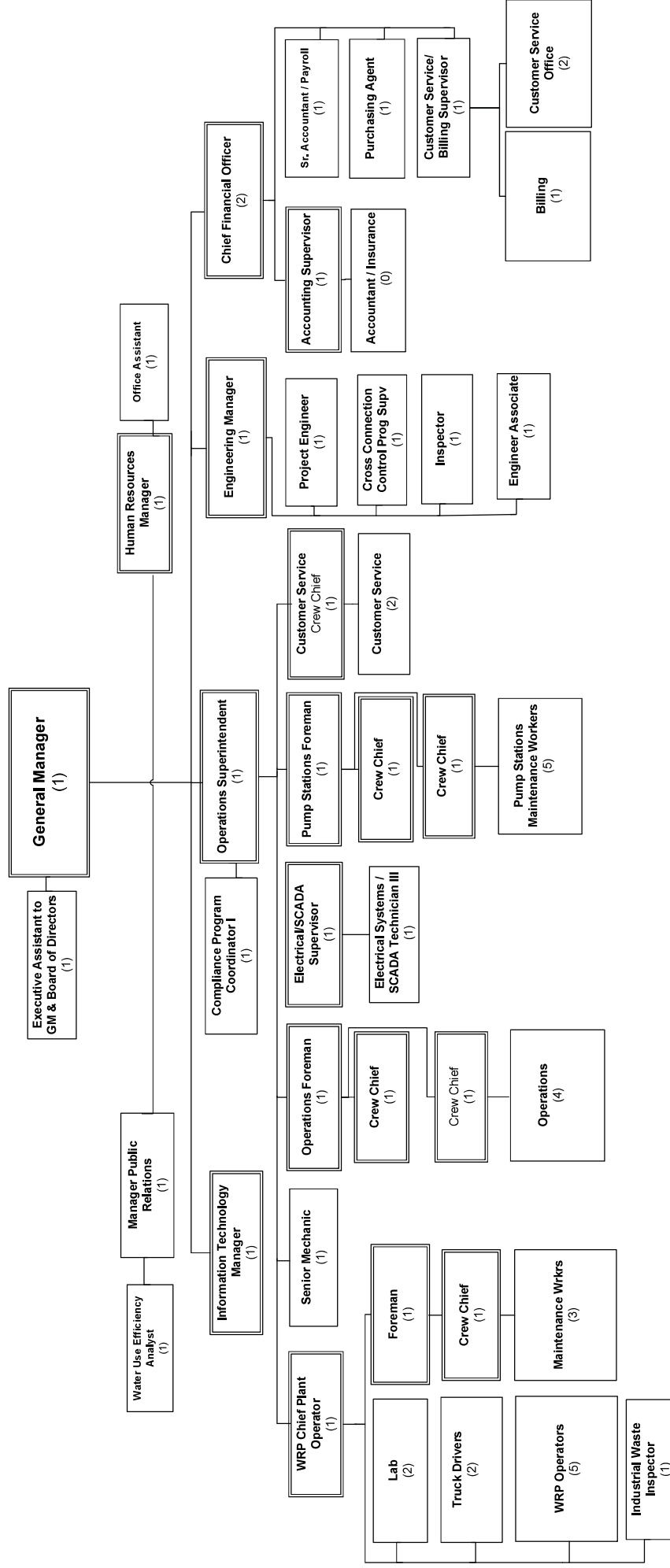
Hannah Ford, Engineering Manager

Judy Cimorell, Human Resource Manager

Michael Miazga, Information Technology Manager



EL TORO WATER DISTRICT 2022 / 2023 ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**El Toro Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
El Toro Water District
Lake Forest, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the El Toro Water District (the District) which comprise the statement of net position as of June 30, 2023, and the related statement of revenues, expenses and changes in net position, and the statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in the total other postemployment benefit (OPEB) liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit for the year ended June 30, 2023, was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules of revenue and expenses by category for the year ended June 30, 2023, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2023 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of revenue and expenses by category are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2023.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, 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.

A handwritten signature in black ink, appearing to read "CliftonLarsonAllen LLP", is written over a horizontal line.

CliftonLarsonAllen LLP

Irvine, California
November 2, 2023

**EL TORO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

Management's Discussion and Analysis (MD&A) of activities and financial performance for the El Toro Water District (the "District") provides an introduction to the financial statements for the District for the fiscal year ended June 30, 2023 (FY 2023). We encourage readers to consider the information presented in this section of the Comprehensive Financial Statements in conjunction with the basic financial statements and related notes, which follow the MD&A.

Financial Highlights

- In FY 2023, the District's net position increased \$5,160,216 (8.8%), from \$58,663,439 as of June 30, 2022 (FY 2022) to \$63,823,655 as of June 30, 2023. The increase in the District's Net Position is largely attributable to reimbursements from other organizations for a joint construction project (the R-6 Cover and Liner Project) and a significant improvement in Investment Income.
- In FY 2023, the District's operating revenues decreased \$972,466 (3.6%), from \$27,383,146 during FY 2022, to \$26,410,680 during FY 2023. The decrease in Operating Revenues was caused by unusually wet weather in California in the Winter/Spring of 2022-2023 which decreased water and recycled water sales by the District. The decrease in Sales was offset to some extent by increases in Commodity Supply and Service Rates. Non-operating Revenue increased significantly, from \$1,412,188 in FY 2022 to \$2,851,828 in FY 2023 due to increases in Grants, Rebate, and Reimbursement income and Investment Income. Additional discussion of these increases and decreases can be found further along in the MD&A in the sections discussing the Condensed Statements of Revenues, Expenses and Changes in Net Position and Total Revenues by Major Category.
- In FY 2023, the District's operating expenses increased \$1,218,753 or 4.05%, from \$30,078,960 in FY 2022 to \$31,297,713 in FY 2023. Increases occurred in General & Administrative, Operations, and Depreciation and Amortization but are offset somewhat by decreases in Source of Supply and Other Operating Expenses. Additional discussion of the District's expenses can be found further along in the MD&A in the sections discussing the Condensed Statements of Revenues, Expenses and Changes in Net Position and Total Expenses by Major Category.
- Non-operating expenses increased as Interest Expense for the District's outstanding debt increased due to the issuance of the 2022 Revenue Bonds, which increased interest expense beginning in March, 2022.
- In FY 2023 the District switched to a new financial software system and this change coincided with the reclassification of revenues and expenses into new categories. Revenues and expenses for FY 2022 reflect this reclassification and therefore may not be directly comparable to the prior year document.

Required Financial Statements

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

**EL TORO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

- The Statement of Net Position depicts the District's financial position as of June 30, 2023 and includes all of the assets and liabilities of the District. The Net Position of the District is the difference between its assets plus deferred outflows of resources and its liabilities and deferred inflows of resources. The Net Position of the District is classified into three components, net investment in capital assets, restricted, and unrestricted. The Statement of Net Position can be used to evaluate the District's capital structure and assess the liquidity and financial flexibility of the District.
- The Statement of Revenues, Expenses and Changes in Net Position accounts for all of the revenues and expenses of the District during the fiscal year ended June 30, 2023. The statement measures the financial result of the District's operations during the fiscal year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges.
- The Statement of Cash Flows provides information about changes in the District's cash balance during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operating activities, non-capital and related financing activities, capital and related financing activities, and investing activities. The Statement illustrates the sources of cash, the uses of cash, and the change in the cash balance during the reporting period.
- The Notes to the Financial Statements provide additional information that is essential to achieving a full understanding of the data provided in the financial statements.
- The required supplementary information provides information about the District's progress in funding its obligation to provide Other Post-Employment Benefits to employees.
- The other supplementary information section provides additional detail about the District's revenues and expenses for FY 2022 and FY 2023.

Financial Analysis of the District

The following pages present financial information in condensed schedules from the Statement of Net Position and the Statement of Changes in Revenues, Expenses, and Changes in Net Position.

These two statements report the District's Net Position and changes in the Net Position. The District's net position, the difference between its assets and liabilities is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards also need to be considered when assessing the District's financial position.

Condensed Statement of Net Position

Net Position is the primary indicator of the District's financial position. The Condensed Schedule of Net Position presented below provides an overview of the District's Net Position for fiscal years 2022 and 2023 and presents amount and percent changes in Net Position. The District's total Net Position was \$63,823,655 at the end of FY 2023, an increase of \$5,160,216 from the \$58,663,439 at the end of FY 2022. In FY 2023, total assets and deferred outflows of resources increased \$5,181,201 (3.6%), total liabilities and deferred inflows increased \$20,985, and the result of these changes was an increase of \$5,160,216 in Net Position.

**EL TORO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

Condensed Statement of Net Position				
	FY 2022	FY 2023	Increase/(Decrease)	
			\$	%
			Change	Change
Assets				
Current Assets	\$ 22,960,237	\$ 29,278,117	\$ 6,317,880	27.52%
Restricted Assets	26,797,887	8,740,001	(18,057,886)	-67.39%
Non-current Assets, Net	88,583,513	106,575,244	17,991,731	20.31%
Total Assets	138,341,637	144,593,362	6,251,725	4.52%
Deferred Outflow s of Resources				
Deferred OPEB Outflow	4,564,293	3,493,769	(1,070,524)	-23.45%
Total Deferred Outflow s of Resources	4,564,293	3,493,769	(1,070,524)	-23.45%
Total Assets & Deferred Outflow s	142,905,930	148,087,131	5,181,201	3.63%
Liabilities				
Current Liabilities	5,627,985	8,756,827	3,128,842	55.59%
Non-current Liabilities	77,024,552	65,798,847	(11,225,705)	-14.57%
Total Liabilities	82,652,537	74,555,674	(8,096,863)	-10.86%
Deferred Inflow s of Resources				
Deferred Amounts from Leases	636,695	583,336	(53,359)	-8.38%
Deferred Amounts from OPEB	953,259	9,124,466	8,171,207	857.19%
Total Deferred Inflow s of Resources	1,589,954	9,707,802	8,117,848	83.62%
Net Position				
Net Investment in Capital Assets	30,402,906	54,968,271	24,565,365	80.80%
Restricted	26,797,887	-	(26,797,887)	-100.00%
Unrestricted	1,462,646	8,855,384	7,392,738	505.44%
Total Net Position	58,663,439	63,823,655	5,160,216	8.80%
Total Liabilities, Deferred Inflow s, and Net Position	\$ 142,905,930	\$ 148,087,131	\$ 5,181,201	3.63%

**EL TORO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

The largest portion of the District's net position (52% as of June 30, 2023) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire the assets that remains 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. During 2023, the Net Investment in Capital Assets increased significantly due to a significant increase in capital assets not being depreciated as capital projects not completed in 2023 were moved to Construction In Progress due to increase in construction in progress assets not being depreciated.

Restricted Net Position decreased substantially in FY 2023 because the unexpended portion of the 2022 Revenue Bond proceeds are recognized in this part of Net Position. As discussed in the prior paragraph, the District utilized a significant portion of the 2022 Bond proceeds in 2023 and this eliminated the Restricted Net Position in FY 2023.

At the end of FY 2022 and FY 2023, the District's Unrestricted Net Position equaled \$1,462,646 and \$8,855,384, respectively, an increase of \$7,392,738 (505.4%) during FY 2023. This portion of Net Position is available to fund current and future operations. The Unrestricted Net Position is essentially that portion of Net Position that remains after the Net Investment in Capital Assets and the Restricted Net Position are subtracted from the total Net Position (Assets minus Liabilities). The increase in Unrestricted Net Position in FY 2023 was largely caused by the significant decrease in Restricted Net Position. In future years, as Restricted Net Position is utilized for capital expenses and decreases and depreciation reduces the Net Investment in Capital Assets, Unrestricted Net Position will likely continue to increase.

**EL TORO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

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

The Statement of Revenues, Expenses and Changes in Net Position depicts how the District's net position changed during the fiscal year. Net Position increased \$5,160,216 in FY 2023, from \$58,663,439 at the beginning of the year to \$63,823,655 at the end of the year.

Condensed Statement of Revenues, Expenses, and Changes in Net Position				
			Increase/(Decrease)	
	FY 2022	FY 2023	\$ Change	% Change
Revenues				
Operating Revenues	\$ 27,383,146	\$ 26,410,680	\$ (972,466)	-3.55%
Non-operating Revenues	1,412,188	2,851,828	1,439,640	101.94%
Total Revenues	28,795,334	29,262,508	467,174	1.62%
Expenses				
Operations Expenses	23,976,652	26,252,384	2,275,732	9.49%
Other Operating Expenses	1,814,507	625,767	(1,188,740)	-65.51%
Depreciation & Amortization	4,287,777	4,419,562	131,785	3.07%
Non-operating Expenses	1,072,567	1,723,651	651,084	60.70%
Total Expenses	31,151,503	33,021,364	1,869,861	6.00%
Net Loss prior to Capital Contributions	(2,356,169)	(3,758,856)	(1,402,687)	-59.53%
Capital Contributions	166,008	8,919,072	8,753,064	5272.68%
Change in Net Position	(2,190,160)	5,160,216	7,350,376	335.61%
Net Position				
Beginning of year	60,853,624	58,663,464	(2,190,160)	-3.60%
End of Year	\$ 58,663,464	\$ 63,823,680	5,160,216	8.80%

The positive change in Net Position was caused by reimbursements from other local agencies for the reconstruction of the R-6 Cover and Liner, a significant improvement in Investment Income, and a substantial reduction in the District's Other Post-Employment Benefits (OPEB) liability as several assumptions related to the calculation of this liability changed. Offsetting these positive factors was a reduction in Operating Revenue due to the unusually wet winter in California which reduced water and recycled water sales.

