

EL TORO WATER DISTRICT
COMPREHENSIVE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2022



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YEAR ENDED JUNE 30, 2022**

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INTRODUCTORY SECTION



El Toro Water District

"A District of Distinction"

Serving the Public – Respecting the Environment

February 15, 2023

Board of Directors

Kay Havens
President

Jose F. Vergara
Vice President

Kathryn Freshley
Director

Mike Gaskins
Director

Mark L. Monin
Director

General Manager

Dennis P. Cafferty

Board of Directors
El Toro Water District

Submitted for your review and consideration is the Comprehensive Annual Financial Report for the El Toro Water District (the "District"), for the fiscal year ended June 30, 2022 (FYE 2022). California law requires special purpose governments to publish a complete set of financial statements within 180 days of the close of each fiscal year. This Comprehensive Annual Financial Report is issued by the District to comply with this requirement and to enable elected officials, District residents, and all other stakeholders to gain a comprehensive understanding of the District's finances.

The financial statements included in this report depict the District's financial position and the changes in that financial position as of June 30, 2022. The Statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) and have been audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants. Responsibility for the accuracy of the data presented, as well as the completeness and fairness of the presentation, including disclosures, rests with the El Toro Water District. The District believes the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and changes in financial position of the District. Incorporated into the financial statements are all disclosures necessary to enable the reader to gain a maximum understanding of the District's financial affairs.

The District's financial statements have been audited by 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, 2022 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.

El Toro Water District

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 all of the City of Laguna Woods and portions of the Cities of Aliso Viejo, Laguna Hills, Lake Forest, and Mission Viejo. The District's service area includes 5,430 acres or approximately 8.48 square miles.

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 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, 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 2021

During the budget process, the District Board participates in a goal setting discussion for the purpose of establishing or redefining key financial goals and objectives for the forthcoming budget year. District Staff utilizes these budget goals and objectives to guide operations and spending during the budget year. The achievements in the 2022 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 Engineering Manager and the addition of the Water Use Efficiency Analyst.
- The District secured an AA bond rating from Standard & Poor's as part of the 2022 Revenue Bond Issuance.
- The District continued to adapt to the operational and safety protocols necessary to maintain the integrity and reliability of the water, wastewater and recycled water services amidst the COVID-19 pandemic.

El Toro Water District

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 FYE 2021 Comprehensive Annual Financial Report, a national recognition of the District's financial reporting by the Government Finance Officers Association (GFOA) of the United States.
- The District successfully issued approximately \$25 million in new debt Revenue Bonds to fund several significant infrastructure projects that need to be completed, including the replacement of the lining and floating cover at the R-6 Reservoir.
- In conjunction with the new debt issuance, the District refinanced all of its outstanding State Revolving Fund (SRF) Loans. This allowed the District to simplify its capital structure and make it easier to access debt in the future if additional infrastructure projects need to be completed.
- 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 2022-2023 fiscal year that is balanced and includes funding for several significant capital projects.

Infrastructure Improvements

- The District successfully completed the engineering design for several projects including the R-6 Reservoir Floating Cover and Liner Project and the Filtration Plant Demolition Project.
- The District awarded a contract for the update of the District Master Plan.
- Construction commenced on the R-2 Reservoir Coating Project, funded by a grant from the Department of Water Resources. Following the completion of design, construction also began on the JTM Pump Station.
- The District completed several significant projects, including the reconstruction of the Oso Lift Station the replacement of the WRP Aeration Basin diffusers and the replacement of the Ocean Outfall Pump Station Generator..

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 provide sufficient resources to maintain current service levels and complete critical capital projects that are necessary to provide high quality services. The District's initiatives and significant projects in the forthcoming fiscal year are detailed below:

- A significant project that will be ongoing in the 2022-2023 fiscal year is the replacement of the R-6 Reservoir floating cover and liner. This will be a significant construction project that will continue throughout 2022-2023 and likely be completed in 2023-2024. 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 2022-2023 is the demolition of the old water filtration plant. The planned construction of a vehicle and equipment storage facility at the site is expected to be complete in 2023-24.
- In August of 2021, the District Board approved the purchase of an Enterprise Resource Planning software system to upgrade the business processes of the District from several non-integrated software systems to an integrated software solution. This project will be ongoing throughout 2022-2023.

El Toro Water District

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 a fixed (readiness-to-serve) charge.

Audit and Financial Reporting

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

Awards and Acknowledgements

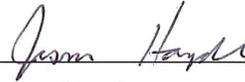
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the El Toro Water District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. The Certificate of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

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

Respectfully submitted,



Dennis Cafferty
General Manager



Jason Hayden
Chief Financial Officer



EL TORO WATER DISTRICT

SERVING THE PUBLIC - RESPECTING THE ENVIRONMENT

DISTRICT OFFICIALS

Board of Directors

Kathryn Freshley, President

Kay Havens, Vice President

Mike Gaskins, Director

Mark Monin, Director

Jose Vergara, Director

District Management

Dennis P. Cafferty, General Manager

Jason Hayden, Chief Financial Officer

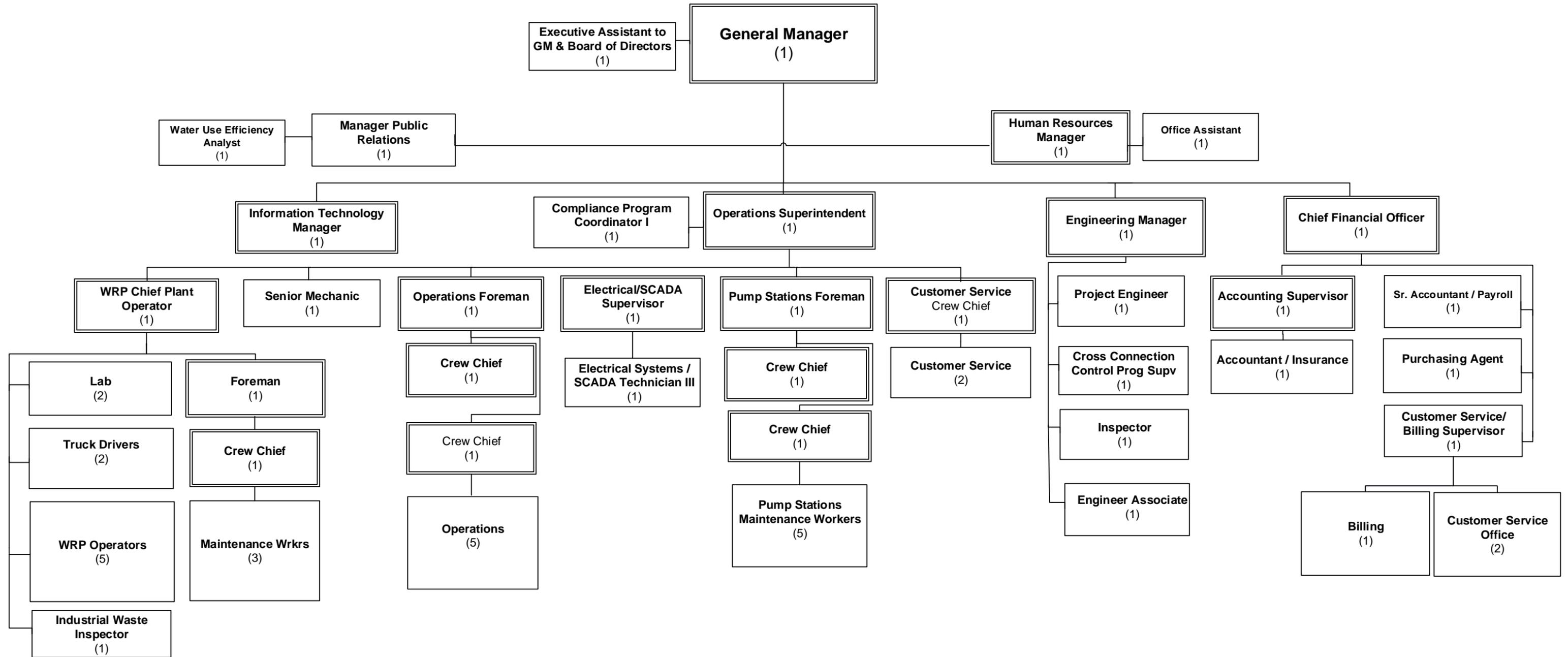
Hannah Ford, Engineering Manager

Judy Cimorell, Human Resource Manager

Michael Miazga, Information Technology Manager



EL TORO WATER DISTRICT 2021 / 2022 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. Morill

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, 2022, 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, 2022, 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.

Change in Accounting Principle

As discussed in Notes 1S and 8 to the financial statements, as of July 1, 2021, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 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, 2022, 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, 2022, 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 for the year ended June 30, 2022. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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, 2022.

We also previously audited, in accordance with GAAS, the basic financial statements of the District as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated November 30, 2021, which contained an unmodified opinion on the financial statements. The schedules of revenue and expenses by category for the year ended June 30, 2021, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information was subjected to the audit procedures applied in the audit of the 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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, 2021.

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 opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Summarized Financial Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 30, 2021. In our opinion, the summarized financial information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 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.



CliftonLarsonAllen LLP

Irvine, California
February 15, 2023

**El Toro Water District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022**

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 of the District for the fiscal year ended June 30, 2022 (FY 2022). 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 2022, the District's net position decreased \$2,190,185 (-3.6%), from \$60,853,624 as of June 30, 2021 to \$58,663,439 as of June 30, 2022. The decrease in the District's Net Position is entirely attributable to depreciation expense of approximately \$4.3 million and an Other Post Employment Benefits (OPEB) charge of approximately \$1.6 million.
- In FY 2022, the District's operating revenues increased \$673,167 (2.5%), from \$26,709,979 during the year ended June 30, 2021 (FY 2021) to \$27,383,146 during FY 2022. The increase in Operating Revenues was caused by increases in Service Charges, Reimbursements from Others, and Other Non-operating Revenue. These increases were offset by decreases in Water Consumption Charges, Other Charges for Services, Rental Revenue, and Investment Income. Further discussion of these increases and decreases occurs on Page 19.
- In FY 2022, the District's operating expenses, not including depreciation expense or OPEB Charges, increased \$912,356 or 3.9%, primarily due to increases in Pumping Operations, Treatment Operations, Customer Service, and General & Administrative, offset to some extent by a significant decrease in Transmission & Distribution. Both Depreciation expense and OPEB Charges decreased slightly in FY 2022. Additional discussion of the District's expenses can be found on Page 20.
- In FY 2022, the District's Non-operating Revenues increased slightly, primarily due to an increase in Other Non-operating Revenue combined with a small increase in Property Tax revenue. These increases were largely offset by large decrease in Investment Income and a small decrease in Rental Revenue.
- 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.

Required Financial Statements

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

- The Statement of Net Position depicts the District's financial position as of June 30, 2022 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.

**El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2022**

- 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, 2022. 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 2021 and FY 2022.

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.

**El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2022**

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 2020, 2021, and 2022 and illustrates the changes in the Net Position that occurred between the fiscal years. The District's total Net Position equaled \$58,663,439 at the end of FY 2022 and \$60,853,624 at the end of FY 2021. In FY 2022, total assets and deferred outflows of resources increased \$22,930,025 (19.1%), total liabilities and deferred inflows increased \$25,120,210 (42.5%) and the result of these changes was a decrease of \$2,190,185 (-3.6%) in Net Position.