**EL TORO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

Total Revenues by Major Category:

As depicted in the chart below, total revenues for FY 2023 increased \$9,220,238 (31.8%) when compared to revenues received in FY 2022. Operating Revenues decreased in FY 2023 due to the wet winter weather in California which caused a reduction in water and recycled water sales. The reduction in sales was offset somewhat by increases in Service and Capital Replacement Charges and an increase in Miscellaneous Operating Revenue. The increase in Service and Capital Replacement Charges were caused by rate increases. Non-operating Revenues increased substantially due to increases in Grants, Rebates, Reimbursements and Investment Income. Capital Contributions increased significantly as the District received large reimbursements from partner agencies for the construction of the R-6 Cover and Liner project.

Total Revenues by Major Category				
	FY 2022	FY 2023	Increase/(Decrease)	
			\$	%
			Change	Change
Operating Revenues				
Commodity Supply Charges	\$ 11,224,546	\$ 9,336,697	\$ (1,887,849)	-16.82%
Service Charges	12,592,762	13,312,690	719,928	5.72%
Capital Replacement Charges	3,005,882	3,152,552	146,670	4.88%
Reimbursements from Others	446,564	308,774	(137,790)	-30.86%
Miscellaneous Revenue	113,392	299,967	186,575	164.54%
Total Operating Revenues	27,383,146	26,410,680	(972,466)	-3.55%
Non-operating Revenues				
Property Taxes	1,121,250	1,184,149	62,899	5.61%
Grants, Rebates, Reimbursements	317,081	618,262	301,181	94.99%
Rental Revenue	227,227	234,439	7,212	3.17%
Investment Income	(259,747)	795,655	1,055,402	-406.32%
Other Non-operating Income	6,377	19,323	12,946	203.01%
Total Non-operating Revenues	1,412,188	2,851,828	1,439,640	101.94%
Capital Contributions	166,008	8,919,072	8,753,064	5272.68%
Total Revenue	\$ 28,961,342	\$ 38,181,580	9,220,238	31.84%

**EL TORO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

Total Expense by Major Category

In FY 2023, Operating Expenses increased 4.05%, from \$30,078,960 in FY 2022 to \$31,297,713 in FY 2023. The increase was caused by increases in General & Administrative, Operations, and Depreciation & Amortization. These increases were offset by decreases in Source of Supply and Other Operating Expenses. The increases in General & Administrative and Operations were primarily caused by inflationary forces as many of the District's expenses increased dramatically in FY 2023. In addition, Operations includes a new category of expenses, Operating Capital Expenses, that reflects capital expenses that will not be capitalized. The increase in Depreciation & Amortization occurred as a result of investments in Capital Assets in FY 2022 which began depreciating in FY 2023. The decrease in Source of Supply was caused by a decrease in Water Purchases as the District's water sales declined significantly, as previously discussed. The decrease in Other Operating Expenses was caused by a steep decrease in OPEB Charges as the underlying assumptions for the OPEB actuarial calculation changed, thereby causing a significant decrease in OPEB charges and liability.

Non-operating expenses increased significantly in 2023 as the District paid a full year of interest costs on the 2022 Bonds for the first time in 2023. In future years, this cost will slowly decrease as a portion of the principal is paid each year, thereby reducing interest costs.

Total Expenses by Major Category				
			Increase/(Decrease)	
	FY 2022	FY 2023	\$ Change	% Change
Operating Expenses				
General & Administrative	\$ 4,683,441	\$ 5,363,512	680,071	14.52%
Source of Supply	8,866,148	8,593,609	(272,539)	-3.07%
Operations	10,427,063	12,295,263	1,868,200	17.92%
Other Operating Expenses	1,814,529	625,767	(1,188,762)	-65.51%
Depreciation & Amortization	4,287,779	4,419,562	131,783	3.07%
Total Operating Expenses	30,078,960	31,297,713	1,218,753	4.05%
Non-operating Expenses				
Interest Expense	1,072,567	1,723,651	651,084	60.70%
Total Non-operating Expenses	1,072,567	1,723,651	651,084	60.70%
Total Expenses	\$ 31,151,527	\$ 33,021,364	1,869,837	6.00%

**EL TORO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

Capital Assets

The Capital balances were as follows:

Capital Assets				
	FY 2022	FY 2023	\$ Change	% Change
Capital Assets				
Non-depreciable Assets	\$ 12,166,341	\$ 32,033,166	\$ 19,866,825	163.29%
Depreciable Assets	164,216,160	166,832,579	2,616,419	1.59%
Accumulated Depreciation	(88,231,950)	(92,651,512)	(4,419,562)	5.01%
Total Capital Assets, Net	88,150,551	106,214,233	18,063,682	20.49%

At the end of fiscal years 2022 and 2023, the District's investment in capital assets amounted to \$88,150,551 and \$106,214,233 (net of accumulated depreciation), respectively. The investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process (See Note 3 for further information). The increase in Capital Assets in FY 2023 was primarily caused by an increase in construction-in-process as several significant projects begun in FY 2023 were not complete at the end of the fiscal year.

During FY 2023, the District was engaged in several significant capital improvement projects, including the R6 Reservoir Cover and Liner Replacement, the JTM Pump Station Construction, the Water Filter Plant Site Reconstruction, and the R2 Recoating Project. The JTM Pump Station and R-2 Recoating Project were completed in FY 2023 but the other two projects were included in Construction in Progress at the end of the fiscal year. Once completed, the projects will be moved from construction-in-process to a Capital Asset and begin depreciating.

**EL TORO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

Debt Administration

Long-term debt balances were as follows:

Summary of Outstanding Debt				
	FY 2022	FY 2023	Increase/(Decrease)	
			\$	%
			Change	Change
Debt Payable				
Main Extension Contract	\$ 6,180	\$ 6,180	\$ -	0.00%
Baker Water Treatment Plant	7,677,055	7,230,781	(446,274)	-5.81%
2022 Revenue Bonds	40,905,000	39,800,000	(1,105,000)	n/a
2022 Revenue Bonds - Premium	8,648,018	8,126,192	(521,826)	n/a
Total Expenses	<u>\$ 57,236,253</u>	<u>\$ 55,163,153</u>	<u>\$ (2,073,100)</u>	<u>-3.76%</u>

The District engaged in significant debt activities in FY 2022 when the 2022 Revenue Bonds were issued in March, 2022. A portion of the proceeds were used to refinance the various State Revolving Fund (SRF) Loans the District had used to complete capital improvement projects since 2010 and therefore those Loans were paid off in FY 2022. Another portion of the proceeds will be used in future years to complete several significant capital improvement projects, including several of the projects discussed in the previous section of this MD&A. No significant debt activities occurred in FY 2023, the District continued paying the Baker Water Treatment Plant loan and began making the payments on the 2022 Revenue Bonds.

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 District'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.

BASIC FINANCIAL STATEMENTS

**EL TORO WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 10,138,838
Investments	12,335,376
Receivables, Net:	
Accounts Receivables	3,607,796
Accounts Receivables - Grants	2,389,321
Interest	76,777
Taxes	18,035
Lease	250,687
Materials and Supply Inventory	260,700
Prepaid Expenses	200,587
Restricted - Cash and Cash Equivalents	4,386,674
Restricted - Investments	4,353,327
Total Current Assets	<u>38,018,118</u>
Noncurrent Assets:	
Lease Receivable	361,011
Capital Assets:	
Nondepreciable	32,033,166
Depreciable, Net of Accumulated Depreciation	74,181,067
Total Noncurrent Assets	<u>106,575,244</u>
Total Assets	<u>144,593,362</u>

DEFERRED OUTFLOWS OF RESOURCES

OPEB-Related Deferred Outflows of Resources	3,493,769
Total Deferred Outflows of Resources	<u>3,493,769</u>

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Expenses	6,365,798
Accrued Salaries and Related Payables	150,618
Customer Deposits	49,231
Accrued Interest Payable	162,721
Long-Term Liabilities - Due Within One Year:	
Compensated Absences	182,171
Bonds Payable	1,380,000
Loans Payable	466,288
Total Current Liabilities	<u>8,756,827</u>
Noncurrent Liabilities:	
Long-Term Liabilities - Due in More than One Year:	
Compensated Absences	1,431,790
Total Other Post Employment Benefits Liability	11,050,192
Bonds Payable	46,546,192
Loans Payable	6,770,673
Total Noncurrent Liabilities	<u>65,798,847</u>
Total Liabilities	<u>74,555,674</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Amounts from Leases	583,336
Deferred Amounts from OPEB	9,124,466
Total Deferred Inflows of Resources	<u>9,707,802</u>

NET POSITION

Net Investment in Capital Assets	54,968,271
Unrestricted	8,855,384
Total Net Position	<u>\$ 63,823,655</u>

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023**

OPERATING REVENUES

Commodity Supply Charges	\$ 9,336,697
Service Charges	13,312,690
Capital Replacement Charges	3,152,552
Reimbursement from Others	308,774
Miscellaneous Revenue	299,967
Total Operating Revenues	<u>26,410,680</u>

OPERATING EXPENSES

General & Administrative	5,363,512
Source of Supply	8,593,609
Operations	12,295,263
Other Operating Expenses	625,767
Depreciation & Amortization	4,419,562
Total Operating Expenses	<u>31,297,713</u>

OPERATING LOSS (4,887,033)

NONOPERATING REVENUES (EXPENSES)

Property Taxes	1,184,149
Grants, Rebates, Reimbursements	618,262
Rental Revenue	234,439
Investment Income	795,655
Interest Expense	(1,723,651)
Nonoperating Revenue	19,323
Total Nonoperating Revenues (Expenses)	<u>1,128,177</u>

NET LOSS BEFORE CAPITAL CONTRIBUTIONS (3,758,856)

CAPITAL CONTRIBUTIONS 8,919,072

CHANGES IN NET POSITION 5,160,216

Net Position - Beginning of Year 58,663,439

NET POSITION - END OF YEAR \$ 63,823,655

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers for Water Sales and Services	\$ 26,381,218
Payments to Suppliers for Operations	(21,980,709)
Payments to Employees for Salaries and Wages	(4,961,554)
Net Cash Used by Operating Activities	<u>(561,045)</u>

**CASH FLOWS FROM NONCAPITAL AND RELATED
FINANCING ACTIVITIES**

Proceeds from Property Taxes	1,181,961
Other Cash Paid	(1,621,352)
Net Cash Used by Noncapital and Related Financing Activities	<u>(439,391)</u>

**CASH FLOWS FROM CAPITAL
FINANCING ACTIVITIES**

Acquisition of Capital Assets, Net	(18,171,826)
Repayment of Long-Term Debt	(1,551,274)
Interest Payments	(2,697,666)
Capital Contributions	8,919,072
Net Cash Used by Capital Financing Activities	<u>(13,501,694)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sales of Investments	11,778,934
Purchases of Investments	(6,570,054)
Cash Receipts from Interest and Dividends	756,817
Proceeds from Rental Income	279,693
Net Cash Provided by Investing Activities	<u>6,245,390</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (8,256,740)

Cash and Cash Equivalents - Beginning of Year 22,782,252

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 14,525,512

CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	\$ 10,138,838
Restricted - Cash and Cash Equivalents	4,386,674
Total Cash and Investments	<u><u>\$ 14,525,512</u></u>

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

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

Operating Loss	\$ (4,887,033)
Adjustment to Reconcile Operating Loss to Net	
Cash Provided by Operating Activities:	
Depreciation	4,419,562
(Increase) Decrease in Assets:	
Accounts Receivable - Sales and Services	(3,257)
Accounts Receivable - Other	27,154
Inventories	521,649
Prepaid Expenses	55,500
Deferred Outflow - OPEB	1,070,524
Increase (Decrease) in Liabilities:	
Accounts Payable	(1,038,303)
Accrued Payroll Liabilities	39,556
Deposits	(4,916)
Compensated Absences	101,745
Total OPEB Liability	(8,981,074)
Deferred Inflow - Leases	(53,359)
Deferred Inflow - OPEB	8,171,207
Total Adjustments	<u>4,325,988</u>
Net Cash Used by Operating Activities	<u>\$ (561,045)</u>

NONCASH CAPITAL FINANCING ACTIVITY

Change in accounts payable related to capital acquisition costs	\$ 4,311,418
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**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the Reporting Entity

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of accounting principles generally accepted in the United States of America (U.S. GAAP). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component unit that has substantively the same governing body as the District's governing body, and additionally, (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government has operational responsibility for the activities of the component unit.

The El Toro Water District Financing Authority (the Authority) was organized on January 24, 2022, pursuant to the Joint Exercise Powers Act, of the state of California (Code 6500 *et seq.* (the JPA Act) solely for the purpose of assisting the District in financing and refinancing capital improvement projects of the District and in financing working capital for the District. The Authority, an entity legally separate from the District, is governed by substantially all the board members of the District and has an agreement with the District for the receipt of revenues to pay debt service on behalf of the District. As a result of these two factors, the Authority is a blended component unit of the District.

B. Basic Financial Statements

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

C. Basis of Presentation

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

E. Cash and Cash Equivalents

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

F. Investments and Investment Policy

The District has adopted an investment policy directing the District's General Manager or Chief Financial Officer to invest, reinvest, sell, or exchange securities.

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Management evaluates all accounts receivable and if it is determined that they are uncollectible, they are written off as bad debt expense. A charge of \$24,925 was made to bad debt expense for the year ended June 30, 2023.

I. Prepaid Items

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

J. Materials and Supplies Inventory

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

K. Property Taxes

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

Lien Date	January 1
Levy Date	July 1
Due Dates	First Installment - November 10 Second Installment - February 10
Collection Dates	First Installment - December 11 Second Installment - April 11

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

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

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

Building	25 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

M. Deferred Outflows/Inflows of Resources

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

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

- Deferred outflows related to OPEB for changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with benefits through the plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows related to OPEB for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan.
- Deferred inflows related to OPEB for changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with benefits through the plan.
- Deferred inflow related to leases, this amount is deferred and recognized as an inflow of resources based on the payment provisions in the contracts.

N. Compensated Absences

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

The District's sick leave policy is to permit employees to accumulate sick leave for up to a total of 960 hours. At the end of each calendar year, any amounts exceeding the limit will be transferred to vacation time for employees hired prior to July 1, 1997, using a factor of 5% times the number of complete years and capped at 100%. All hours over the maximum will be paid out at 50% to those hired after July 1, 1997, at the employee's current regular compensation rate.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position

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

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Unrestricted Net Position – This amount is all net position that does not meet the definition of net investment in capital assets or restricted net position.

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

P. Water Sales and Sewer Services

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

Q. 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.

R. Leases

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

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Leases (Continued)

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

S. 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. The assumptions also include disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND CASH INVESTMENTS

Cash and Investments

At June 30, 2023, cash and investments were classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$ 10,138,838
Investments	12,335,376
Restricted - Cash and Cash Equivalents	4,386,674
Restricted - Investments	4,353,327
Total	<u><u>\$ 31,214,215</u></u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash and Investments (Continued)

At June 30, 2023, cash and investments consisted of the following:

Cash on Hand	\$ 700
Demand Deposits Held with Financial Institutions	14,524,812
Investments	16,688,703
Total	<u>\$ 31,214,215</u>

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State or Local Agency Bonds	5 Years	10%	None
U.S. Treasury Obligations	5 Years	None	None
Government-Sponsored Agency Securities	5 Years	None	None
Corporate Medium-Term Notes	5 Years	30%	None
Commercial Paper	270 Days	25%	10%
Bankers Acceptance	180 Days	15%	None
Negotiable Certificates of Deposit	5 Years	30%	None
Mortgage Pass-Through Securities	5 Years	20%	None
Money Market Mutual Funds	5 Years	10%	None
Collateralized Bank Deposits	N/A	20%	None
California Local Agency Investment Fund (LAIF)	N/A	30 million	None
California Asset Management Program (CAMP)	N/A	60%	None
Supranationals	5 Years	30%	None
Placement Service Deposit	5 Years	30%	None

N/A - Not applicable

EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2023.

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
U.S. Treasury Obligations	\$ 1,474,406	\$ 662,271	\$ 2,893,438	\$ 5,030,115
Government-Sponsored Entities Securities	446,291	176,185	-	622,476
Supranationals	-	174,345	-	174,345
Municipal Bonds	-	18,754	-	18,754
Corporate Medium-Term Notes	929,308	856,863	220,833	2,007,004
Negotiable Certificates of Deposit	2,427,766	1,925,561	-	4,353,327
Asset-Backed Securities	-	38,144	799,574	837,718
LAIF	2,860,887	-	-	2,860,887
CAMP - Money Market	784,077	-	-	784,077
Total	<u>\$ 8,922,735</u>	<u>\$ 3,852,123</u>	<u>\$ 3,913,845</u>	<u>\$ 16,688,703</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the minimum ratings required by (where applicable) the California Government Code, the District's investment policy, or debt agreements and the actual Moody's credit rating as of June 30, 2023, for each investment type.

Investment Type	Minimum Legal Rating	Total as of June 30, 2023	Not Rated	Aaa	A
U.S. Treasury Obligations	N/A	\$ 5,030,115	\$ -	\$ 5,030,115	\$ -
Government-Sponsored Entities Securities	AA	622,476	-	622,476	-
Supranationals	AA	174,345	-	174,345	-
Municipal Bonds	A	18,754	-	-	18,754
Corporate Medium-Term Notes	A	2,007,004	-	160,923	1,846,081
Negotiable Certificates of Deposit	AA	4,353,327	-	4,353,327	-
Asset-Backed Securities	AA	837,718	-	837,718	-
LAIF	N/A	2,860,887	2,860,887	-	-
CAMP - Money Market	N/A	784,077	784,077	-	-
Total		<u>\$ 16,688,703</u>	<u>\$ 3,644,964</u>	<u>\$ 11,178,904</u>	<u>\$ 1,864,835</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Local Agency Investment Fund (LAIF)).

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

As of June 30, 2023, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Investment in State Investment Pool

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment in California Asset Management Program

The California Asset Management Program (CAMP) is a public joint powers authority that provides California public agencies with investment management services for surplus funds and comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of tax-exempt financings. CAMP currently offers the cash reserve portfolio, a short-term investment portfolio, as a means for public agencies to invest these funds. Public agencies invest in the pool (participants) purchase shares of beneficial interest. Participants may also establish individual, professionally managed investment accounts (individual portfolios) by separate agreement with an investment advisor.

Fair Value Measurements

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

June 30, 2023	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Obligations	\$ -	\$ 5,030,115	\$ -	\$ 5,030,115
Government-Sponsored Entities				
Securities	-	622,476	-	622,476
Supranationals	-	174,345	-	174,345
Municipal Bonds	-	18,754	-	18,754
Corporate Medium-Term Notes	-	2,007,004	-	2,007,004
Negotiable Certificates of Deposit	-	4,353,327	-	4,353,327
Asset-Backed Securities	-	837,718	-	837,718
Total Leveled Investments	<u>\$ -</u>	<u>\$ 13,043,739</u>	<u>\$ -</u>	13,043,739
LAIF*				2,860,887
CAMP - Money Market*				784,077
Total Investments				<u>\$ 16,688,703</u>

* Not subject to fair value measurement hierarchy.

EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CAPITAL ASSETS

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

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Balance at June 30, 2022	Reclassifications	Additions	Deletions	Balance at June 30, 2023
Capital Assets, Not Depreciated:					
Land, Mineral, and Water Rights	\$ 7,451,586	\$ -	\$ -	\$ -	\$ 7,451,586
Construction in Progress	4,714,755	-	22,034,185	(2,167,360)	24,581,580
Total Capital Assets, Not Depreciated	12,166,341	-	22,034,185	(2,167,360)	32,033,166
Capital Assets, Being Depreciated:					
Capacity Rights	342,382	-	-	-	342,382
Source of Supply	20,010,128	(1,984,596)	-	-	18,025,532
Pumping	22,232,123	-	1,116,869	-	23,348,992
Treatment	40,752,294	1,984,596	491,531	-	43,228,421
Transmission and Collection	65,967,397	-	-	-	65,967,397
General Plant Facilities	14,911,836	-	1,008,019	-	15,919,855
Total Capital Assets, Being Depreciated	164,216,160	-	2,616,419	-	166,832,579
Less Accumulated Depreciation for:					
Capacity Rights	(260,232)	-	(6,846)	-	(267,078)
Source of Supply	(12,305,083)	2,497,330	(166,764)	-	(9,974,517)
Pumping	(15,049,852)	750	(879,742)	-	(15,928,844)
Treatment	(31,003,973)	(2,498,080)	(806,842)	-	(34,308,895)
Transmission and Collection	(16,697,959)	-	(1,306,392)	-	(18,004,351)
General Plant Facilities	(12,914,851)	-	(1,252,976)	-	(14,167,827)
Total Accumulated Depreciation	(88,231,950)	-	(4,419,562)	-	(92,651,512)
Total Capital Assets, Being Depreciated, Net	75,984,210	-	(1,803,143)	-	74,181,067
Total Capital Assets, Net	\$ 88,150,551	\$ -	\$ 20,231,042	\$ (2,167,360)	\$ 106,214,233

Construction in Progress

The District is involved in various construction projects throughout the year. Once completed, those projects are capitalized and depreciated over the life of the asset. The balance of construction in progress was \$24,581,580 as of June 30, 2023.

Construction in progress consisted of the following projects as of June 30:

Project Description	2023
R6 Reservoir Floating Cover	\$ 18,419,419
Oso Lift Station Improvement	2,574,428
Filter Plant Site	1,613,773
R2 Recoating Project	743,199
Aeration Basin Diffuser	258,434
Various Other Minor Projects <\$200,000	972,327
Total Construction in Progress	\$ 24,581,580

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 COMPENSATED ABSENCES

A summary of changes to compensated absences for the year ended June 30, 2023 is as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Current Portion	Noncurrent Portion
\$ 1,512,216	\$ 603,356	\$ (501,611)	\$ 1,613,961	\$ 182,171	\$ 1,431,790

NOTE 5 LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2023:

	July 1, 2022	Additions	Deletions	June 30, 2023	One Year	Than One Year
Direct Borrowings:						
Loans Payable:						
Main Extension Contract	\$ 6,180	\$ -	\$ -	\$ 6,180	\$ 6,180	\$ -
Baker Water Treatment Plant - Refinance Loan	7,677,055	-	(446,274)	7,230,781	460,108	6,770,673
Total Loans Payable	7,683,235	-	(446,274)	7,236,961	466,288	6,770,673
Bonds Payable:						
Revenue Bonds, Series 2022A	40,905,000	-	(1,105,000)	39,800,000	1,380,000	38,420,000
Premium, Series 2022A	8,648,018	-	(521,826)	8,126,192	-	8,126,192
Total Bonds Payable	49,553,018	-	(1,626,826)	47,926,192	1,380,000	46,546,192
Total	\$ 57,236,253	\$ -	\$ (2,073,100)	\$ 55,163,153	\$ 1,846,288	\$ 53,316,865

Main Extension Contracts

Main extension contracts are payable to developers without interest. The payments are based on a percentage of revenue received from units served by the water main. The contracts must be repaid in not more than 25 years but may be paid off in advance at the option of the District. The outstanding balance at June 30, 2023 was \$6,180.

Baker Water Treatment Plant Agreement and Direct Borrowing

In December 2013, the District entered into the Baker Water Treatment Plant Agreement, along with five other public entities relating to the Baker treatment plant. In January 2014, the District entered into an installment sale agreement with the Irvine Ranch Water District (IRWD) for the purchase of the District's portion of rights, title, and interest to the capacity not-to-exceed amount of \$12,500,000.

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 LONG-TERM DEBT (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 460,108	\$ 224,154	\$ 684,262
2025	474,372	209,891	684,263
2026	489,077	195,185	684,262
2027	504,239	180,024	684,263
2028	519,870	164,393	684,263
2029 - 2033	2,851,317	569,996	3,421,313
2034 - 2036	1,931,798	120,990	2,052,788
Total	<u>\$ 7,230,781</u>	<u>\$ 1,664,633</u>	<u>\$ 8,895,414</u>

Water and Wastewater Revenue Bonds, Series 2022A

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,380,000	\$ 1,952,560	\$ 3,332,560
2025	1,450,000	1,883,650	3,333,650
2026	1,525,000	1,811,150	3,336,150
2027	1,600,000	1,734,900	3,334,900
2028	1,680,000	1,654,900	3,334,900
2029 - 2033	8,160,000	6,991,500	15,151,500
2034 - 2038	5,685,000	5,163,050	10,848,050
2039 - 2043	5,185,000	4,055,200	9,240,200
2044 - 2048	6,585,000	2,657,750	9,242,750
2049 - 2052	6,550,000	838,750	7,388,750
Total	<u>\$ 39,800,000</u>	<u>\$ 28,743,410</u>	<u>\$ 68,543,410</u>

NOTE 6 DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS (CONTINUED)

Additionally, the District offers a 457 deferred compensation plan. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting/or Internal Revenue Code Section 457 Deferred Compensation Plans*, the District has little administrative involvement and does not perform the investing function for the Plan, and the assets and related liabilities are not presented in the accompanying financial statements in accordance with GASB Statement No. 84 and No. 97.

As of February 1, 2016, the District executed an amendment to the Plan authorizing the District (as employer) to match an amount equal to 75% of each participant's total contributions to either 401(k) or 457 plans, but no more than 10% of their annual compensation. However, the District's contributions can be deposited to the 401(k) plan only.

In addition, the District contributes an amount equal to 9% of compensation for a Plan year for all qualified participants regardless of whether they are an employee on the last day of the Plan year and regardless of whether they made any salary deferrals to the Plan. Employees are immediately vested in their employer contributions. District contributions to the 401(k) plan were \$1,126,923 as of June 30, 2023.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District pays all or a portion of the cost of health insurance for retirees (including prescription drug benefits) under any group plan offered by the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) Health Program, subject to certain restrictions as determined by the District. The District's plan is a single employer plan.