Condensed Statement of Net Position							
	June 30, 2020	June 30, 2021	Increase/(Decrease)		June 30, 2022	Increase/(Decrease)	
	FY 2020	FY 2021	\$ Change	% Change	FY 2022	\$ Change	% Change
Assets							
Current Assets	\$ 22,412,049	\$ 22,185,188	\$ (226,861)	-1.01%	\$ 22,960,237	\$ 775,049	3.49%
Restricted Assets	2,273,045	2,273,045	-	0.00%	26,797,887	24,524,842	1078.94%
Capital Assets, Net	91,437,536	90,048,564	(1,388,972)	-1.52%	88,583,513	(1,465,051)	-1.63%
Total Assets	116,122,630	114,506,797	(1,615,833)	-1.39%	138,341,637	23,834,840	20.82%
Deferred Outflows of Resources							
Deferred OPEB Outflow	3,634,674	5,469,108	1,834,434	50.47%	4,564,293	(904,815)	-16.54%
Total Deferred Outflows of Resources	3,634,674	5,469,108	1,834,434	50.47%	4,564,293	(904,815)	-16.54%
Total Assets & Deferred Outflows	119,757,304	119,975,905	218,601	0.18%	142,905,930	22,930,025	19.11%
Liabilities							
Current Liabilities	5,141,973	5,938,406	796,433	13.41%	5,627,985	(310,421)	-5.23%
Non-current Liabilities	51,876,051	52,039,964	163,913	0.31%	77,024,552	24,984,588	48.01%
Total Liabilities	57,018,024	57,978,370	960,346	1.66%	82,652,537	24,674,167	29.85%
Deferred Inflows of Resources							
Deferred Amounts from OPEB	-	1,143,911	1,143,911	-	1,589,954	446,043	38.99%
Total Deferred InFlows of Resources	-	1,143,911	1,143,911	-	1,589,954	446,043	28.05%
Net Position							
Net Investment in Capital Assets	55,476,580	56,108,404	631,824	1.13%	30,402,906	(25,705,498)	-45.81%
Restricted	2,273,045	2,273,045	-	0.00%	26,797,887	24,524,842	1078.94%
Unrestricted	4,989,655	2,472,175	(2,517,480)	-101.83%	1,462,646	(1,009,529)	-40.84%
Total Net Position	62,739,280	60,853,624	(1,885,656)	-3.10%	58,663,439	(2,190,185)	-3.60%
Total Liabilities, Deferred Inflows, and Net Position	\$119,757,304	\$119,975,905	\$ 218,601	0.18%	\$142,905,930	\$22,930,025	19.11%

The largest portion of the District's net position (51.8% as of June 30, 2022) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those 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 2022, Net Investment in Capital Assets decreased significantly because the District issued \$25 million in new debt with the 2022 Revenue Bonds. Consequently, the debt related to Capital Assets increased by this much but for the most part, the proceeds from the bond issuance were not yet invested in Capital Assets at the end of the year (the proceeds are recognized in Restricted Net Position), so the 2022 Revenue Bond debt reduced capital assets without a corresponding increase in those capital assets.

**El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2022**

As the bond proceeds are expended for the purchase of capital assets in FY 2023 and FY 2024, a significant portion of the District's Net Position will move from Restricted to Net Investment in Capital Assets.

At the end of FY 2022, Restricted Net Position increased substantially because the unexpended portion of the 2022 Revenue Bond proceeds are recognized in this part of Net Position. The District issued the 2022 Revenue Bonds in March of 2022 and therefore had little opportunity to invest the proceeds into capital assets by the end of FY 2022. The 2022 Revenue Bond proceeds will be recognized in Restricted Net Position until they are expended for construction of capital assets in future years.

At the end of FY 2021 and FY 2022, the District's Unrestricted Net Position equaled \$2,472,175 and \$1,462,646, respectively, a decrease of \$1,009,529 (-40.8%) during FY 2022. This portion of Net Position is available to fund current operations in future years. 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 decrease in Unrestricted Net Position in FY 2022 was largely caused by the significant increase in Restricted Net Position. In future years, as the Restricted Net Position is utilized for capital expenses and decreases, the Unrestricted Net Position will likely increase as the impact of depreciation reduces the Net Investment in Capital Assets.

**El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2022**

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 decreased \$2,190,185 in FY 2022, from \$60,853,624 at the beginning of the year to \$58,663,439 at the end of the year.

Condensed Statement of Revenues, Expenses, and Changes in Net Position							
	FY 2020	FY 2021	Increase/(Decrease)		FY 2022	Increase/(Decrease)	
			\$ Change	% Change		\$ Change	% Change
Revenues							
Operating Revenues	\$ 25,197,267	\$ 26,709,979	\$ 1,512,712	6.00%	\$ 27,383,146	\$ 673,167	2.52%
Non-operating Revenues	1,744,549	1,398,283	(346,266)	-19.85%	1,412,188	13,905	0.99%
Total Revenues	26,941,816	28,108,262	1,166,446	4.33%	28,795,334	687,072	2.44%
Expenses							
Operating Expenses	22,155,520	22,163,366	7,846	0.04%	24,195,620	2,032,254	9.17%
Depreciation & Amortization	4,483,607	4,774,869	291,262	6.50%	4,287,779	(487,090)	-10.20%
OPEB Charge	1,341,903	2,305,989	964,086	71.84%	1,595,561	(710,428)	-30.81%
Non-operating Expenses	777,511	758,339	(19,172)	-2.47%	1,072,567	314,228	41.44%
Total Expenses	28,758,541	30,002,563	1,244,022	4.33%	31,151,527	1,148,964	3.83%
Net Loss prior to Capital Contributions	(1,816,725)	(1,894,301)	(77,576)	-4.27%	(2,356,193)	(461,892)	24.38%
Capital Contributions	2,894	8,708	5,814	200.90%	166,008	157,300	1806.38%
Change in Net Position	(1,813,831)	(1,885,593)	(71,762)	3.96%	(2,190,185)	(304,592)	16.15%
Net Position							
Beginning of year	64,553,048	62,739,217	(1,813,831)	-2.81%	60,853,624	(1,885,593)	-3.01%
End of Year	\$ 62,739,217	\$ 60,853,624	(1,885,593)	-3.01%	\$ 58,663,439	(2,190,185)	-3.60%

The negative change in Net Position is entirely the result of depreciation expense combined with the OPEB Charge. If these two non-cash expenses were removed, the change in Net Position would have been positive. Although Depreciation and the OPEB Charge are expenses in the current year, they are more indicative of the long term fiscal health of the District and are non-cash expenses.

**El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2022**

As depicted in the chart below, total revenues for FY 2022 increased \$687,072 (2.44%) when compared to revenues received in FY 2021. The increase in Operating Revenues primarily came from increases in Water and Wastewater Service Charges but were offset to some extent by decreases in Water Consumption Sales and Other Charges for Services. The increase in Service Charges was caused by rate increases. The decrease in Consumption Sales was caused by lower water usage by customers as the State and District actively promoted water efficiency due to the California drought. Non-operating Revenues increased slightly due to a significant increase in Other Non-operating Revenue, primarily from a significant reimbursement of charges the District paid to SOCWA, which was offset by a significant decrease in Investment Income as the District continued to incur Unrealized Losses on its fixed income investment portfolio due to increasing interest rates throughout 2022.

Total Revenues by Major Category							
	FY 2020	FY 2021	Increase/(Decrease)		FY 2022	Increase/(Decrease)	
			\$	%		\$	%
			Change	Change		Change	Change
Operating Revenues							
Water Consumption Sales	\$ 8,705,986	\$ 9,571,562	\$ 865,576	9.94%	\$ 9,212,404	\$ (359,158)	-3.75%
Water Service Charges	4,977,611	5,070,326	92,715	1.86%	5,430,565	360,239	7.10%
Wastewater Service Charges	11,044,342	11,496,657	452,315	4.10%	12,180,223	683,566	5.95%
Reimbursements from Others	328,310	401,225	72,915	22.21%	446,564	45,339	11.30%
Other Charges for Services	141,018	170,209	29,191	20.70%	113,390	(56,819)	-33.38%
Total Operating Revenues	25,197,267	26,709,979	1,512,712	6.00%	27,383,146	673,167	2.52%
Non-operating Revenues							
Property Taxes	1,037,335	1,097,589	60,254	5.81%	1,121,250	23,661	2.16%
Rental Revenue	242,187	236,357	(5,830)	-2.41%	227,227	(9,130)	-3.86%
Investment Income	424,110	21,511	(402,599)	-94.93%	(259,747)	(281,258)	-1307.51%
Other Non-operating revenue	40,917	42,826	1,909	4.67%	323,458	280,632	655.28%
	1,744,549	1,398,283	(346,266)	-19.85%	1,412,188	13,905	0.99%
Total Revenue	\$ 26,941,816	\$ 28,108,262	\$ 1,166,446	4.33%	\$ 28,795,334	687,072	2.44%

**El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2022**

In FY 2022, Operating Expenses before OPEB Charges and Depreciation & Amortization increased 3.92%, from \$23,283,264 in FY 2021 to \$24,195,620 in FY 2022. The increase was caused by increases in Source of Supply, Pumping Operations, Treatment Operations, Customer Service, and General & Administrative, offset by a significant decrease in Transmission & Distribution. Many of these increases were caused by the District reallocating expenses during the 2021-2022 Budget process to more accurately reflect Personnel expenses. OPEB Charges and Depreciation & Amortization decreased slightly (-1.3%). Interest Expense increased significantly, \$314,228 or 41.4%, due to the issuance of the 2022 Revenue Bonds. A portion of the first interest payment was allocated to FY 2022 as appropriate for accrual purposes.

	Expenses							
	FY 2020	FY 2021	Increase/(Decrease)		FY 2022	Increase/(Decrease)		
			\$ Change	% Change		\$ Change	% Change	
Operating Expenses								
Source of Supply	\$ 8,085,299	\$ 8,763,806	\$ 678,507	8.39%	\$ 8,811,309	\$ 47,503	0.54%	
Pumping Operations	1,359,915	1,417,215	57,300	4.21%	1,702,369	285,154	20.12%	
Treatment Operations	3,763,671	3,951,679	188,008	5.00%	4,908,628	956,949	24.22%	
Transmission & Distribution	5,178,966	5,458,122	279,156	5.39%	3,886,856	(1,571,266)	-28.79%	
Customer Service	603,473	533,039	(70,434)	-11.67%	662,834	129,795	24.35%	
General & Administrative	3,164,196	3,159,403	(4,793)	-0.15%	4,223,624	1,064,221	33.68%	
Sub-total Operating Expenses	22,155,520	23,283,264	1,127,744	5.09%	24,195,620	912,356	3.92%	
OPEB Charges	1,341,903	1,615,466	273,563	20.39%	1,595,561	(19,905)	-1.23%	
Depreciation & Amortization	4,483,607	4,345,557	(138,050)	-3.08%	4,287,779	(57,778)	-1.33%	
Total Operating Expenses	27,981,030	29,244,287	1,263,257	4.51%	30,078,960	834,673	2.85%	
Non-operating Expenses								
Interest Expense	777,511	758,339	(19,172)	-2.47%	1,072,567	314,228	41.44%	
	777,511	758,339	(19,172)	-2.47%	1,072,567	314,228	41.44%	
Total Expenses	\$ 28,758,541	\$ 30,002,626	\$ 1,244,085	4.33%	\$ 31,151,527	\$ 1,148,901	3.83%	

**El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2022**

Capital Assets

Capital asset balances were as follows:

	Capital Assets							
	FY 2020	FY 2021	Increase/(Decrease)		FY 2022	Increase/(Decrease)		
			\$	%		\$	%	
			Change	Change		Change	Change	
Capital Assets								
Non-depreciable Assets	\$ 8,244,889	\$ 10,515,919	\$ 2,271,030	27.54%	\$ 12,166,341	\$ 1,650,422	15.69%	
Depreciable Assets	163,024,703	163,476,816	452,113	0.28%	164,216,160	739,344	0.45%	
Accumulated Depreciation	(79,832,056)	(83,944,171)	(4,112,115)	5.15%	(88,231,950)	(4,287,779)	5.11%	
Total Capital Assets, Net	91,437,536	90,048,564	(1,388,972)	-1.52%	88,150,551	(1,898,013)	-2.11%	
Net Liabilities for Capital Assets								
Loans Payable - Current	(2,203,943)	(2,249,058)	(45,115)	2.05%	(452,454)	1,796,604	-79.88%	
Loans Payable - Non-Current	(33,747,566)	(31,504,688)	2,242,878	-6.65%	(8,109,910)	23,394,778	-74.26%	
Bonds Payable - Current	-	-	-	n/a	(1,105,000)	(1,105,000)	n/a	
Bonds Payable - Non-Current	-	-	-	n/a	(39,800,000)	(39,800,000)	n/a	
Bonds Payable - Amortized Premium Retention	-	(101,805)	(101,805)	n/a	(52,908)	48,897	n/a	
Accounts Payable for Construction	-	(84,609)	(84,609)	n/a	(458,484)	(373,875)	n/a	
Total Net Liabilities	(35,951,509)	(33,940,160)	2,011,349	-5.59%	(57,747,645)	(23,807,485)	70.15%	
Net Investments in Capital Assets	\$ 55,486,027	\$ 56,108,404	\$ 622,377	1.12%	\$ 30,402,906	\$ (25,705,498)	-45.81%	

At the end of fiscal years 2021 and 2022, the District's investment in capital assets amounted to \$56,108,359 and \$30,402,906 (net of accumulated depreciation and related debt), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process (See Note 3 for further information). The decrease Net Investment in Capital Assets in FY 2022 was primarily caused by the issuance of the 2022 Revenue Bonds. The proceeds of the Bonds have not yet been expended to purchase capital assets but the debt reduces Net Capital Assets, so the Net Investment in Capital Assets decreased by the additional debt issued in 2022. This is depicted in the Capital Assets chart above.