Benefits

The District offers postemployment medical benefits to retired employees who satisfy the eligibility rules. Certain spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District's ACWA/JPIA Health Program. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

Employees Covered

At the June 30, 2022, measurement date, the following current and former employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	25
Active Employees	59
Total	<u>84</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2022, was determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Assumptions:	
Discount Rate	3.54%
Projected Salary Increase	2.75% Per Year
Inflation	2.50% Per Year
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study (2% @ 55 Rates for Tier 1, Modified Rates for Tier 2)
Mortality Improvement	Mortality Projected Fully Generational with Scale MP-2020
Medical Trend	
Non-Medicare	8.5% for 2024, Decreasing to 3.45% in 2076
Medicare (Non-Kaiser)	7.5% for 2024, Decreasing to 3.45% in 2076
Medicare (Kaiser)	6.25% for 2024, Decreasing to 3.45% in 2076
Healthcare Participation at Retirement	
Actives	95% Tier 1, 90% Tier 2
Retirees	100%
Spouse Healthcare Participation at Retirement	
Spouse Currently Covered	100% Tier 1, 50% Tier 2
Spouse not Currently Covered	0%
Medical Plan Election at Retirement	Same as Currently Elected

Contribution

The obligation of the District to contribute to the plan is established and may be amended by the Board of Directors. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due) and an implied subsidy determined by an actuary. For the year ended June 30, 2023, the District made payments of \$263,362 for premiums and the implied subsidy was \$54,158, thereby resulting in payments of \$317,520.

Discount Rate

The discount rate used to measure the 2022 total OPEB liability was 3.54%. 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, 2022:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 12,669,618	\$ 11,050,192	\$ 9,727,133

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates for the measurement period ended June 30, 2022:

	<u>1% Decrease</u>	Healthcare Cost Trend Rates (a)	<u>1% Increase</u>
Total OPEB Liability	\$ 9,581,250	\$ 11,050,192	\$ 12,873,277

(a) Non-Medicare - 8.5% for 2024, Decreasing to 3.45% in 2076

Medicare (Non-Kaiser) - 7.5% for 2024, Decreasing to 3.45% in 2076

Medicare (Kaiser) - 6.25% for 2024, Decreasing to 3.45% in 2076

Change in Total OPEB Liability

A summary of change in the total OPEB liability for the measurement date June 30, 2022 is as follows:

Balance at June 30, 2021 (Measurement Date)	\$ 20,031,266
Changes in the Year:	
Service Cost	625,561
Interest on the Total OPEB Liability	442,766
Differences Between Actual and Expected	
Experience	(7,913,790)
Changes in Assumptions	(1,818,868)
Benefit Payments	(316,743)
Net Changes	(8,981,074)
Balance at June 30, 2022 (Measurement Date)	<u>\$ 11,050,192</u>

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

For the year ended June 30, 2023, OPEB expense in the amount of \$578,179 is included in the accompanying statement of revenues, expenses and changes in net position. As of June 30, 2023, the District reported deferred outflows or inflows of resources related to OPEB due to the initial valuation of OPEB under GASB Statement No. 75 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payment of OPEB Benefits Subsequent to Measurement Date	\$ 317,520	\$ -
Differences Between Actual and Expected Experience	282,116	(7,561,779)
Change in Assumptions	2,894,133	(1,562,689)
Total	<u>\$ 3,493,769</u>	<u>\$ (9,124,468)</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The \$317,520 reported as deferred outflows of resources related to OPEB resulting from the District's payments of OPEB benefits subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for measurement period June 30, 2022 are recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (490,148)
2025	(490,151)
2026	(997,609)
2027	(1,114,620)
2028	(1,347,815)
Thereafter	(1,507,876)

Change of Assumptions

The following assumption was changed from the June 30, 2020 actuarial valuation to the June 30, 2022 actuarial valuation. (1) the discount rate was updated from 2.16% to 3.54 % (2) mortality improvement scale was updated from Scale MP-2020 to Scale MP-2021 (3) Healthcare trend changed from 7% non-Medicare, 6.1% for Medicare (non-Kaiser) and 5% Medicare (Kaiser) to 8.5% non-Medicare, 7.5% for Medicare (non-Kaiser) and 6.25% for Medicare (Kaiser) (4) Mortality, Retirement, Disability, Termination went from the CalPERS 1997-2015 Experience Study to the CalPERS 2000-2019 Experience Study.

NOTE 8 LEASES

The District, acting as lessor, leases land under a long-term, noncancelable lease agreements. The leases expire at various dates through February 2028. During the year ended June 30, 2023, the District recognized \$234,439 and \$20,904 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The leases provide for increases in future minimum annual rental payments based on defined increases and increases based on the Consumer Price Index, subject to certain minimum increases.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 NET POSITION

Net investment in capital assets at June 30, 2023 consisted of the following:

Capital Assets - Not Being Depreciated	\$ 32,033,166
Capital Assets, Net - Being Depreciated	74,181,067
Loans Payable	(7,236,961)
Bonds Payable, Less Unspent Proceeds	(39,186,191)
Retention	(927,267)
Accounts Payable for Construction Projects	(3,895,543)
Net Investment in Capital Assets	<u>\$ 54,968,271</u>

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the ACWA/JPIA, an intergovernmental risk-sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2023, the District participated in the liability and property programs of the ACWA/JPIA as follows:

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

- General and auto liability and public officials' and employees' errors and omissions: The JPIA pools for the first \$5 million. The JPIA purchases additional excess coverage layers: \$55 million per occurrence for general, auto, and public officials' liability, which increases the limits on the insurance coverage noted above. Additionally, there are lower limits related to terrorism (\$5 million), communicable disease (\$10 million), PFAS (\$10 million) subsidence (\$45 million), lead (\$45 million), and mold (\$45 million).
- Employee dishonesty coverage of up to \$3,000,000 with a \$1,000 deductible per loss, includes public employee dishonesty, forgery or alteration, and use of computer to transfer covered property coverage.
- Property loss coverage for boiler and machinery is up to \$100,000,000 with a \$25,000 deductible except for turbine or power generation equipment which is \$50,000. Coverage for earthquakes is up to \$2,500,000 in program aggregate, with a deductible of 5% of the total insurable value which is \$56,235,549. Coverage for floods is up to \$25,000,000, with a deductible of \$100,000. Real property has a deductible of \$1,000; the ACWA/JPIA is self-insured for up to \$100,000; excess insurance has been purchased.
- For underground storage tank pollution liability, the District is insured for up to \$3,000,000 with a \$10,000 deductible; the ACWA/JPIA is self-insured for up to \$500,000; excess insurance coverage has been purchased to cover losses up to \$3,000,000.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 RISK MANAGEMENT (CONTINUED)

- Dam failure liability coverage of up to \$9,000,000 million per occurrence; the ACWA/JPIA is self-insured up to \$1,000,000; excess insurance coverage has been purchased.
- Workers' compensation insurance for up to California statutory limits for all work-related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured for up to \$2.0 million; excess insurance coverage has been purchased with a \$4,000,000 aggregate limit.
- Cyber security coverage is \$5,000,000 per occurrence and \$5,000,000 in aggregate with a deductible up to \$1000,000 per occurrence based on annual revenues.
- Fiduciary liability coverage of up to \$3,000,000 with a deductible of \$15,000 for claims resulting from a breach in fiduciary duty associated with its retirement pension plan.

Settled claims have not exceeded any of the coverage amounts, and there were no reductions in the District's insurance coverage during the year ended June 30, 2023. 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, 2023.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions. As of June 30, 2023, the District had engineering design and construction commitments of approximately \$10,758,000.

Litigation

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

**EL TORO WATER DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

Fiscal Year	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:						
Service Cost	\$ 625,561	\$ 598,651	\$ 468,321	\$ 410,098	\$ 267,270	\$ 260,117
Interest on Total OPEB Liability	442,766	433,004	600,602	598,626	430,926	409,009
Differences Between Actual and Expected Experience	(7,913,790)	-	(1,334,563)	-	987,411	-
Assumption Changes	(1,818,868)	160,868	2,875,924	923,090	2,564,813	-
Benefit Payments	(316,743)	(311,125)	(304,295)	(292,405)	(237,713)	(228,570)
Net Change in Total OPEB Liability	(8,981,074)	881,398	2,305,989	1,639,409	4,012,707	440,556
Total OPEB Liability - Beginning of Year	20,031,266	19,149,868	16,843,879	15,204,470	11,191,763	10,751,207
Total OPEB Liability - End of Year (a)	<u>\$ 11,050,192</u>	<u>\$ 20,031,266</u>	<u>\$ 19,149,868</u>	<u>\$ 16,843,879</u>	<u>\$ 15,204,470</u>	<u>\$ 11,191,763</u>
Covered - Employee Payroll	\$ 6,743,824	\$ 6,174,982	\$ 5,980,908	\$ 5,889,881	\$ 5,709,337	\$ 5,696,461
Total OPEB Liability as Percentage of Covered - Employee Payroll	163.86%	324.39%	320.18%	285.98%	266.31%	196.47%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From measurement date of June 30, 2019 to June 30, 2020:

Discount rate was updated based on municipal bond rate as of the measurement date from 3.5% to 2.21%

Mortality schedule updated from Scale MP-2018 to Scale MP-2020

From measurement date of June 30, 2020 to June 30, 2021:

Discount rate was updated based on municipal bond rate as of the measurement date from 2.21% to 2.16%

From measurement date of June 30, 2021 to June 30, 2022:

Discount rate was updated based on municipal bond rate as of the measurement date from 2.16% to 3.54%

Mortality improvement scale was updated to Scale MP-2021

CalPERS 2000-2019 Experience Study was used for demographic assumptions

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

SUPPLEMENTARY INFORMATION

**EL TORO WATER DISTRICT
SCHEDULE OF REVENUE BY CATEGORY
YEAR ENDED JUNE 30, 2023**

OPERATING REVENUES

Water Consumption Sales:	
Unrestricted	\$ 7,611,597
Restricted - Conservation	-
Restricted - Recycled Water	535,391
Recycled Consumption Sales	1,189,709
Total Water Consumption Sales	<u>9,336,697</u>

Service Charges:	
Water Service Charges	4,228,716
Wastewater Service Charges	8,659,161
Recycled Service Charges	424,813
Total Service Charges	<u>13,312,690</u>

Capital Replacement Charges:	
Water Capital Charges	1,296,285
Wastewater Capital Charges	1,724,493
Recycled Capital Charges	131,774
Total Capital Replacement Charges	<u>3,152,552</u>

Reimbursements from Others:	
Recycled Water Rebates	292,185
Shared Facility Charges	16,589
Total Reimbursements from Others	<u>308,774</u>

Miscellaneous Revenue	<u>299,967</u>
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TOTAL OPERATING REVENUES	26,410,680
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NONOPERATING REVENUES

Property Taxes:	
Water System	473,659
Wastewater System	615,578
Recycled Water System	94,912
Grants, Rebates, Reimbursements	618,262
Rental Revenue	234,439
Investment Income (Loss)	795,655
Other Nonoperating Revenue	19,323

TOTAL NONOPERATING REVENUES	<u>2,851,828</u>
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TOTAL REVENUE	<u><u>\$ 29,262,508</u></u>
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**EL TORO WATER DISTRICT
SCHEDULE OF EXPENSES BY CATEGORY
YEAR ENDED JUNE 30, 2023**

OPERATING EXPENSES

General & Administrative:	
Administration	\$ 1,259,486
Finance and Risk Management	1,348,000
Human Resources	583,071
Technology Services	780,198
Public Relations & Conservation	473,722
Customer Service	919,035
Total General & Administrative	<u>5,363,512</u>
Source of Supply	8,593,609
Operations:	
Engineering	826,614
Operations Support	1,641,418
Fleet Services	568,707
Pumping Operations	1,605,505
Transmission & Distribution	2,111,156
Wastewater Collections	1,287,015
Treatment Operations	4,254,848
Total Operations	<u>12,295,263</u>
Other Operating Expenses	625,767
Depreciation & Amortization	<u>4,419,562</u>
TOTAL OPERATING EXPENSES	31,297,713

NONOPERATING EXPENSES

Interest Expense	<u>1,723,651</u>
TOTAL NONOPERATING EXPENSES	<u>1,723,651</u>
TOTAL EXPENSES	<u>\$ 33,021,364</u>

STATISTICAL SECTION (UNAUDITED)

**EL TORO WATER DISTRICT
INDEX TO STATISTICAL SECTION
YEAR ENDED JUNE 30, 2023**

Page
Number

FINANCIAL TRENDS:	55
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
REVENUE CAPACITY:	57
These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	
DEBT CAPACITY:	64
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.	
DEMOGRAPHIC INFORMATION:	66
This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
OPERATING INFORMATION:	69
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.	