During FY 2022, the District was engaged in several significant capital improvement projects, including the reconstruction of the Oso Lift Station, the R6 Reservoir Cover and Liner Replacement, the JTM Pump Station Construction, the Water Filter Plant Site Reconstruction, and the R2 Recoating Project. All of these projects were included in Construction in Progress at the end of FY 2022. Several of these projects will likely be completed in FY 2023 but several may take several years to complete, especially the R6 Reservoir Project. Once complete, the projects are moved from Construction in Progress to a Capital Asset and begin depreciating.

**El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2022**

Debt Administration

Long-term debt balances were as follows:

Summary of Outstanding Debt								
	FY 2020	FY 2021	Increase/(Decrease)		FY 2022	Increase/(Decrease)		
			\$	%		\$	%	
	Change	Change	Change	Change	Change	Change	Change	
Debt Payable								
Main Extension Contract	\$ 6,180	\$ 6,180	\$ -	0.00%	\$ 6,180	\$ -	0.00%	
SRF Loan - 2010	2,616,216	2,428,708	(187,508)	-7.17%	-	(2,428,708)	-100.00%	
SRF Loan - 2013	21,066,724	19,821,900	(1,244,824)	-5.91%	-	(19,821,900)	-100.00%	
Baker Water Treatment Plant	8,529,750	8,109,910	(419,840)	-4.92%	7,677,055	(432,855)	-5.34%	
SRF Loan - 2018	3,732,639	3,387,048	(345,591)	-9.26%	-	(3,387,048)	-100.00%	
2022 Revenue Bonds	-	-	-	n/a	40,905,000	40,905,000	n/a	
2022 Revenue Bonds - Premium	-	-	-	n/a	8,648,018	8,648,018	n/a	
Total Expenses	\$ 35,951,509	\$ 33,753,746	\$ (2,197,763)	-6.51%	\$ 57,236,253	\$23,482,507	41.03%	

The District engaged in significant debt activities in FY 2022 when the 2022 Revenue Bonds were 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.

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

**El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2022**

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.

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BASIC FINANCIAL STATEMENTS

EL TORO WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

	2022	2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 8,571,792	\$ 9,044,411
Investments	9,310,156	8,632,207
Receivables, Net:		
Water Sales and Sewer Services	3,604,539	3,542,589
Miscellaneous	130,384	63,487
Interest	37,939	14,611
Taxes	15,847	13,190
Lease	223,990	-
Other	27,154	23,551
Materials and Supply Inventory	782,349	714,750
Prepaid Expenses	256,087	136,392
Restricted - Cash and Cash Equivalents	26,797,887	2,273,045
Total Current Assets	49,758,124	24,458,233
Noncurrent Assets:		
Lease Receivable	432,962	-
Capital Assets:		
Nondepreciable	12,166,341	10,515,919
Depreciable, Net of Accumulated Depreciation	75,984,210	79,532,645
Total Noncurrent Assets	88,583,513	90,048,564
Total Assets	138,341,637	114,506,797
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-Related Deferred Outflows of Resources	4,564,293	5,469,108
Total Deferred Outflows of Resources	4,564,293	5,469,108
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	3,092,683	2,834,557
Accrued Salaries and Related Payables	111,062	355,292
Customer Deposits	54,147	44,313
Accrued Interest Payable	614,910	272,010
Long-Term Liabilities - Due Within One Year:		
Compensated Absences	197,729	183,176
Loans Payable	1,557,454	2,249,058
Total Current Liabilities	5,627,985	5,938,406
Noncurrent Liabilities:		
Long-Term Liabilities - Due in More than One Year:		
Compensated Absences	1,314,487	1,385,408
Total Other Post Employment Benefits Liability	20,031,266	19,149,868
Loans Payable	55,678,799	31,504,688
Total Noncurrent Liabilities	77,024,552	52,039,964
Total Liabilities	82,652,537	57,978,370
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts from Leases	636,695	-
Deferred Amounts from OPEB	953,259	1,143,911
Total Deferred Inflows of Resources	1,589,954	1,143,911
NET POSITION		
Net Investment in Capital Assets	30,402,906	56,108,404
Restricted - Capital Projects	26,797,887	2,273,045
Unrestricted	1,462,646	2,472,175
Total Net Position	\$ 58,663,439	\$ 60,853,624

See accompanying Notes to Basic Financial Statements.

EL TORO WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
OPERATING REVENUES		
Water Consumption Sales	\$ 9,212,404	\$ 9,571,562
Water Service Charges	5,430,565	5,070,326
Sewer Service Charges	12,180,223	11,496,657
Reimbursements from Others	446,564	401,225
Other Charges for Service	113,390	170,209
Total Operating Revenues	27,383,146	26,709,979
OPERATING EXPENSES		
Source of Supply	8,811,309	8,763,806
Pumping	1,702,369	1,417,215
Treatment	4,908,628	3,951,679
Transmission and Distribution	3,886,856	5,458,122
Customer Service	662,834	533,039
General and Administrative	5,819,185	4,774,869
Depreciation and Amortization	4,287,779	4,345,557
Total Operating Expenses	30,078,960	29,244,287
OPERATING LOSS	(2,695,814)	(2,534,308)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	1,121,250	1,097,589
Rental Revenue	227,227	236,357
Investment Earnings	(259,747)	21,511
Interest Expense	(1,072,567)	(758,339)
Other Nonoperating Revenue	323,458	42,826
Total Nonoperating Revenues (Expenses)	339,621	639,944
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,356,193)	(1,894,364)
CAPITAL CONTRIBUTIONS	166,008	8,708
CHANGES IN NET POSITION	(2,190,185)	(1,885,656)
Net Position - Beginning of Year	60,853,624	62,739,280
NET POSITION - END OF YEAR	\$ 58,663,439	\$ 60,853,624

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers for Water Sales and Services	\$ 27,501,099	\$ 25,827,754
Payments to Suppliers for Operations	(19,771,635)	(19,428,999)
Payments to Employees for Salaries and Wages	(4,524,222)	(3,019,806)
Net Cash Provided by Operating Activities	<u>3,205,242</u>	<u>3,378,949</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Property Taxes	1,118,593	1,096,975
Other Revenue (Expense)	(66,897)	(19,680)
Net Cash Provided by Noncapital and Related Financing Activities	<u>1,051,696</u>	<u>1,077,295</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets, Net	(2,389,766)	(2,956,585)
Proceeds from Long-Term Debt	49,726,870	-
Repayment of Long-Term Debt	(26,244,363)	(2,197,763)
Interest Payments	(729,667)	(756,650)
Capital Contributions	166,008	8,708
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>20,529,082</u>	<u>(5,902,290)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Investments	2,292,885	3,924,497
Purchases of Investments	(15,558,261)	(8,793,729)
Investment Earnings (Loss)	(283,075)	53,809
Proceeds from Rental Income	227,227	236,357
Net Cash Used by Investing Activities	<u>(13,321,224)</u>	<u>(4,579,066)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,464,796	(6,025,112)
Cash and Cash Equivalents - Beginning of Year	<u>11,317,456</u>	<u>17,342,568</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 22,782,252</u>	<u>\$ 11,317,456</u>
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 8,571,792	\$ 9,044,411
Restricted - Cash and Cash Equivalents	26,797,887	2,273,045
Total Cash and Investments	<u>\$ 35,369,679</u>	<u>\$ 11,317,456</u>

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	2022	2021
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (2,695,814)	\$ (2,534,308)
Adjustment to Reconcile Operating Loss to Net		
Cash Provided by Operating Activities:		
Depreciation	4,287,779	4,345,557
Other Nonoperating Revenue	323,458	42,826
(Increase) Decrease in Assets:		
Accounts Receivable - Sales and Services	(61,950)	(938,958)
Accounts Receivable - Other	(3,603)	(5,671)
Lease Receivable	(656,952)	-
Inventories	(67,599)	(15,972)
Prepaid Expenses	(119,695)	19,578
Deferred Outflow - OPEB	904,815	(1,834,434)
Increase (Decrease) in Liabilities:		
Accounts Payable	258,126	719,274
Accrued Payroll Liabilities	(244,230)	53,474
Deposits	9,834	(8,440)
Compensated Absences	(56,368)	86,123
Total OPEB Liability	881,398	2,305,989
Deferred Inflow - Leases	636,695	-
Deferred Inflow - OPEB	(190,652)	1,143,911
Total Adjustments	5,901,056	5,913,257
Net Cash Provided by Operating Activities	\$ 3,205,242	\$ 3,378,949

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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. Prior Year Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

E. 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.

F. Cash and Cash Equivalents

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

G. Investments and Investment Policy

The District has adopted an investment policy directing the District's General Manager or 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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Restricted Assets

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

I. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Management evaluates all accounts receivable and if it is determined that they are uncollectible, they are written off as bad debt expense. A charge of \$2,097 was made to bad debt expense for the year ended June 30, 2022.

J. Prepaid Items

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

K. Materials and Supplies Inventory

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

L. Property Taxes

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

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets

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

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

Building	25 to 40 Years
Vehicles	5 to 25 Years
Office Furniture and Equipment	5 to 10 Years
Computer Software	5 to 10 Years
Land Improvements	20 to 50 Years
Water Facilities:	
Reservoir	100 Years
Transmission and Distribution	20 to 60 Years
Filtration Plant	30 to 40 Years
Other Plant and Equipment	5 to 15 Years
Sanitation Facilities:	
Collection and Transmission	15 to 50 Years
Treatment and Disposal Plant	15 to 30 Years
Other Plant and Equipment	5 to 15 Years

N. Deferred Outflows/Inflows of Resources

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

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

O. Compensated Absences

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

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

P. Net Position

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

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position (Continued)

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

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

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

Q. Water Sales and Sewer Services

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

R. Capital Contributions

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

S. 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.

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.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Leases (Continued)

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.

T. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

U. 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, 2022, cash and investments were classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$ 8,571,792
Investments	9,310,156
Restricted - Cash and Cash Equivalents	<u>26,797,887</u>
Total	<u><u>\$ 44,679,835</u></u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash and Investments (Continued)

At June 30, 2022, cash and investments consisted of the following:

Cash on Hand	\$ 700
Demand Deposits Held with Financial Institutions	15,577,636
Investments	29,101,499
Total	<u>\$ 44,679,835</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
State or Local Agency Bonds	5 Years	10%	None
U.S. Treasury Obligations	5 Years	None	None
Government-Sponsored Agency Securities	5 Years	None	None
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, 2022**

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, 2022.