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

	Fiscal Year				
	2014	2015	2016	2017	2018
CHANGES IN NET POSITION					
Operating Revenues (See Schedule 2)	\$ 23,188,691	\$ 23,124,200	\$ 22,516,781	\$ 24,032,874	\$ 25,445,261
Operating Expenses (See Schedule 3)	(24,484,521)	(24,469,909)	(23,990,984)	(25,287,726)	(26,859,040)
Operating Income (Loss)	(1,295,830)	(1,345,709)	(1,474,203)	(1,254,852)	(1,413,779)
Nonoperating Revenues (Expenses):					
Property Taxes Ad-Valorem	774,568	815,554	843,301	888,973	927,672
Rental revenue	165,282	246,196	172,665	181,491	188,183
Investment Income ⁽¹⁾	51,881	76,804	147,447	75,113	124,001
Interest Expense ⁽²⁾	(185,655)	(132,375)	(397,680)	(706,683)	(790,753)
Grants, Rebates, Reimbursements ⁽³⁾	56,564	218,824	188,701	152,710	59,653
Other Nonoperating revenue	-	-	-	-	-
Total Nonoperating Revenues (Expenses), Net	862,640	1,225,003	954,434	591,604	508,756
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	(433,190)	(120,706)	(519,769)	(663,248)	(905,023)
CAPITAL CONTRIBUTIONS	1,648,257	-	577,471	85,821	45,853
CHANGES IN NET POSITION	<u>\$ 1,215,067</u>	<u>\$ (120,706)</u>	<u>\$ 57,702</u>	<u>\$ (577,427)</u>	<u>\$ (859,170)</u>
NET POSITION BY COMPONENT					
Net Investment in Capital Assets	\$ 57,218,606	\$ 52,204,625	\$ 57,306,311	\$ 57,194,565	\$ 60,300,968
Restricted:					
Debt Service ⁽⁴⁾	2,772,564	2,285,068	1,602,958	1,602,958	1,602,958
Capital Projects ⁽⁵⁾	83,771	571,268	577,471	23,081	45,853
Total Restricted	2,856,335	2,856,336	2,180,429	1,626,039	1,648,811
Unrestricted ⁽⁶⁾	9,522,511	14,415,785	10,047,708	10,136,417	1,008,665
Total Net Position	<u>\$ 69,597,452</u>	<u>\$ 69,476,746</u>	<u>\$ 69,534,448</u>	<u>\$ 68,957,021</u>	<u>\$ 62,958,444</u>

- (1) The increase in Investment Income in FY22/23 was due to higher interest rate of return on short-term LAIF and CAMP investments. The decrease in FY 21/22 was caused by Unrealized Losses in the market value of investment holdings due to federal reserve increased the short-term interest rate.
- (2) The increase in Interest expense reflect a full year of interest payment vs. partial from the 2022 Revenue Bonds.
- (3) The increase in FY18/19 was due to a refund from South Orange County Waste Water Authority (SOCWA). In FY22-23 R6 Reservoir Cover & Liner replacement costs reimbursement from Santa Margarita Water \$7.7M, Moulton Niguel Water \$762K, San Diego County \$617K, MWDOC \$231k.
- (4) The decrease in Restricted for Debt Service in FY 21/22 was due to the elimination of debt service reserve when 2022 Revenue bonds replaced the State loans and the funds were used for other capital expenditures.
- (5) The increase in Restricted capital projects in FY 21/22 were the proceeds from the 2022 Revenue Bonds that had not yet been fully expended for capital expenses.
- (6) In FY17/18 and FY18/19 a significant variance in Unrestricted Net Position occurred as the District implemented GASB Statement No. 75 to record OPEB liability. In FY22-23 The Districts unrestricted reserves increased due to various grants/rebates/cost reimbursements it received (see 3).

**EL TORO WATER DISTRICT
CHANGES IN NET POSITION AND NET POSITION BY COMPONENT (CONTINUED)
LAST TEN FISCAL YEARS**

	Fiscal Year				
	2019	2020	2021	2022	2023
CHANGES IN NET POSITION					
Operating Revenues (See Schedule 2)	\$ 24,663,457	\$ 25,197,330	\$ 26,709,979	\$ 27,383,146	\$ 26,410,680
Operating Expenses (See Schedule 3)	(26,928,835)	(27,981,030)	(29,244,287)	(30,078,960)	(31,297,713)
Operating Income (Loss)	(2,265,378)	(2,783,700)	(2,534,308)	(2,695,814)	(4,887,033)
Nonoperating Revenues (Expenses):					
Property Taxes Ad-Valorem	1,012,576	1,037,335	1,097,589	1,121,250	1,184,149
Rental revenue	204,160	242,187	236,357	227,227	234,439
Investment Income ⁽¹⁾	500,786	424,110	21,511	(259,747)	795,655
Interest Expense ⁽²⁾	(753,794)	(777,511)	(758,339)	(1,072,567)	(1,723,651)
Grants, Rebates, Reimbursements ⁽³⁾	910,351	40,917	42,826	323,458	618,262
Other Nonoperating revenue	-	-	-	-	19,323
Total Nonoperating Revenues (Expenses), Net	1,874,079	967,038	639,944	339,621	1,128,177
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	(391,299)	(1,816,662)	(1,894,364)	(2,356,193)	(3,758,856)
CAPITAL CONTRIBUTIONS	1,985,903	2,894	8,708	166,008	8,919,072
CHANGES IN NET POSITION	<u>\$ 1,594,604</u>	<u>\$ (1,813,768)</u>	<u>\$ (1,885,656)</u>	<u>\$ (2,190,185)</u>	<u>\$ 5,160,216</u>
NET POSITION BY COMPONENT					
Net Investment in Capital Assets	\$ 56,355,138	\$ 55,486,027	\$ 56,108,404	\$ 30,402,906	\$ 54,968,271
Restricted:					
Debt Service ⁽⁴⁾	2,012,004	2,270,150	2,270,150	-	-
Capital Projects ⁽⁵⁾	64,514	2,895	2,895	26,797,887	-
Total Restricted	2,076,518	2,273,045	2,273,045	26,797,887	-
Unrestricted ⁽⁶⁾	6,121,392	4,980,208	2,472,175	1,462,646	8,855,384
Total Net Position	<u>\$ 64,553,048</u>	<u>\$ 62,739,280</u>	<u>\$ 60,853,624</u>	<u>\$ 58,663,439</u>	<u>\$ 63,823,655</u>

- (1) The increase in Investment Income in FY22/23 was due to higher interest rate of return on short-term LAIF and CAMP investments. The decrease in FY 21/22 was caused by Unrealized Losses in the market value of investment holdings due to federal reserve increased the short-term interest rate.
- (2) The increase in Interest expense reflect a full year of interest payment vs. partial from the 2022 Revenue Bonds.
- (3) The increase in FY18/19 was due to a refund from South Orange County Waste Water Authority (SOCWA). In FY22-23 R6 Reservoir Cover & Liner replacement costs reimbursement from Santa Margarita Water \$7.7M, Moulton Niguel Water \$762K, San Diego County \$617K, MWDOC \$231k.
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Source: 2014 to 2023 Audited Financial Statements.

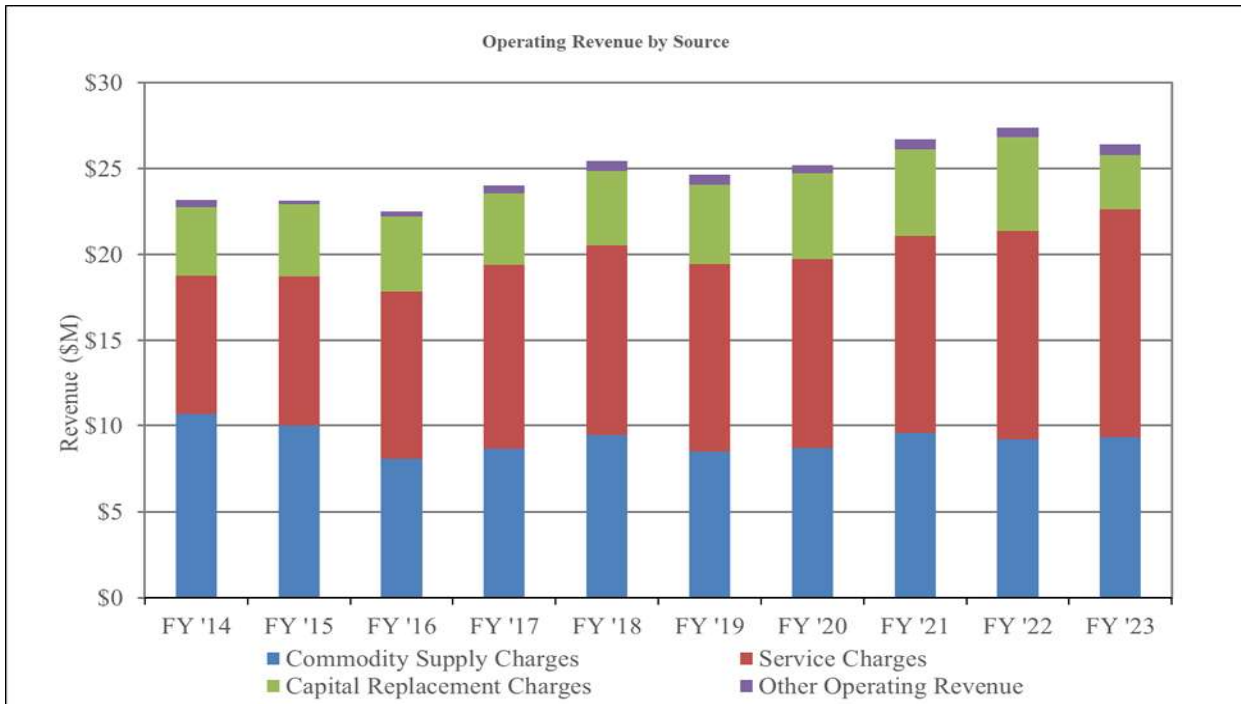
**EL TORO WATER DISTRICT
OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Commodity Supply	Service Charges	Capital Replacement Charges	Other Operating Revenue	Total Operating Revenue
2014	10,687,396	8,077,870	3,979,752	443,673	\$ 23,188,691
2015	9,998,985	8,725,408	4,183,699	216,108	23,124,200
2016	8,069,726	9,771,324	4,381,402	294,329	22,516,781
2017	8,635,462	10,759,981	4,177,505	459,926	24,032,874
2018	9,459,453	11,085,710	4,325,454	574,644	25,445,261
2019	8,474,791	10,955,238	4,623,068	610,360	24,663,457
2020	8,705,986	11,044,342	4,977,611	469,391	25,197,330
2021	9,571,562	11,496,657	5,070,326	571,434	26,709,979
2022	9,212,404	12,180,223	5,430,565	559,954	27,383,146
2023	9,336,697	13,312,690	3,152,552	608,741	26,410,680

Other Water Charges - by Category

Fiscal Year	Standby Charge	Services	Miscellaneous	Total Other Water Charges
2014	\$ 10,623	\$ 124,353	\$ 308,697	\$ 443,673
2015	4,818 (1)	116,957	94,333	216,108
2016	3,292	233,000	58,037	294,329
2017	1,525	331,179	127,222	459,926
2018	418	403,445	170,781	574,644
2019	247	383,810	226,303	610,360
2020	63	328,310	141,018	469,391
2021	-	401,225	170,209	571,434
2022	-	446,564	113,390	559,954
2023	-	308,774	299,967	608,741

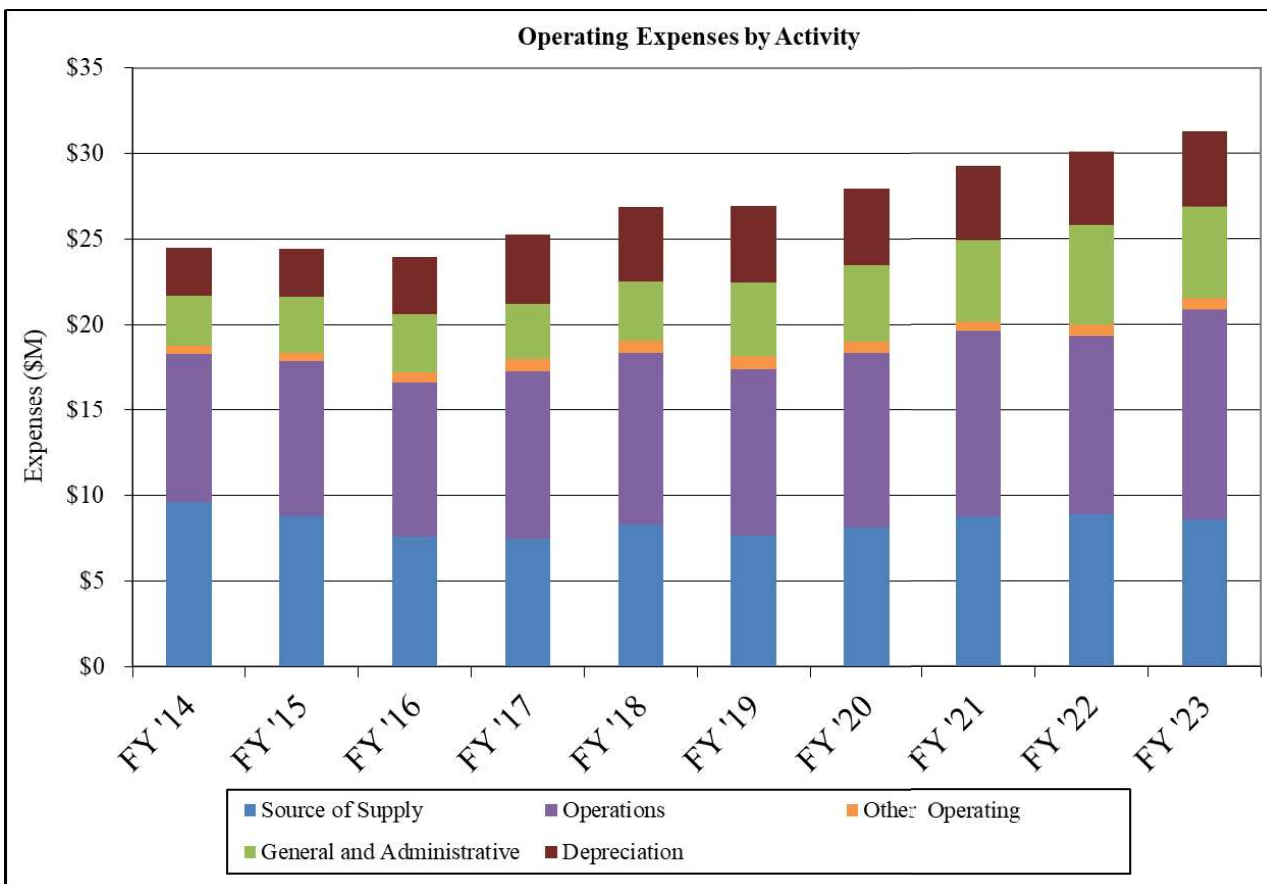
(1) The Standby Charge was for the Water Recycling Project, and collections of this fee were not needed after FY 12/13.



Source: 2014 to 2023 Audited Financial Statements.

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

Fiscal Year	Source of Supply	Operations	Other Operations	General and Administrative	Depreciation	Total Operating Expenses
2014	\$ 9,584,718	\$ 8,739,512	\$ 465,163	\$ 2,913,731	\$ 2,781,397	\$ 24,484,521
2015	8,771,110	9,096,117	516,361	3,255,140	2,831,181	24,469,909
2016	7,555,626	9,098,822	592,405	3,365,722	3,378,409	23,990,984
2017	7,435,534	9,877,746	694,479	3,211,224	4,068,743	25,287,726
2018	8,294,019	10,094,015	686,217	3,434,736	4,350,053	26,859,040
2019	7,650,468	9,785,781	720,714	4,305,441	4,466,431	26,928,835
2020	8,085,299	10,302,552	603,473	4,506,099	4,483,607	27,981,030
2021	8,763,806	10,827,016	533,039	4,774,869	4,345,557	29,244,287
2022	8,866,148	10,443,014	662,834	5,819,185	4,287,779	30,078,960
2023	8,593,609	12,295,263	625,767	5,363,512	4,419,562	31,297,713

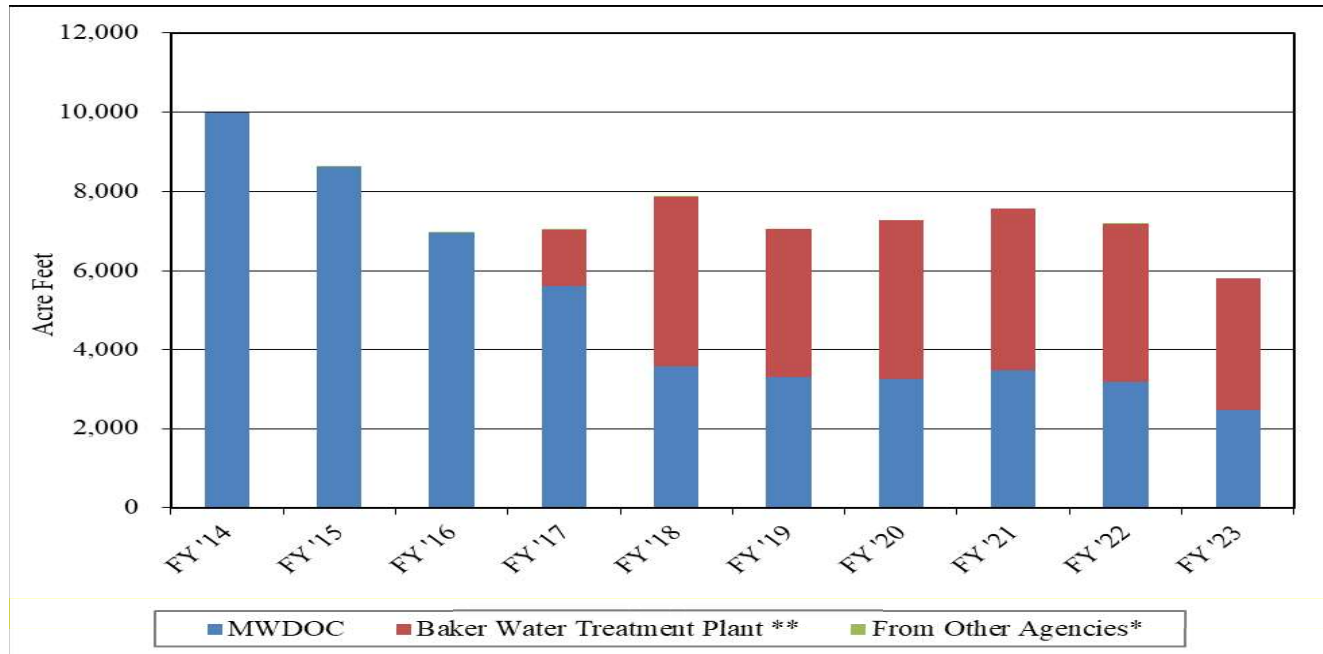


Source: 2014 to 2023 Audited Financial Statements.

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>Baker Water Treatment Plant **</u>	<u>From Other Agencies*</u>	<u>Total Production</u>
2014	9,986	-	-	9,986
2015	8,631	-	19	8,650
2016	6,967	-	8	6,976
2017	5,616	1,417	1	7,034
2018	3,559	4,312	3	7,874
2019	3,297	3,754	-	7,051
2020	3,245	4,032	-	7,277
2021	3,460	4,121	-	7,581
2022	3,171	4,004	1	7,176
2023	2,471	3,338	131	5,939



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
2014	\$ 2.19	\$ 2.59	\$ 4.91	\$ 6.47	\$ 2.42
2015	2.34	2.68	5.04	7.04	2.63
2016	2.46	2.83	5.61	7.18	2.79
2017	2.46	2.83	5.61	7.18	2.79
2018	2.52	2.91	6.08	7.82	2.89
2019	2.52	2.91	6.08	7.82	2.89
2020	2.58	2.97	6.14	7.88	2.95
2021	2.65	3.04	6.21	7.95	3.02
2022	2.72	3.11	6.78	8.52	3.14
2023	2.82	3.18	6.50	8.35	3.31

Monthly Water Service Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter
2014	\$ 9.31	\$ 12.42	\$ 18.61	\$ 34.12	\$ 65.15
2015	9.98	13.31	19.95	36.56	69.81
2016	9.98	13.31	19.95	36.56	69.81
2017	10.93	14.58	21.86	40.06	76.48
2018	11.80	15.82	23.85	43.92	84.07
2019	12.96	17.37	26.20	48.25	92.36
2020	14.14	18.99	28.70	52.98	101.52
2021	15.17	20.33	30.66	56.48	108.11
2022	16.56	22.24	33.60	62.00	118.80
2023	17.46	23.62	35.93	66.70	128.25

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
2014	\$ 4.66	\$ 4.66	\$ 7.78	\$ 18.91	\$ 47.47
2015	4.66	4.66	7.78	18.91	47.47
2016	4.66	4.66	7.78	18.91	47.47
2017	4.66	4.66	7.78	18.91	47.47
2018	4.66	4.66	7.78	18.91	47.47
2019	4.66	4.66	7.78	18.91	47.47
2020	4.66	4.66	7.78	18.91	47.47
2021	4.66	4.66	7.78	18.91	47.47
2022	4.66	4.66	7.78	18.91	47.47
2023	5.09	5.09	8.50	20.65	51.84

Notes:

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

For more information, go to 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/>

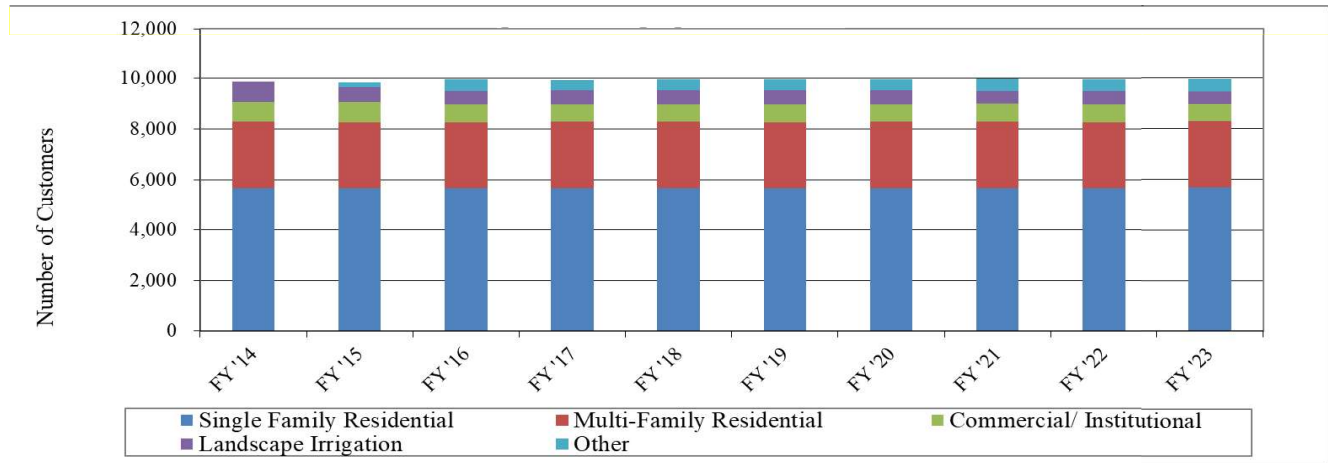
EL TORO WATER DISTRICT SEWER OPERATION RATES AND CHARGES LAST TEN FISCAL YEARS

Sewer Rates by Customer Class										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential Rates (monthly charge per EDU):										
Residential Unrestricted	\$ 18.99	\$ 20.50	\$ 22.02	\$ 23.11	\$ 23.63	\$ 24.30	\$ 24.30	\$ 24.30	\$ 25.76	\$ 34.67
Multi-Family Restricted	15.06	16.26	17.46	18.33	18.74	19.28	19.28	19.28	20.44	16.47
Multi-Family Unrestricted	17.90	19.33	20.76	21.79	22.28	22.92	22.92	22.92	24.30	25.34
Commercial Rates (per ccf of water used):										
Animal Kennel / Hospital	\$ 3.11	\$ 3.36	\$ 3.61	\$ 3.79	\$ 3.88	\$ 3.99	\$ 3.99	\$ 3.99	\$ 4.23	Medium Strength
Car Wash	3.09	3.34	3.59	3.77	3.86	3.97	3.97	3.97	4.21	Medium Strength
Department / Retail Store	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99	4.23	Medium Strength
Dry Cleaners	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50	3.71	Medium Strength
Golf Course / Camp / Park	2.71	2.93	3.15	3.31	3.39	3.49	3.49	3.49	3.70	Medium Strength
Health Spa	3.10	3.35	3.60	3.78	3.87	3.98	3.98	3.98	4.22	Medium Strength
Hospital / Convalescent Home	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50	3.71	Medium Strength
Hotel	4.71	5.09	5.47	5.74	5.87	6.04	6.04	6.04	6.41	Medium Strength
Market	6.17	6.67	7.17	7.53	7.70	7.92	7.92	7.92	8.40	High Strength
Mortuary	6.15	6.64	7.14	7.50	7.67	7.89	7.89	7.89	8.37	High Strength
Nursery / Greenhouse	2.76	2.98	3.20	3.36	3.44	3.54	3.54	3.54	3.76	Medium Strength
Professional / Financial Office	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99	4.23	Medium Strength
Public Institution	3.05	3.30	3.55	3.73	3.82	3.93	3.93	3.93	4.17	Medium Strength
Repair / Service Station	3.10	3.35	3.60	3.78	3.87	3.98	3.98	3.98	4.23	Medium Strength
Restaurant	2.93	3.17	3.41	3.58	3.66	3.77	3.77	3.77	4.00	Medium Strength
Schools	3.21	3.47	3.73	3.92	4.01	4.13	4.13	4.13	4.38	Medium Strength
Theater	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99	4.23	Medium Strength
Warehouse / Storage	2.45	2.65	2.85	3.00	3.07	3.16	3.16	3.16	3.35	Low Strength
Basic Commercial	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50	3.71	Medium Strength
Commercial (Flow Strength) *										
Low Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.10
Medium Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.07
High Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.49
Restaurants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.15
Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential Charge (Per EDU):										
Single Family	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 7.09
Multi-Family Restricted	3.95	3.95	3.95	3.91	3.91	3.91	3.91	3.91	3.91	3.37
Multi-Family Unrestricted	4.69	4.69	4.69	4.65	4.65	4.65	4.65	4.65	4.65	5.18
Commercial (per Meter):										
5/8" Meter	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	Flow Charge
3/4" Meter	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34	Flow Charge
1" Meter	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55	Flow Charge
1 1/2" Meter	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07	Flow Charge
2" Meter	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96	Flow Charge
Public Authority (per Meter):										
1" Meter	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	Flow Charge
1 1/2" Meter	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65	Flow Charge
2" Meter	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71	Flow Charge
Commercial (Flow Charge) *										
Low Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.84
Medium Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.04
High Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.93
Restaurant	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.05
Public Authority	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.04

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

EL TORO WATER DISTRICT WATER CUSTOMERS BY TYPE * LAST TEN FISCAL YEARS

Number of Customers by Type						
As of June 30	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Landscape Irrigation	Other	Total
2014	5,683	2,610	774	813	-	9,880
2015 (1)	5,662	2,610	785	583	187	9,827
2016	5,667	2,612	709	526	439	9,953
2017	5,668	2,616	694	559	406	9,943
2018	5,668	2,618	700	555	407	9,948
2019	5,665	2,614	706	556	408	9,949
2020	5,667	2,615	707	554	434	9,977
2021	5,670	2,617	707	511	478	9,983
2022	5,666	2,614	705	510	482	9,977
2023	5,667	2,618	692	508	479	9,964