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
U.S. Treasury Obligations	\$ 2,807,065	\$ 1,440,195	\$ 671,629	\$ 4,918,889
Government-Sponsored Entities Securities	226,841	542,374	91,056	860,271
Supranationals	132,153	-	174,895	307,048
Municipal Bonds	-	-	18,683	18,683
Corporate Medium-Term Notes	917,658	895,152	224,299	2,037,109
Commercial Paper	-	-	-	-
Negotiable Certificates of Deposit	7,989,746	2,377,144	2,220,538	12,587,428
Asset-Backed Securities	-	154,916	976,242	1,131,158
LAIF	7,203,917	-	-	7,203,917
CAMP - Money Market	36,996	-	-	36,996
Total	<u>\$ 19,314,376</u>	<u>\$ 5,409,781</u>	<u>\$ 4,377,342</u>	<u>\$ 29,101,499</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, 2022, for each investment type.

Investment Type	Minimum Legal Rating	June 30, 2022					
		Total as of June 30, 2022	Not Rated	Aaa	Aa	P1	P2
U.S. Treasury Obligations	N/A	\$ 4,918,889	\$ -	\$ 4,918,889	\$ -	\$ -	\$ -
Government-Sponsored Entities Securities	AA	860,271	-	860,271	-	-	-
Supranationals	AA	307,048	-	307,048	-	-	-
Municipal Bonds	A	18,683	-	-	-	18,683	-
Corporate Medium-Term Notes	A	2,037,109	-	134,273	29,344	1,537,011	336,481
Commercial Paper	-	-	-	-	-	-	-
Negotiable Certificates of Deposit	AA	12,587,428	-	12,587,428	-	-	-
Asset-Backed Securities	AA	1,131,158	449,385	681,773	-	-	-
LAIF	N/A	7,203,917	7,203,917	-	-	-	-
CAMP - Money Market	N/A	36,996	36,996	-	-	-	-
Total		<u>\$ 29,101,499</u>	<u>\$ 7,690,298</u>	<u>\$ 19,489,682</u>	<u>\$ 29,344</u>	<u>\$ 1,555,694</u>	<u>\$ 336,481</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, 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, 2022**

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, 2022	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Obligations	\$ -	\$ 4,918,889	\$ -	\$ 4,918,889
Government-Sponsored Entities				
Securities	-	860,271	-	860,271
Supranationals	-	307,048	-	307,048
Municipal Bonds	-	18,683	-	18,683
Corporate Medium-Term Notes	-	2,037,109	-	2,037,109
Commercial Paper	-	-	-	-
Negotiable Certificates of Deposit	-	12,587,428	-	12,587,428
Asset-Backed Securities	-	1,131,158	-	1,131,158
Total Leveled Investments	<u>\$ -</u>	<u>\$ 21,860,586</u>	<u>\$ -</u>	<u>21,860,586</u>
LAIF*				7,203,917
CAMP - Money Market*				36,996
Total Investments				<u>\$ 29,101,499</u>

* Not subject to fair value measurement hierarchy.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, is as follows:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Capital Assets, Not Depreciated:				
Land, Mineral, and Water Rights	\$ 7,451,586	\$ -	\$ -	\$ 7,451,586
Construction in Progress	3,064,333	2,381,635	(731,213)	4,714,755
Total Capital Assets, not Depreciated	<u>10,515,919</u>	<u>2,381,635</u>	<u>(731,213)</u>	<u>12,166,341</u>
Capital Assets, Being Depreciated:				
Capacity Rights	342,382	-	-	342,382
Source of Supply	19,994,675	15,453	-	20,010,128
Pumping	22,232,123	-	-	22,232,123
Treatment	40,666,224	86,070	-	40,752,294
Transmission and Collection	65,478,106	489,291	-	65,967,397
General Plant Facilities	14,763,306	148,530	-	14,911,836
Total Capital Assets, Being Depreciated	<u>163,476,816</u>	<u>739,344</u>	<u>-</u>	<u>164,216,160</u>
Less Accumulated Depreciation for:				
Capacity Rights	(253,387)	(6,845)	-	(260,232)
Source of Supply	(11,919,361)	(385,722)	-	(12,305,083)
Pumping	(14,151,208)	(898,644)	-	(15,049,852)
Treatment	(29,793,004)	(1,210,969)	-	(31,003,973)
Transmission and Collection	(15,385,838)	(1,312,121)	-	(16,697,959)
General Plant Facilities	(12,441,373)	(473,478)	-	(12,914,851)
Total Accumulated Depreciation	<u>(83,944,171)</u>	<u>(4,287,779)</u>	<u>-</u>	<u>(88,231,950)</u>
Total Capital Assets, Being Depreciated, Net	<u>79,532,645</u>	<u>(3,548,435)</u>	<u>-</u>	<u>75,984,210</u>
Total Capital Assets, Net	<u>\$ 90,048,564</u>	<u>\$ (1,166,800)</u>	<u>\$ (731,213)</u>	<u>\$ 88,150,551</u>

Construction in Progress

The District is involved in various construction projects throughout the year. Once completed, those projects are capitalized and depreciated over the life of the asset. The balance of construction in progress was \$4,714,755 as of June 30, 2022.

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

<u>Project Description</u>	<u>2022</u>
Oso Lift Station Improvement	\$ 2,573,884
R6 Reservoir Floating Cover	256,487
JTM Pump Station	213,938
Filter Plant Site	461,687
R2 Recoating Project	402,082
Aeration Basin Diffuser	258,434
Various Other Minor Projects <\$200,000	548,243
Total Construction in Progress	<u>\$ 4,714,755</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 COMPENSATED ABSENCES

A summary of changes to compensated absences for the year ended June 30, 2022, is as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Current Portion	Noncurrent Portion
\$ 1,568,584	\$ 688,991	\$ (745,359)	\$ 1,512,216	\$ 197,729	\$ 1,314,487

NOTE 5 LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2022:

	July 1, 2021	Additions	Deletions	June 30, 2022	One Year	Than One Year
Direct Borrowings:						
Loans Payable:						
Main Extension Contract	\$ 6,180	\$ -	\$ -	\$ 6,180	\$ 6,180	\$ -
SRF Loan - 2010	2,428,708	-	(2,428,708)	-	-	-
SRF Loan - 2013	19,821,900	-	(19,821,900)	-	-	-
Baker Water Treatment Plant - Refinance Loan	8,109,910	-	(432,855)	7,677,055	446,274	7,230,781
SRF Loan - 2018	3,387,048	-	(3,387,048)	-	-	-
Revenue Bonds, Series 2022A	-	40,905,000	-	40,905,000	1,105,000	39,800,000
Premium, Series 2022A	-	8,821,870	(173,852)	8,648,018	-	8,648,018
Total Loans Payable	<u>\$ 33,753,746</u>	<u>\$ 49,726,870</u>	<u>\$ (26,244,363)</u>	<u>\$ 57,236,253</u>	<u>\$ 1,557,454</u>	<u>\$ 55,678,799</u>

Main Extension Contracts

Main extension contracts are payable to developers without interest. The payments are based on a percentage of revenue received from units served by the water main. The contracts must be repaid in not more than 25 years but may be paid off in advance at the option of the District. The outstanding balance at June 30, 2022 was \$6,180.

State Revolving Fund Loan 2010 – Northline Lift Station Improvement Project

In October 2010, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a State Revolving Fund Loan (SRF Loan) in an amount of \$3,918,590 for the Northline Lift Station Improvement project. The loan carries an interest rate of 2.70% per annum. The loan was paid off during fiscal year 2021-2022 with a portion of the proceeds from the issuance of Series 2022A Water and Wastewater Revenue Bonds.

State Revolving Fund Loan 2013 – Recycled Water Treatment Plan Project

In February 2013, the District entered into an agreement with the California SWRCB for an SRF Loan in an amount of \$28,002,378 with an interest rate of 1.70% per annum for the Recycled Water Treatment Plan project. The loan was paid off during fiscal year 2021-2022 with a portion of the proceeds from the issuance of Series 2022A Water and Wastewater Revenue Bonds.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Baker Water Treatment Plant Agreement and Refinance Loan

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

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 446,274	\$ 237,989	\$ 684,263
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 - 2032	2,765,584	655,729	3,421,313
2033 - 2036	2,537,401	199,650	2,737,051
Total	<u>\$ 7,677,055</u>	<u>\$ 1,902,622</u>	<u>\$ 9,579,677</u>

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

In December 2018, the District entered into an agreement with the California SWRCB for an SRF Loan in an amount of \$4,085,782 with an interest rate of 1.70% per annum for the Phase II Recycled Water Distribution System Expansion project. The loan was paid off during fiscal year 2021-2022 with a portion of the proceeds from the issuance of Series 2022A Water and Wastewater Revenue Bonds.

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%. The District realized an increase in debt service cash outflows of \$643,224 and an economic loss of \$365,743 related to the refunding portion of the Bonds.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Water and Wastewater Revenue Bonds, Series 2022A (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>
2023	\$ 1,105,000	\$ 2,459,678	\$ 3,564,678
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 - 2032	8,420,000	7,412,500	15,832,500
2033 - 2037	6,190,000	5,463,750	11,653,750
2038 - 2042	4,965,000	4,274,900	9,239,900
2043 - 2047	6,270,000	2,971,250	9,241,250
2048 - 2052	8,000,000	1,238,750	9,238,750
Total	<u>\$ 40,905,000</u>	<u>\$ 31,203,088</u>	<u>\$ 72,108,088</u>

NOTE 6 DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

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

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

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

In addition, the District contributes an amount equal to 9% of compensation for a Plan year for all qualified participants regardless of whether they are an employee on the last day of the Plan year and regardless of whether they made any salary deferrals to the Plan. Employees are immediately vested in their employer contributions. District contributions to the 401(k) plan were \$1,024,814 as of June 30, 2022.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

Benefits

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

Employees Covered

At the June 30, 2021, measurement date, the following current and former employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	22
Active Employees	59
Total	<u>81</u>

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2021, was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Assumptions:	
Discount Rate	2.16%
Projected Salary Increase	3% Per Year
Inflation	2.75% Per Year
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study (2% @ 55 Rates for Tiers 1-3, Modified Rates for Tier 4
Mortality Improvement	Mortality Projected Fully Generational with Scale MP-2020
Medical Trend	
Non-Medicare	7% for 2022, Decreasing to 4% in 2076
Medicare (Non-Kaiser)	6.1% for 2022, Decreasing to 4% in 2076
Medicare (Kaiser)	5% for 2022, Decreasing to 4% in 2076
Healthcare Participation at Retirement	
Actives	95% Tiers 1-3, 90% Tier 4
Retirees	100%
Spouse Healthcare Participation at Retirement	
Spouse Currently Covered	100% Tiers 1-3, 50% Tier 4
Spouse not Currently Covered	0%
Medical Plan Election at Retirement	Same as Currently Elected

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contribution

The obligation of the District to contribute to the plan is established and may be amended by the Board of Directors. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due) and an implied subsidy determined by an actuary. For the year ended June 30, 2022, the District made payments of \$258,980 for premiums and the implied subsidy was \$57,763, thereby resulting in payments of \$316,743.