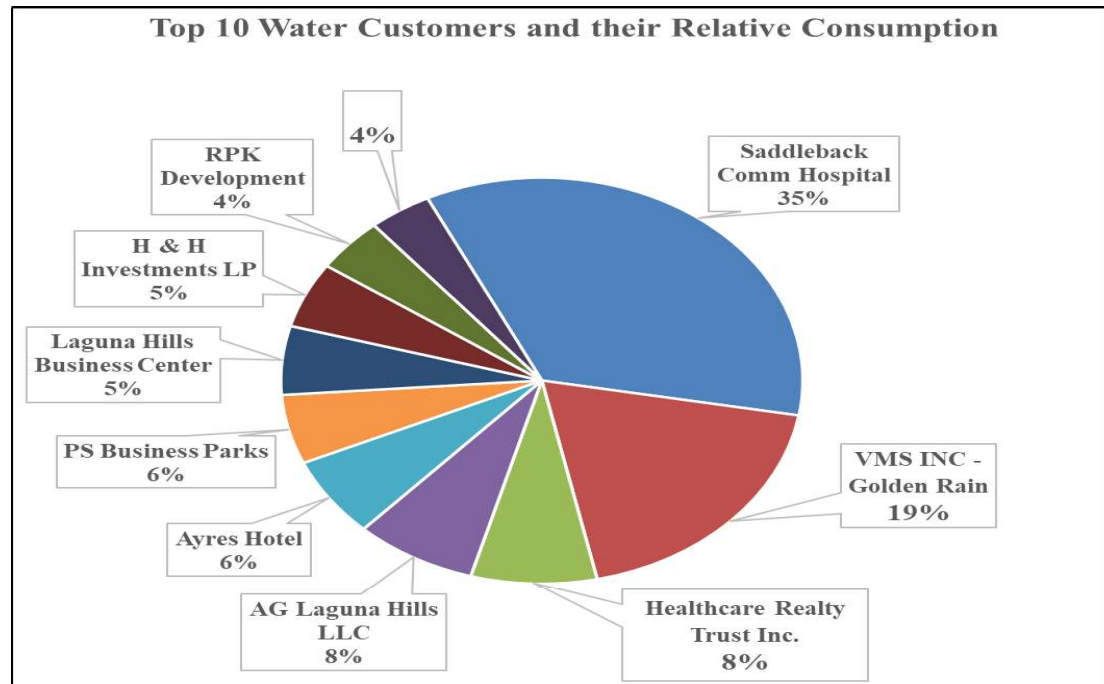
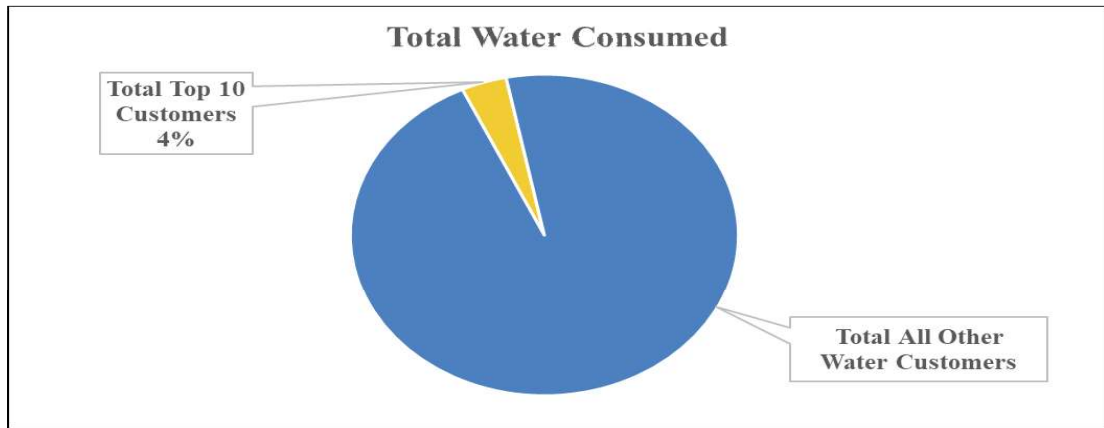
(1) The District did not track "Other" connections in total prior to FY 14/15.

* 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

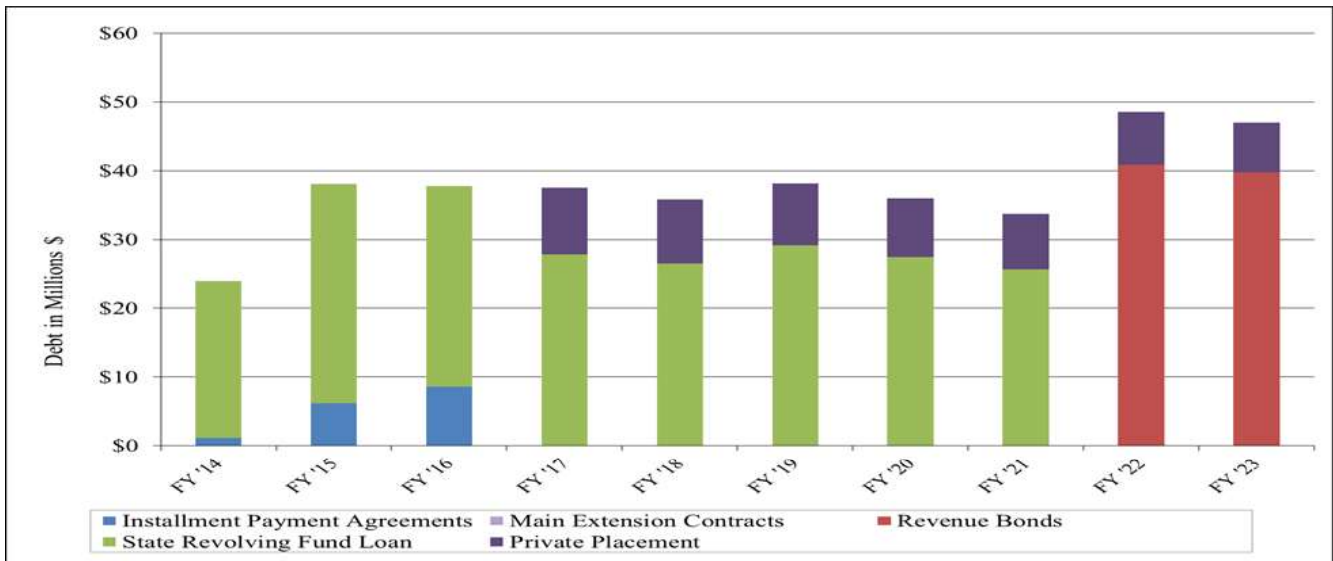
Customer	FY '14		Customer	FY '23	
	Annual Usage (HCF)	Percent of Total		Annual Usage (HCF)	Percent of Total
Saddleback Comm Hospital	53,935	1.32%	Saddleback Comm Hospital	38,055	1.32%
Country Villa Laguna Hills	12,773	0.31%	VMS INC - Golden Rain	20,503	0.71%
VMS, Inc - Golden Rain	11,288	0.28%	Healthcare Realty Trust Inc.	8,484	0.29%
PS Business Parks	11,221	0.27%	AG Laguna Hills LLC	8,244	0.29%
MGP Fund Laguna Hills, LLC	7,507	0.18%	Ayres Hotel	6,944	0.24%
Westridge Commercial	6,560	0.16%	PS Business Parks	6,001	0.21%
RPK Development	6,454	0.16%	Laguna Hills Business Center	5,939	0.21%
Ayres Hotel	6,158	0.15%	H & H Investments LP	5,702	0.20%
Laguna Hills Business Center	5,835	0.14%	RPK Development	4,698	0.16%
Aura Associates	5,443	0.13%	CPSC Inc./Commercial Property Services	4,238	0.15%
Total Top 10 Customers	127,174	3.11%	Total Top 10 Customers	108,808	3.78%
Total All Other Water Customers	3,966,668	96.89%	Total All Other Water Customers	2,768,799	96.22%
Total Water Consumed	4,093,842	100.00%	Total Water Consumed	2,877,607	100.00%

HCF = 100 cubic feet



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

Fiscal Year	Revenue Bonds	Installment Payment Agreements	State Revolving Fund Loan	Main Extension Contracts	Private Placement	Total Debt	Total Debt per Capita	Total Debt as % of Personal Income
2014	-	1,123,184 (1)	22,823,592 (2)	6,180	-	23,952,956	494	0.86%
2015	-	6,215,863 (1)	31,873,740 (2)	6,180	-	38,095,783	784	1.28%
2016	-	8,562,088 (1)	29,159,616 (2)	6,180	-	37,727,884	778	1.24%
2017	-	-	27,827,408	6,180	9,715,035	37,548,623	766	1.17%
2018	-	-	26,470,867	6,180	9,331,939 (1)	35,808,986	736	1.06%
2019	-	-	29,175,315	6,180	8,936,967	38,118,462	791	1.10%
2020	-	-	27,415,579	6,180	8,529,750	35,951,509	690	0.92%
2021	-	-	25,637,656	6,180	8,109,910	33,753,746	652	0.87%
2022	40,905,000	-	-	-	7,677,055	48,582,055	942	1.26% (3)
2023	39,800,000	-	-	-	7,230,781	47,030,781	916	1.13% (3)

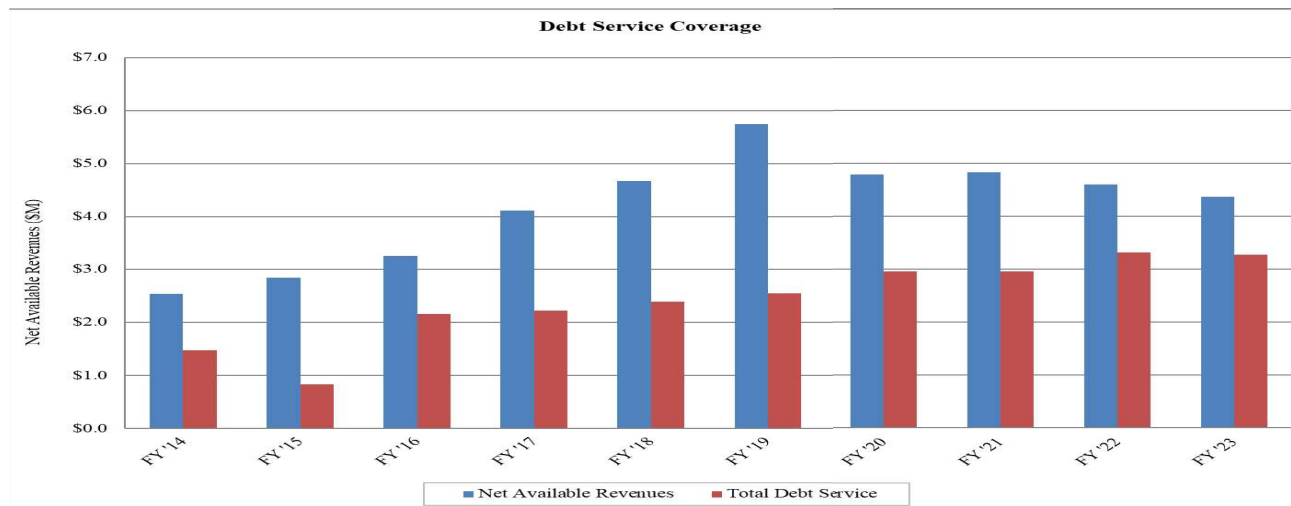


Notes:

- (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 2022 & 2023. 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 Coverage Ratio
2014	\$ 24,236,986	\$ 21,703,124	\$ 2,533,862	\$ 1,299,923	\$ 179,490	\$ 1,479,413	1.71
2015	24,481,578	21,638,728	2,842,850	691,667	137,746	829,413	3.43
2016	23,868,895	20,612,575	3,256,320	1,697,913	459,070	2,156,983	1.51
2017	25,331,161	21,218,983	4,112,178	1,532,173	691,970	2,224,143	1.85
2018	26,744,770	22,068,431	4,676,339	1,739,638	655,145	2,394,783	1.95
2019	27,291,330	21,549,152	5,742,178	1,776,305	769,061	2,545,366	2.26
2020	26,941,879	22,155,520	4,786,359	2,166,953	787,460	2,954,413	1.62
2021	28,108,262	23,283,264	4,824,998	2,197,763	756,649	2,954,412	1.63
2022	28,795,334	24,195,620	4,599,714	2,242,878	1,072,567	3,315,445	1.39
2023	29,262,508	24,893,841	4,368,667	1,551,274	1,723,651	3,274,925	1.33