Discount Rate

The discount rate used to measure the 2021 total OPEB liability was 2.16%. 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, 2021:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability at June 30, 2021	\$ 23,682,821	\$ 20,031,266	\$ 17,138,926

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, 2021:

	1% Decrease	Healthcare Cost Trend Rates (a)	1% Increase
Total OPEB Liability at June 30, 2021	\$ 16,730,602	\$ 20,031,266	\$ 24,268,929

(a) Non-Medicare - 7% for 2022, Decreasing to 4% in 2076
 Medicare (Non-Kaiser) - 6.1% for 2024, Decreasing to 4% in 2076
 Medicare (Kaiser) - 5% for 2022, Decreasing to 4% in 2076

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Change in Total OPEB Liability

A summary of change in the total OPEB liability for the measurement date June 30, 2021, is as follows:

Balance at June 30, 2020 (Measurement Date)	\$ 19,149,868
Changes in the Year:	
Service Cost	598,651
Interest on the Total OPEB Liability	433,004
Changes in Assumptions	160,868
Benefit Payments	<u>(311,125)</u>
Net Changes	<u>881,398</u>
Balance at June 30, 2021 (Measurement Date)	<u>\$ 20,031,266</u>

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

For the year ended June 30, 2022, OPEB expense in the amount of \$1,912,304 is included in the accompanying statement of revenues, expenses and changes in net position. For the year ended June 30, 2022, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Contributions Subsequent to Measurement Date	\$ 316,743	\$ -
Differences Between Actual and Expected Experience	423,175	(953,259)
Change in Assumptions	<u>3,824,375</u>	<u>-</u>
Total	<u>\$ 4,564,293</u>	<u>\$ (953,259)</u>

The \$316,743 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date during the year ended June 30, 2021, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for measurement period June 30, 2021, are recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 880,649
2024	880,649
2025	880,647
2026	373,187
2027	256,178
Thereafter	22,981

Change of Assumptions

The following assumption was changed from the June 30, 2020 actuarial valuation rolled forward for the measurement period ended June 30, 2021: the discount rate was updated from 2.21% to 2.16%.

NOTE 8 LEASES

The District, acting as lessor, leases land under a long-term, noncancelable lease agreement. The leases expire at various dates through January 2027. During the year ended June 30, 2022, the District recognized \$227,227 and \$19,715 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.

NOTE 9 NET POSITION

Net investment in capital assets at June 30, 2022, consisted of the following:

Capital Assets - Not Being Depreciated	\$ 12,166,341
Capital Assets, Net - Being Depreciated	75,984,210
Loans Payable - Current	(1,557,454)
Loans Payable - Noncurrent	(55,678,799)
Retention	(52,908)
Accounts Payable for Construction Projects	(458,484)
Net Investment in Capital Assets	<u>\$ 30,402,906</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, 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 (\$29.5 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 \$52,387,691. Coverage for floods is up to \$25,000,000, with a deductible of \$100,000. Real property has a deductible of \$1,000; the ACWA/JPIA is self-insured for up to \$100,000; excess insurance has been purchased.
- For underground storage tank pollution liability, the District is insured for up to \$3,000,000 with a \$10,000 deductible; the ACWA/JPIA is self-insured for up to \$500,000; excess insurance coverage has been purchased to cover losses up to \$3,000,000.
- Dam failure liability coverage of up to \$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 \$1,000,000 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.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 RISK MANAGEMENT (CONTINUED)

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, 2022. 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, 2022.

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, 2022, the District had engineering design and construction commitments of approximately \$704,000.

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	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:					
Service Cost	\$ 598,651	\$ 468,321	\$ 410,098	\$ 267,270	\$ 260,117
Interest on Total OPEB Liability	433,004	600,602	598,626	430,926	409,009
Differences Between Actual and Expected Experience	-	(1,334,563)	-	987,411	-
Assumption Changes	160,868	2,875,924	923,090	2,564,813	-
Benefit Payments	(311,125)	(304,295)	(292,405)	(237,713)	(228,570)
Net Change in Total OPEB Liability	881,398	2,305,989	1,639,409	4,012,707	440,556
Total OPEB Liability - Beginning of Year	19,149,868	16,843,879	15,204,470	11,191,763	10,751,207
Total OPEB Liability - End of Year (a)	<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>
Plan Fiduciary Net Position:					
Contributions - Employer	311,125	304,295	292,405	237,713	228,570
Net Investment Income	-	-	-	-	-
Administrative Expenses	-	-	-	-	-
Benefit Payments	(311,125)	(304,295)	(292,405)	(237,713)	(228,570)
Net Change in Plan Fiduciary Net Position	-	-	-	-	-
Plan Fiduciary Net Position - Beginning of Year	-	-	-	-	-
Plan Fiduciary Net Position - End of Year (b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability - Ending (a)-(b)	<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>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered - Employee Payroll	\$ 6,174,982	\$ 5,980,908	\$ 5,889,881	\$ 5,709,337	\$ 5,696,461
Total OPEB Liability as Percentage of Covered - Employee Payroll	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 municipalbond 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 municipalbond rate as of the measurement date from 2.21% to 2.16%

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

SUPPLEMENTARY INFORMATION

**EL TORO WATER DISTRICT
SCHEDULE OF REVENUE BY CATEGORY
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

OPERATING REVENUES	<u>2022</u>	<u>2021</u>
Water Consumption Sales		
Unrestricted	\$ 8,396,397	\$ 8,824,016
Restricted - Conservation	200,000	100,000
Restricted - Recycled Water	<u>616,007</u>	<u>647,546</u>
Total Water Consumption Sales	9,212,404	9,571,562
 Water Service Charges		
Operations & Maintenance	4,177,676	3,805,648
Capital Replacement & Refurbishment	<u>1,252,889</u>	<u>1,264,678</u>
Total Water Service Charges	5,430,565	5,070,326
 Sewer Service Charges		
Wastewater Service Charges		
Operations & Maintenance	8,042,358	7,549,752
Capital Replacement & Refurbishment	1,606,146	1,605,820
Recycled Consumption Sales	2,012,144	1,898,113
Recycled Service Charges		
Operations & Maintenance	372,728	308,199
Capital Replacement & Refurbishment	<u>146,847</u>	<u>134,773</u>
Total Sewer Service Charges	<u>12,180,223</u>	<u>11,496,657</u>
 Reimbursements from Others		
Recycled Water Rebates	323,454	270,175
Shared Facility Charges	<u>123,110</u>	<u>131,050</u>
Total Reimbursements from Others	446,564	401,225
 Other Charges for Service		
Miscellaneous Revenue	22,670	104,198
Miscellaneous Charges for Service	11,185	10,975
Refunds/Rebates	<u>79,535</u>	<u>55,036</u>
Total Other Charges for Service	113,390	170,209
 TOTAL OPERATING REVENUES	 27,383,146	 26,709,979
 NONOPERATING REVENUES		
Property Taxes		
Water System	448,512	439,052
Wastewater System	583,038	570,730
Recycled Water System	89,700	87,807
Rental Revenue	227,227	236,357
Investment Income	(259,747)	21,511
Other NonOperating Revenue	<u>323,458</u>	<u>42,826</u>
TOTAL NONOPERATING REVENUES	<u>1,412,188</u>	<u>1,398,283</u>
 TOTAL REVENUE	 <u>\$ 28,795,334</u>	 <u>\$ 28,108,262</u>

**EL TORO WATER DISTRICT
SCHEDULE OF EXPENSES BY CATEGORY
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

OPERATING EXPENSES	<u>2022</u>	<u>2021</u>
Source of Supply	\$ 8,811,309	\$ 8,763,806
Pumping		
Water System	1,065,350	841,888
Wastewater System	<u>637,019</u>	<u>575,327</u>
Total Pumping	1,702,369	1,417,215
Treatment		
Water System	54,839	47,884
Wastewater System	4,407,183	3,524,731
Recycled System	<u>446,606</u>	<u>379,064</u>
Total Treatment	4,908,628	3,951,679
Transmission & Distribution		
Water System	1,359,618	2,036,245
Wastewater System	138,988	750,678
Recycled System	6,624	2,580
Operations Support	<u>2,381,626</u>	<u>2,668,619</u>
Total Transmission & Distribution	3,886,856	5,458,122
Customer Service	662,834	533,039
General & Administrative		
Administration	4,223,624	3,159,403
OPEB Charges	<u>1,595,561</u>	<u>1,615,466</u>
Total General & Administrative	5,819,185	4,774,869
Depreciation & Amortization	<u>4,287,779</u>	<u>4,345,557</u>
TOTAL OPERATING EXPENSES	30,078,960	29,244,287
NONOPERATING EXPENSES		
Interest Expense	<u>1,072,567</u>	<u>758,339</u>
TOTAL NONOPERATING EXPENSES	<u>1,072,567</u>	<u>758,339</u>
TOTAL EXPENSES	<u>\$ 31,151,527</u>	<u>\$ 30,002,626</u>

STATISTICAL SECTION (UNAUDITED)

**EL TORO WATER DISTRICT
INDEX TO STATISTICAL SECTION
YEAR ENDED JUNE 30, 2022**

	<u>Page Number</u>
FINANCIAL TRENDS: These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	49
REVENUE CAPACITY: These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	51
DEBT CAPACITY: These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	58
DEMOGRAPHIC INFORMATION: This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	60
OPERATING INFORMATION: This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	63

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

	Fiscal Year				
	2013	2014	2015	2016	2017
CHANGES IN NET POSITION					
Operating Revenues (See Schedule 2)	\$ 8,077,870	\$ 8,725,408	\$ 9,771,324	\$ 10,759,981	\$ 24,032,874
Operating Expenses (See Schedule 3)	<u>(2,781,397)</u>	<u>(2,831,181)</u>	<u>(3,378,409)</u>	<u>(23,990,984)</u>	<u>(4,350,053)</u>
Operating Income (Loss)	5,296,473	5,894,227	6,392,915	(13,231,003)	19,682,821
Nonoperating Revenues (Expenses):					
Property Taxes Ad-Valorem	753,865	774,568	815,554	843,301	888,973
Rental Revenue ⁽²⁾	-	165,282	246,196	172,665	181,491
Investment Earnings ⁽⁵⁾⁽⁷⁾	124,439	51,881	76,804	147,447	75,113
Interest Expense ⁽³⁾	(327,684)	(185,655)	(132,375)	(397,680)	(706,683)
Other Nonoperating Revenues ⁽⁶⁾	463,981	56,564	218,824	188,701	152,710
Other Nonoperating Expenses ⁽¹⁾	(1,571,619)	-	-	-	-
Total Nonoperating Revenues (Expenses), Net	<u>(557,018)</u>	<u>862,640</u>	<u>1,225,003</u>	<u>954,434</u>	<u>591,604</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	4,739,455	6,756,867	7,617,918	(12,276,569)	20,274,425
CAPITAL CONTRIBUTIONS	<u>3,092,146</u>	<u>1,648,257</u>	<u>-</u>	<u>577,471</u>	<u>85,821</u>
CHANGES IN NET POSITION	<u>\$ 7,831,601</u>	<u>\$ 8,405,124</u>	<u>\$ 7,617,918</u>	<u>\$ (11,699,098)</u>	<u>\$ 20,360,246</u>
NET POSITION BY COMPONENT					
Net Investment in Capital Assets	\$ 53,386,647	\$ 57,218,606	\$ 52,204,625	\$ 57,306,311	\$ 57,194,565
Restricted:					
Debt Service ⁽⁹⁾	3,326,941	2,772,564	2,285,068	1,602,958	1,602,958
Capital Projects	29,640	83,771	571,268	577,471	23,081
Total Restricted	<u>3,356,581</u>	<u>2,856,335</u>	<u>2,856,336</u>	<u>2,180,429</u>	<u>1,626,039</u>
Unrestricted ⁽⁴⁾	11,639,157	9,522,511	14,415,785	10,047,708	10,136,417
Total Net Position	<u>\$ 68,382,385</u>	<u>\$ 69,597,452</u>	<u>\$ 69,476,746</u>	<u>\$ 69,534,448</u>	<u>\$ 68,957,021</u>

- (1) Refund to Golden Rain Foundation the Sinking fund balance in connection with the agreement that ETWD to provide Disinfected Tertiary Recycled Water for irrigation within the Laguna Woods Village Golf Course.
- (2) In FY 13/14 the District created a separate line item for cell tower rental income. In the prior years this revenue was included with other nonoperating revenues.
- (3) Starting with FY 16/17 expenses included the Baker Water Treatment Plant loan interests with Texas Capital.
- (4) The decrease/increase in Unrestricted due to the implementation of GASB Statement No. 75 in recording OPEB liability.
- (5) Investment Earnings increase was resulted from higher interests rate earned on short-term LAIF and CAMP investments.
- (6) The increase was attributed to a refund from South Orange County Waste Water Authority (SOCWA).