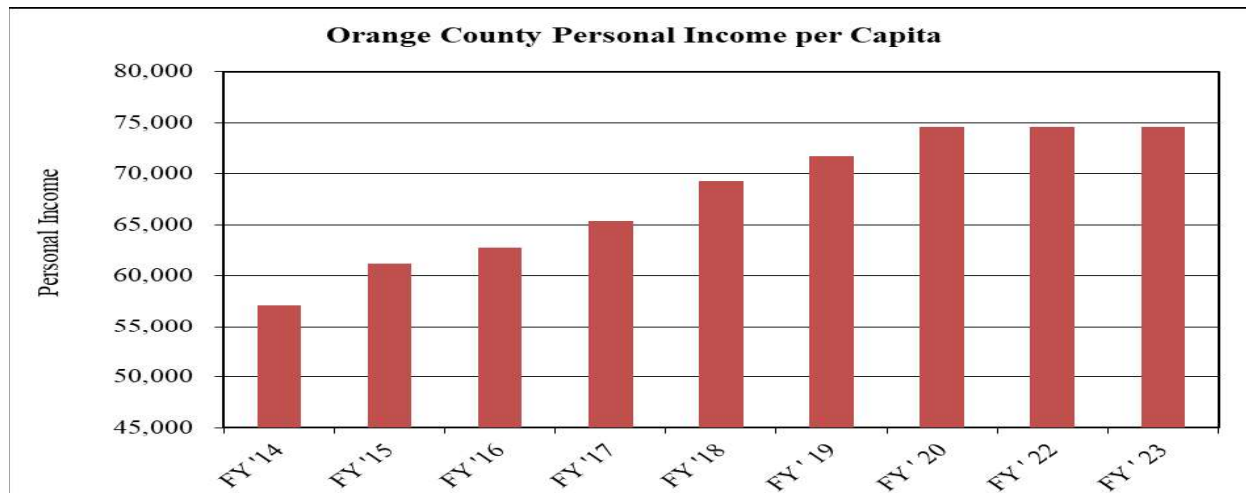
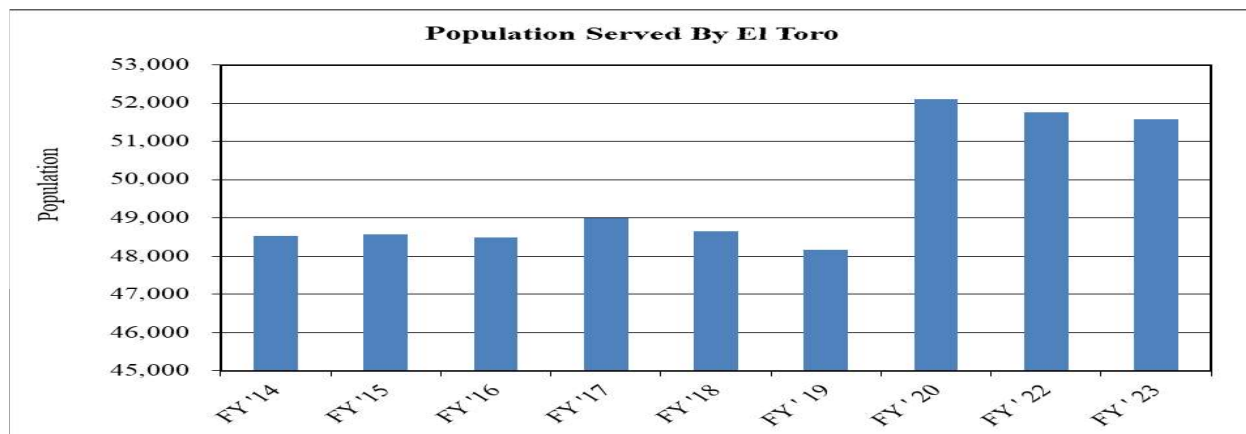


Notes:

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

EL TORO WATER DISTRICT DEMOGRAPHICS AND ECONOMIC STATISTICS – COUNTY OF ORANGE LAST TEN FISCAL YEARS

Calendar Year	Population Served by El Toro ¹	Orange County		
		Personal Income ² (thousands \$)	Personal Income per Capita	Unemployment Rate at 6/30
2014	48,529	\$ 179,141,029	\$ 57,110	5.5%
2015	48,579	193,358,936	61,178	4.5%
2016	48,498	199,441,555	62,763	4.3%
2017	49,003	208,653,019	65,400	3.8%
2018	48,657	220,684,684	69,268	3.3%
2019	48,174	227,732,561	71,711	3.0%
2020	52,094	236,303,451	74,618	13.3%
2021	51,751	236,303,451	74,618	6.4%
2022 ⁽³⁾	51,576	236,303,451	74,618	2.9%
2023 ⁽³⁾	51,343	256,700,438	81,034	3.7%



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

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

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. There are slight estimate changes for 2020-2022 due to the 2020 Census.

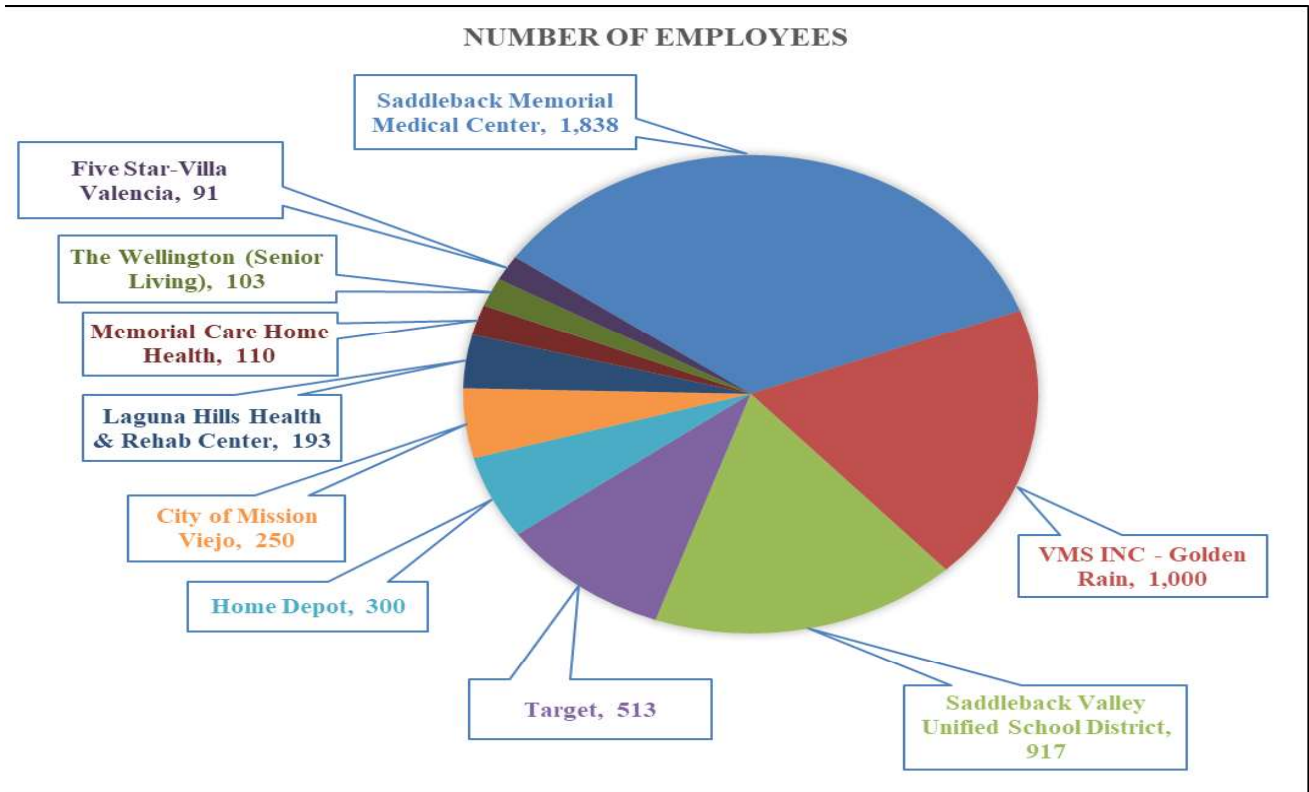
2 Data from the Bureau of Economic Analysis, <http://www.bea.gov>

3 The income data for 2022 and 2023 was not available at the time this report was published

**EL TORO WATER DISTRICT
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR**

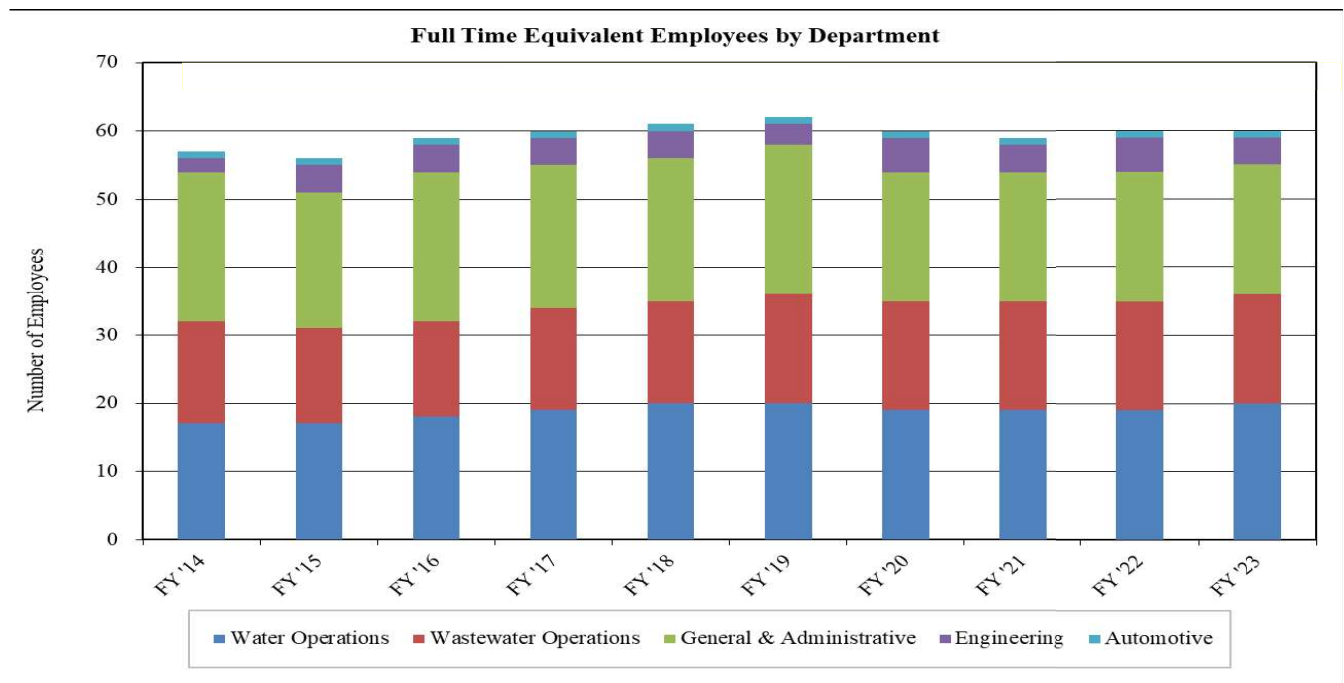
Employer	Number of Employees at 6/30/2023	Percent of Total
Saddleback Memorial Medical Center	1,838	34.58 %
VMS INC - Golden Rain	1,000	18.81
Saddleback Valley Unified School District	917	17.25
Target	513	9.65
Home Depot	300	5.64
City of Mission Viejo	250	4.70
Laguna Hills Health & Rehab Center	193	3.63
Memorial Care Home Health	110	2.07
The Wellington (Senior Living)	103	1.94
Five Star-Villa Valencia	91	1.71
Total Principal Employers	5,315	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 2022 ACFRs 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 and Administrative	Engineering	Automotive	Total
2014	17	15	22	2	1	57
2015	17	14	20	4	1	56
2016	18	14	22	4	1	59
2017	19	15	21	4	1	60
2018	20	15	21	4	1	61
2019	20	16	22	3	1	62
2020	19	16	19	5	1	60
2021	19	16	19	4	1	59
2022	19	16	19	5	1	60
2023	20	16	19	4	1	60



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

Water System				
Fiscal Year	Miles of Water Mains	Service Connections	Annual Potable Import (MG)	Average Daily Potable Import (MGD)
2014	170	9,880	3,254	8.91
2015	170	9,828	2,819	7.72
2016	170	9,953	2,273	6.23
2017	170	9,943	2,292	6.28
2018	170	9,948	2,566	7.03
2019	170	9,949	2,298	6.29
2020	170	9,977	2,371	6.50
2021	170	9,983	2,470	6.77
2022	170	9,977	2,338	6.41
2023	170	9,964	1,935	5.30

Sewer System				
Fiscal Year	Miles of Sewers Lines	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2014	114	9,880	1,262	3.46
2015	114	9,828	1,242	3.40
2016	114	9,953	1,096	3.00
2017	114	9,943	1,146	3.14
2018	114	9,948	1,105	3.03
2019	114	9,949	1,122	3.07
2020	114	9,977	1,140	3.12
2021	114	9,983	1,057	2.90
2022	114	9,977	1,169	3.20
2023	114	9,964	1,273	3.49

Recycled Water				
Fiscal Year	Miles of Recycled Pipe	Service Connections	Annual Production (MG)	Daily Production (MGD)
2014	19	1	142.58	0.39
2015	19	70 (1)	159.56	0.44
2016	19	138 (1)	337.87	0.93
2017	19	210 (1)	462.49	1.27
2018	26 (2)	210	502.12	1.38
2019	26	210	418.89	1.15
2020	26	229	447.32	1.23
2021	26	275	583.58	1.60
2022	26	276	574.81	1.57
2023	26	276	384.72	1.05

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.