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

	Fiscal Year				
	2018	2019	2020	2021	2022
CHANGES IN NET POSITION					
Operating Revenues (See Schedule 2)	\$ 10,955,238	\$ 11,044,342	\$ 11,496,657	\$ 26,709,979	\$ 27,383,146
Operating Expenses (See Schedule 3)	<u>(4,466,431)</u>	<u>(4,483,607)</u>	<u>(4,345,557)</u>	<u>(29,244,287)</u>	<u>(30,078,960)</u>
Operating Income (Loss)	6,488,807	6,560,735	7,151,100	(2,534,308)	(2,695,814)
Nonoperating Revenues (Expenses):					
Property Taxes Ad-Valorem	927,672	1,012,576	1,037,335	1,097,589	1,121,250
Rental Revenue ⁽²⁾	188,183	204,160	242,187	236,357	227,227
Investment Earnings ⁽⁵⁾⁽⁷⁾	124,001	500,786	424,110	21,511	(259,747)
Interest Expense ⁽³⁾	(790,753)	(753,794)	(777,511)	(758,339)	(1,072,567)
Other Nonoperating Revenues ⁽⁶⁾	59,653	910,351	40,917	42,826	323,458
Other Nonoperating Expenses ⁽¹⁾	-	-	-	-	-
Total Nonoperating Revenues (Expenses), Net	<u>508,756</u>	<u>1,874,079</u>	<u>967,038</u>	<u>639,944</u>	<u>339,621</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	6,997,563	8,434,814	8,118,138	(1,894,364)	(2,356,193)
CAPITAL CONTRIBUTIONS	<u>45,853</u>	<u>1,985,903</u>	<u>2,894</u>	<u>8,708</u>	<u>8,708</u>
CHANGES IN NET POSITION	<u>\$ 7,043,416</u>	<u>\$ 10,420,717</u>	<u>\$ 8,121,032</u>	<u>\$ (1,885,656)</u>	<u>\$ (2,347,485)</u>
NET POSITION BY COMPONENT					
Net Investment in Capital Assets	\$ 60,300,968	\$ 56,355,138	\$ 55,486,027	\$ 56,108,404	\$ 30,402,906
Restricted:					
Debt Service ⁽⁹⁾	1,602,958	2,012,004	2,270,150	2,270,150	-
Capital Projects	45,853	64,514	2,895	2,895	26,797,887
Total Restricted	<u>1,648,811</u>	<u>2,076,518</u>	<u>2,273,045</u>	<u>2,273,045</u>	<u>26,797,887</u>
Unrestricted ⁽⁴⁾	1,008,665	6,121,392	4,980,208	2,472,175	1,462,646
Total Net Position	<u>\$ 62,958,444</u>	<u>\$ 64,553,048</u>	<u>\$ 62,739,280</u>	<u>\$ 60,853,624</u>	<u>\$ 58,663,439</u>

- (1) Refund to Golden Rain Foundation the Sinking fund balance in connection with the agreement that ETWD to provide Disinfected Tertiary Recycled Water for irrigation within the Laguna Woods Village Golf Course.
- (2) In FY 13/14 the District created a separate line item for cell tower rental income. In the prior years this revenue was included with other nonoperating revenues.
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- (5) Investment Earnings increase was resulted from higher interests rate earned on short-term LAIF and CAMP investments.
- (6) The increase was attributed to a refund from South Orange County Waste Water Authority (SOCWA).

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

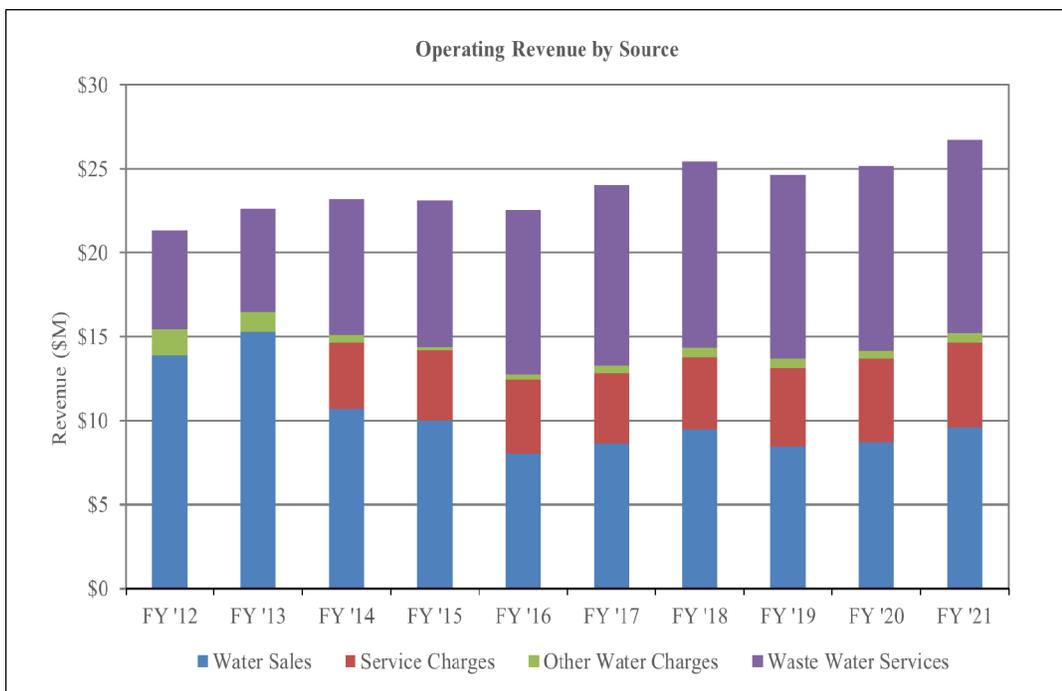
Fiscal Year	Water Sales	Service Charges	Other Water Charges	Waste Water Services	Total Operating Revenue
2013	\$ 15,293,372	\$ -	\$ 1,169,883	\$ 6,129,321	\$ 22,592,576
2014	10,687,396	3,979,752 (1)	443,673 (2)	8,077,870	23,188,691
2015	9,998,985	4,183,699	216,108	8,725,408	23,124,200
2016	8,069,726	4,381,402	294,329	9,771,324	22,516,781
2017	8,635,462	4,177,505	459,926	10,759,981	24,032,874
2018	9,459,453	4,325,454	574,644	11,085,710	25,445,261
2019	8,474,791	4,623,068	610,360	10,955,238	24,663,457
2020	8,705,986	4,977,611	469,391	11,044,342	25,197,330
2021	9,571,562	5,070,326	571,434	11,496,657	26,709,979
2022	9,212,404	5,430,565	559,954	12,180,223	27,383,146

Other Water Charges - by Category

Fiscal Year	Standby Charge	Reimbursement	Other	Total Other Water Charges
2013	\$ 984,847	\$ 117,364	\$ 67,672	\$ 1,169,883
2014	10,623	124,353	308,697	443,673
2015	4,818 (2)	116,957	94,333	216,108
2016	3,292	233,000	58,037	294,329
2017	1,525	331,179	127,222	459,926
2018	418	403,445	170,781	574,644
2019	247	383,810	226,303	610,360
2020	63	328,310	141,018	469,391
2021	-	401,225	170,209	571,434
2022	-	446,564	113,390	559,954

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

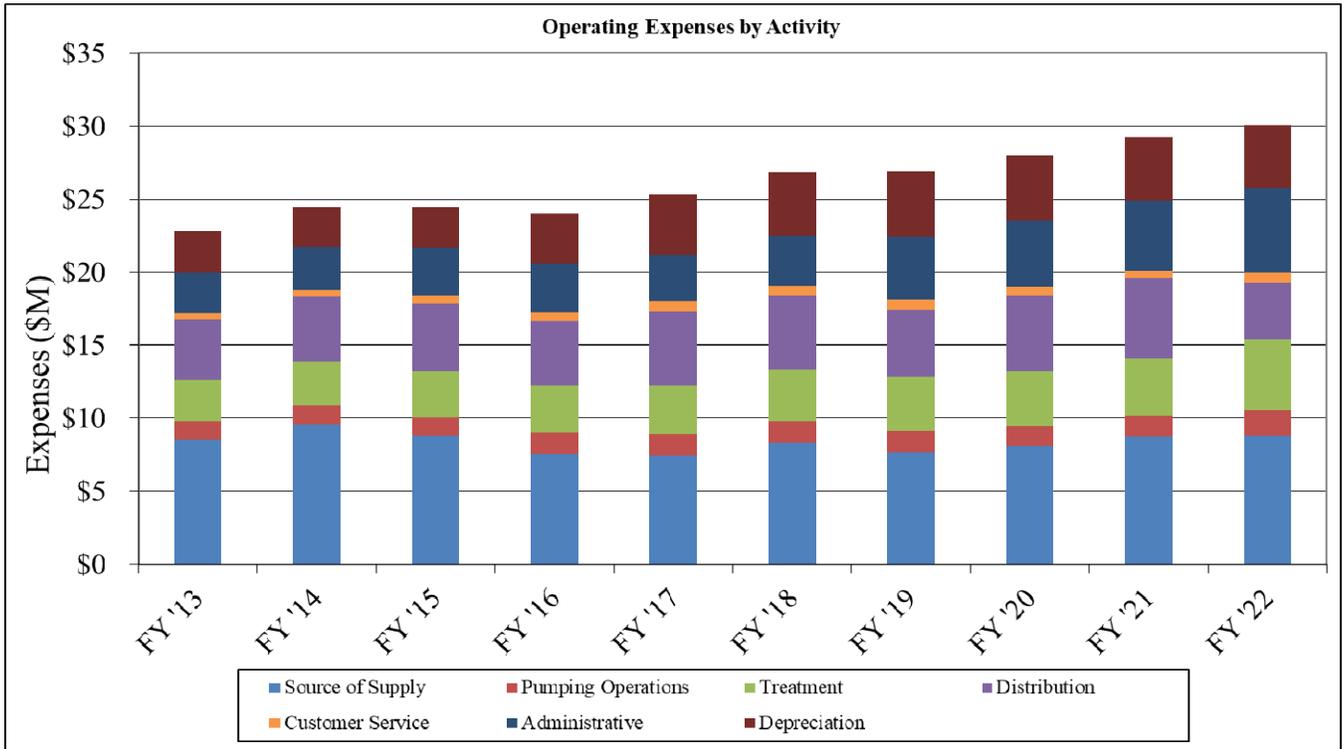
(2) The Standby Charge was for the Water Recycling Project, and collections of this fee were not needed after FY 12/13.



Source: 2011 to 2020 Audited Financial Statements.

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

Fiscal Year	Source of Supply	Pumping Operations	Water Treatment	Water Distribution	Customer Service	General and Administrative	Depreciation	Total Operating Expenses
2013	\$ 8,554,214	\$ 1,232,213	\$ 2,831,190	\$ 4,160,251	\$ 438,053	\$ 2,753,292	\$ 2,816,753	\$ 22,785,966
2014	9,584,718	1,293,752	2,953,328	4,492,432	465,163	2,913,731	2,781,397	24,484,521
2015	8,771,110	1,295,650	3,126,545	4,673,922	516,361	3,255,140	2,831,181	24,469,909
2016	7,555,626	1,466,757	3,243,194	4,388,871	592,405	3,365,722	3,378,409	23,990,984
2017	7,435,534	1,460,096	3,380,526	5,037,124	694,479	3,211,224	4,068,743	25,287,726
2018	8,294,019	1,491,273	3,567,648	5,035,094	686,217	3,434,736	4,350,053	26,859,040
2019	7,650,468	1,480,556	3,744,102	4,561,123	720,714	4,305,441	4,466,431	26,928,835
2020	8,085,299	1,371,076	3,751,703	5,147,914	602,925	4,538,506	4,483,607	27,981,030
2021	8,763,806	1,417,215	3,942,249	5,467,552	533,039	4,774,869	4,345,557	29,244,287
2022	8,811,309	1,702,369	4,908,628	3,886,856	662,834	5,819,185	4,287,779	30,078,960

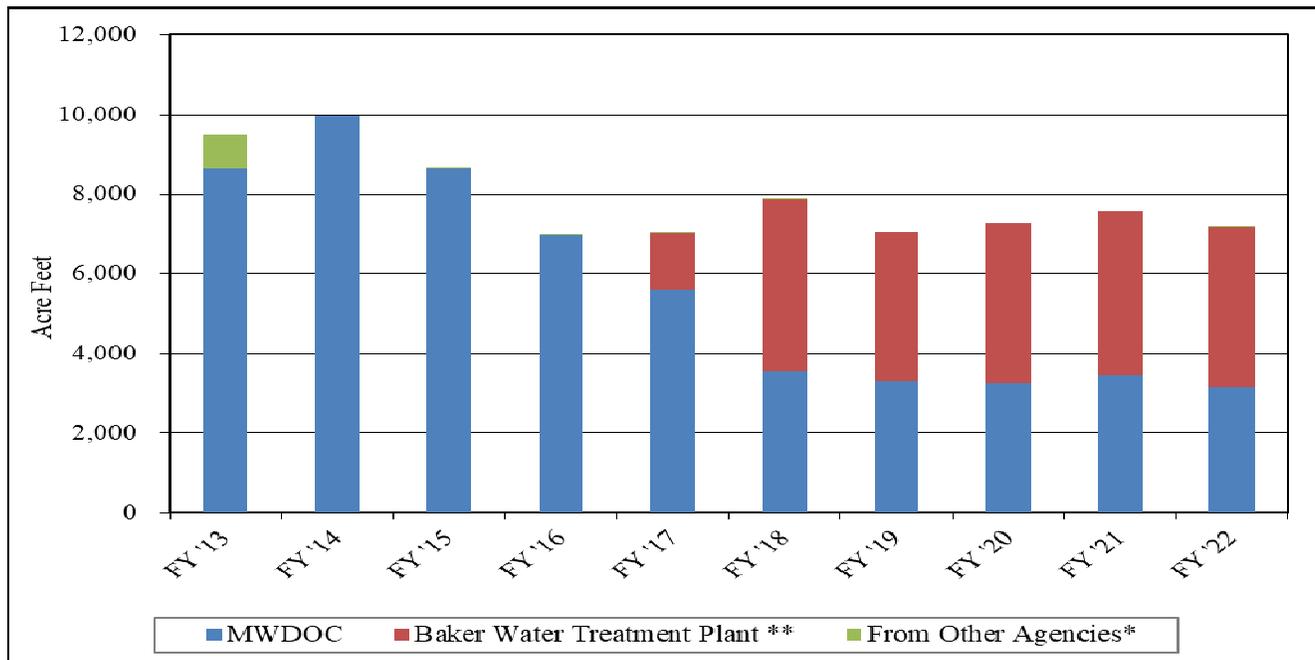


Source: 2011 to 2020 Audited Financial Statements.

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

Source of Water for Sales (AF)

Fiscal Year	MWDOC	From The Baker WTP **	From Other Agencies*	Total Production
2013	8,640	-	861	9,501
2014	9,986	-	-	9,986
2015	8,631	-	19	8,650
2016	6,967	-	8	6,976
2017	5,616	1,417	1	7,034
2018	3,559	4,312	3	7,874
2019	3,297	3,754	-	7,051
2020	3,245	4,032	-	7,277
2021	3,460	4,121	-	7,581
2022	3,171	4,004	1	7,176



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	
2013	\$ 2.07	\$ 2.47	\$ 4.79	\$ 6.35	\$ 2.30	
2014	2.19	2.59	4.91	6.47	2.42	
2015	2.34	2.68	5.04	7.04	2.63	
2016	2.46	2.83	5.61	7.18	2.79	
2017	2.46	2.83	5.61	7.18	2.79	
2018	2.52	2.91	6.08	7.82	2.89	
2019	2.52	2.91	6.08	7.82	2.89	
2020	2.58	2.97	6.14	7.88	2.95	
2021	2.65	3.04	6.21	7.95	3.02	
2022	2.72	3.11	6.78	8.52	3.14	

Monthly Water Service Charge						
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter	
2013	\$ 8.56	\$ 11.42	\$ 17.12	\$ 31.38	\$ 59.93	
2014	9.31	12.42	18.61	34.12	65.15	
2015	9.98	13.31	19.95	36.56	69.81	
2016	9.98	13.31	19.95	36.56	69.81	
2017	10.93	14.58	21.86	40.06	76.48	
2018	11.80	15.82	23.85	43.92	84.07	
2019	12.96	17.37	26.20	48.25	92.36	
2020	14.14	18.99	28.70	52.98	101.52	
2021	15.17	20.33	30.66	56.48	108.11	
2022	16.56	22.24	33.60	62.00	118.80	

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	
2013	\$ 4.66	\$ 4.66	\$ 7.78	\$ 18.91	\$ 47.47	
2014	4.66	4.66	7.78	18.91	47.47	
2015	4.66	4.66	7.78	18.91	47.47	
2016	4.66	4.66	7.78	18.91	47.47	
2017	4.66	4.66	7.78	18.91	47.47	
2018	4.66	4.66	7.78	18.91	47.47	
2019	4.66	4.66	7.78	18.91	47.47	
2020	4.66	4.66	7.78	18.91	47.47	
2021	4.66	4.66	7.78	18.91	47.47	
2022	4.66	4.66	7.78	18.91	47.47	

Notes:

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

For more information, 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/>

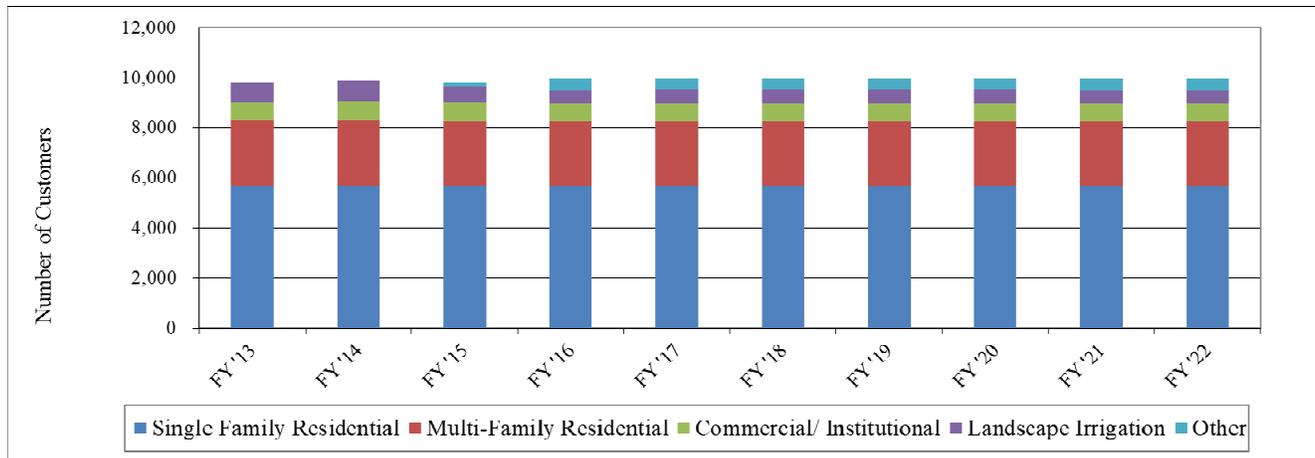
**EL TORO WATER DISTRICT
SEWER OPERATION RATES AND CHARGES
LAST TEN FISCAL YEARS**

Sewer Rates by Customer Class										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Residential Rates (monthly charge per EDU):										
Residential Unrestricted	\$ 17.77	\$ 18.99	\$ 20.50	\$ 22.02	\$ 23.11	\$ 23.63	\$ 24.30	\$ 24.30	\$ 24.30	\$ 25.76
Multi-Family Restricted	14.09	15.06	16.26	17.46	18.33	18.74	19.28	19.28	19.28	20.44
Multi-Family Unrestricted	16.75	17.90	19.33	20.76	21.79	22.28	22.92	22.92	22.92	24.30
Commercial Rates (per ccf of water used):										
Animal Kennel / Hospital	\$ 2.91	\$ 3.11	\$ 3.36	\$ 3.61	\$ 3.79	\$ 3.88	\$ 3.99	\$ 3.99	\$ 3.99	\$ 4.23
Car Wash	2.89	3.09	3.34	3.59	3.77	3.86	3.97	3.97	3.97	4.21
Department / Retail Store	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99	4.23
Dry Cleaners	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50	3.71
Golf Course / Camp / Park	2.53	2.71	2.93	3.15	3.31	3.39	3.49	3.49	3.49	3.70
Health Spa	2.90	3.10	3.35	3.60	3.78	3.87	3.98	3.98	3.98	4.22
Hospital / Convalescent Home	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50	3.71
Hotel	4.40	4.71	5.09	5.47	5.74	5.87	6.04	6.04	6.04	6.41
Market	5.77	6.17	6.67	7.17	7.53	7.70	7.92	7.92	7.92	8.40
Mortuary	5.75	6.15	6.64	7.14	7.50	7.67	7.89	7.89	7.89	8.37
Nursery / Greenhouse	2.58	2.76	2.98	3.20	3.36	3.44	3.54	3.54	3.54	3.76
Professional / Financial Office	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99	4.23
Public Institution	2.85	3.05	3.30	3.55	3.73	3.82	3.93	3.93	3.93	4.17
Repair / Service Station	2.90	3.10	3.35	3.60	3.78	3.87	3.98	3.98	3.98	4.23
Restaurant	2.74	2.93	3.17	3.41	3.58	3.66	3.77	3.77	3.77	4.00
Schools	3.00	3.21	3.47	3.73	3.92	4.01	4.13	4.13	4.13	4.38
Theater	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99	4.23
Warehouse / Storage	2.29	2.45	2.65	2.85	3.00	3.07	3.16	3.16	3.16	3.35
Basic Commercial	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50	3.71

Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Residential Charge (Per EDU):										
Single Family	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
Multi-Family Restricted	3.95	3.95	3.95	3.95	3.91	3.91	3.91	3.91	3.91	3.91
Multi-Family Unrestricted	4.69	4.69	4.69	4.69	4.65	4.65	4.65	4.65	4.65	4.65
Commercial (per Meter):										
5/8" Meter	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34	\$ 4.34
3/4" Meter	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34	7.34
1" Meter	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55
1 ½" Meter	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07
2" Meter	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96
Public Authority (per Meter):										
1" Meter	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
1 ½" Meter	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65
2" Meter	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71	39.71

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

Number of Customers by Type						
As of June 30	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Landscape Irrigation	Other	Total
2013	5,683	2,610	735	775	-	9,803
2014	5,683	2,610	774	813	-	9,880
2015	5,662	2,610	785	583	187	9,827
2016	5,667	2,612	709	526	439	9,953
2017	5,668	2,616	694	559	406 (1)	9,943
2018	5,668	2,618	700	555	407	9,948
2019	5,665	2,614	706	556	408	9,949
2020	5,667	2,615	707	554	434	9,977
2021	5,670	2,617	707	511	478	9,983
2022	5,666	2,614	705	510	482	9,977



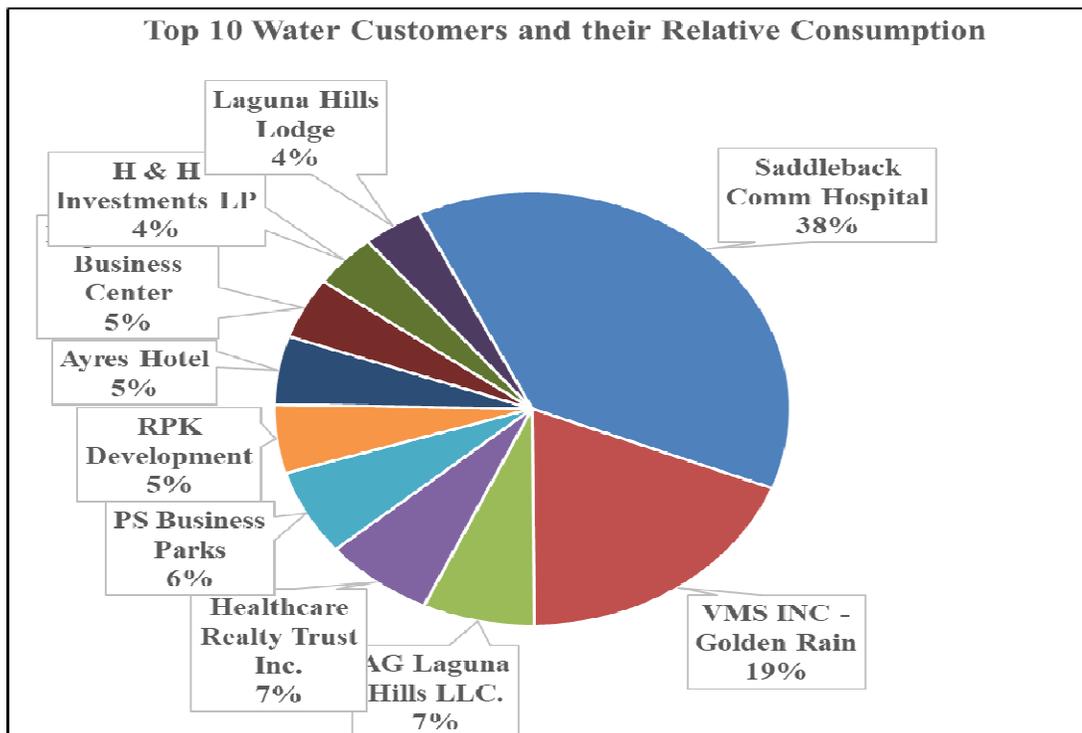
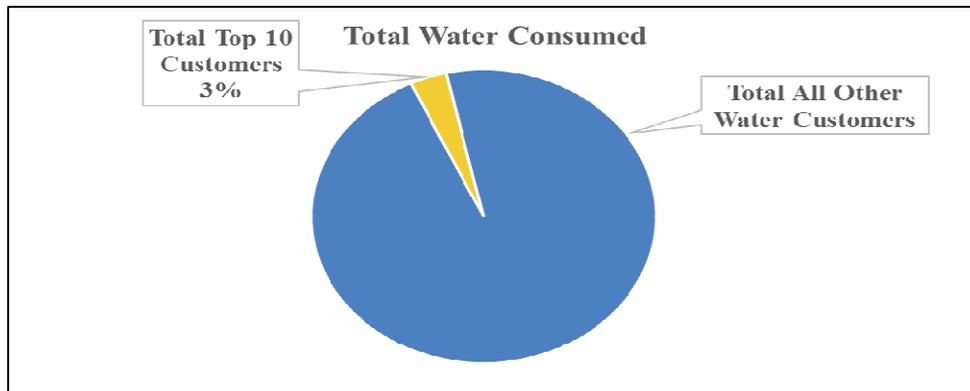
(1) The District did not track "Other" connections in total prior to FY 14/15.

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

EL TORO WATER DISTRICT TOP TEN WATER CUSTOMERS LAST TEN FISCAL YEARS

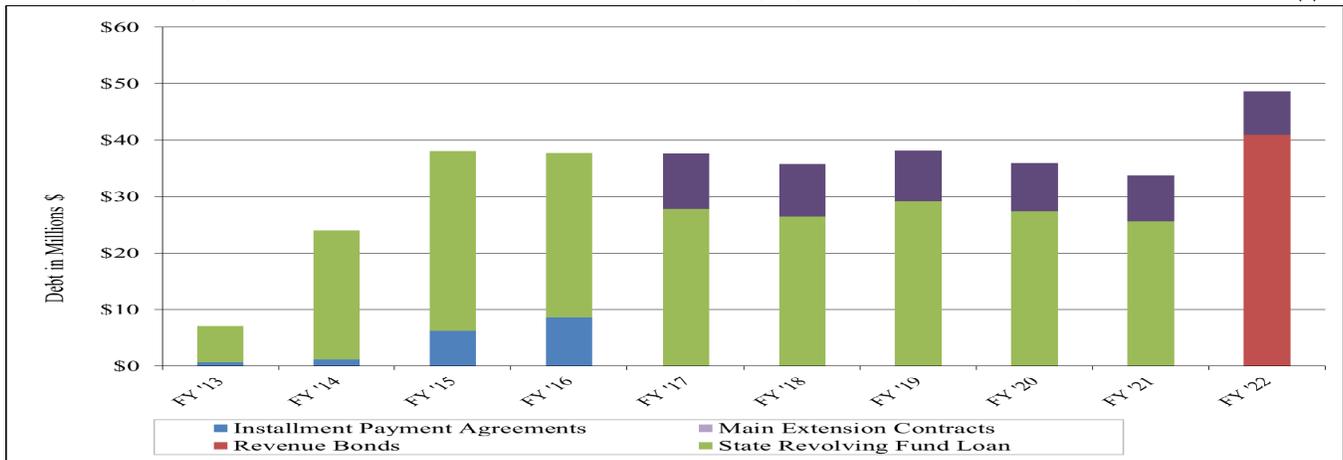
Customer	FY '13		Customer	FY '22	
	Annual Usage (HCF)	Percent of Total		Annual Usage (HCF)	Percent of Total
Saddleback Comm Hospital	54,093	1.35%	Saddleback Comm Hospital	46,352	1.32%
VMS INC - Golden Rain	11,057	0.28%	VMS INC - Golden Rain	22,919	0.65%
Country Villa Laguna Hills	10,724	0.27%	AG Laguna Hills LLC.	8,523	0.24%
PS Business Parks	9,548	0.24%	Healthcare Realty Trust Inc.	8,359	0.24%
Laguna Hills Business Center	6,493	0.16%	PS Business Parks	7,800	0.22%
RPK Development	6,127	0.15%	RPK Development	6,212	0.18%
Simon Properties #4665	6,010	0.15%	Ayres Hotel	6,190	0.18%
Westridge Commercial	6,006	0.15%	Laguna Hills Business Center	5,557	0.16%
Ayres Hotel	5,807	0.14%	H & H Investments LP	4,884	0.14%
Aura Associates	5,286	0.13%	Laguna Hills Lodge	4,561	0.13%
Total Top 10 Customers	121,151	3.02%	Total Top 10 Customers	121,357	3.46%
Total All Other Water Customers	3,894,280	96.98%	Total All Other Water Customers	3,386,613	96.54%
Total Water Consumed	4,015,431	100.00%	Total Water Consumed	3,507,970	100.00%

HCF = 100 cubic feet



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

Fiscal Year	Certificates of Participation	Installment Payment Agreements	State Revolving Fund Loan	Main Extension Contracts	Private Placement	Total Debt	Total Debt per Capita	Total Debt as % of Personal Income
2013	-	621,878	6,505,874	6,180	-	7,133,932	147	0.27%
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	750	1.01%
2021	-	-	25,637,656	6,180	8,109,910	33,753,746	701	0.94% (3)
2022	40,905,000	-	-	-	7,677,055	48,582,055	1,006	1.35% (3)



Notes:

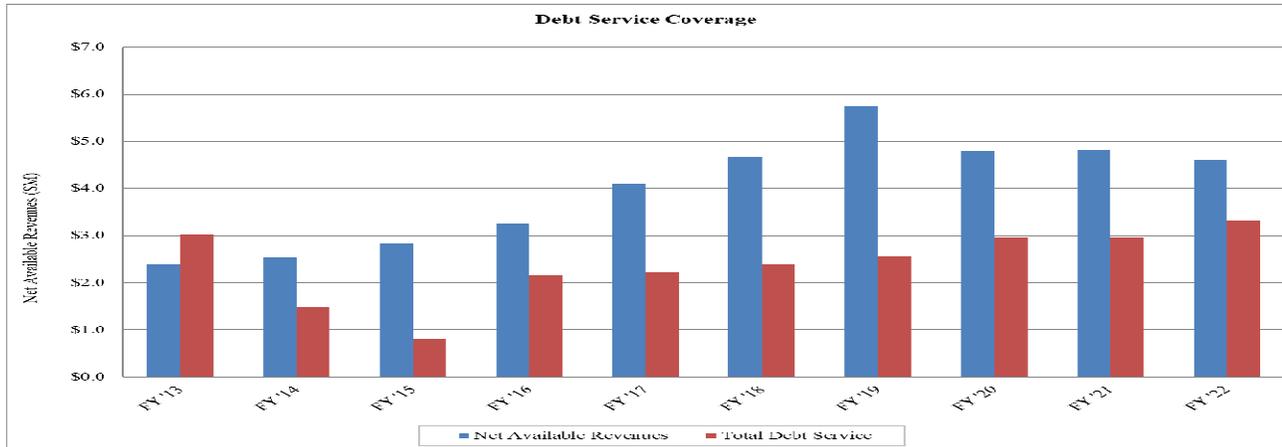
(1) In Dec 2013 the District entered into an agreement for the Baker Water Treatment Plant with five other entities. Additions in 2013 and 2014 were \$1,123,184 and \$5,092,679 respectively. This project was completed and refinanced in December 2016 with Texas Capital Bank for a lower interest rate.

(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 2021 & 2022. 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			Coverage Coverage Ratio
	Total Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Principal	Interest	Total Debt Service	
2013	\$ 23,934,861	\$ 21,540,832	\$ 2,394,029	\$ 2,673,722	\$ 359,134	\$ 3,032,856	0.79
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

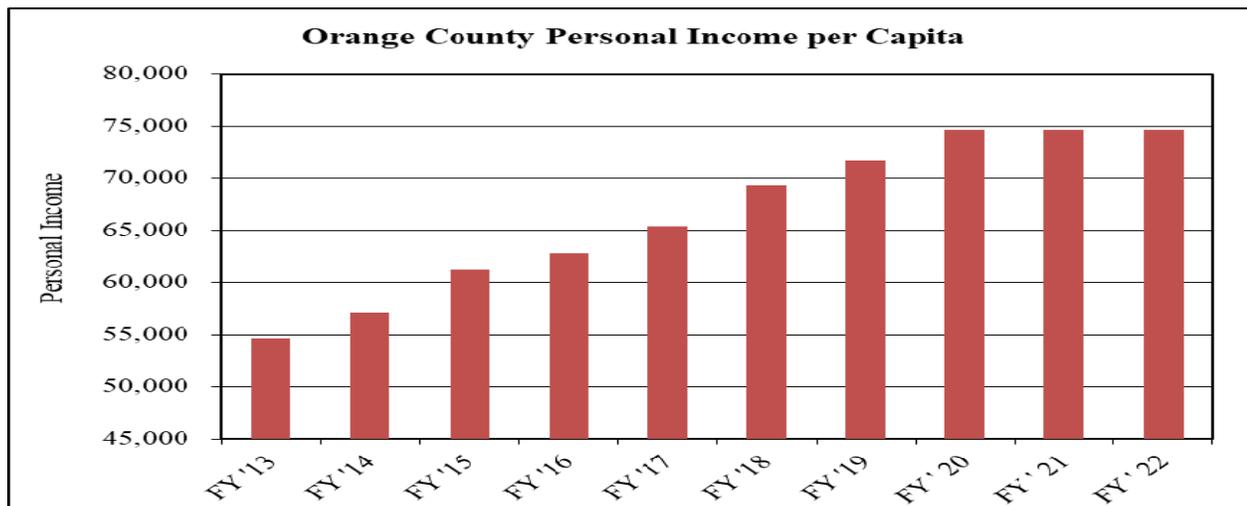
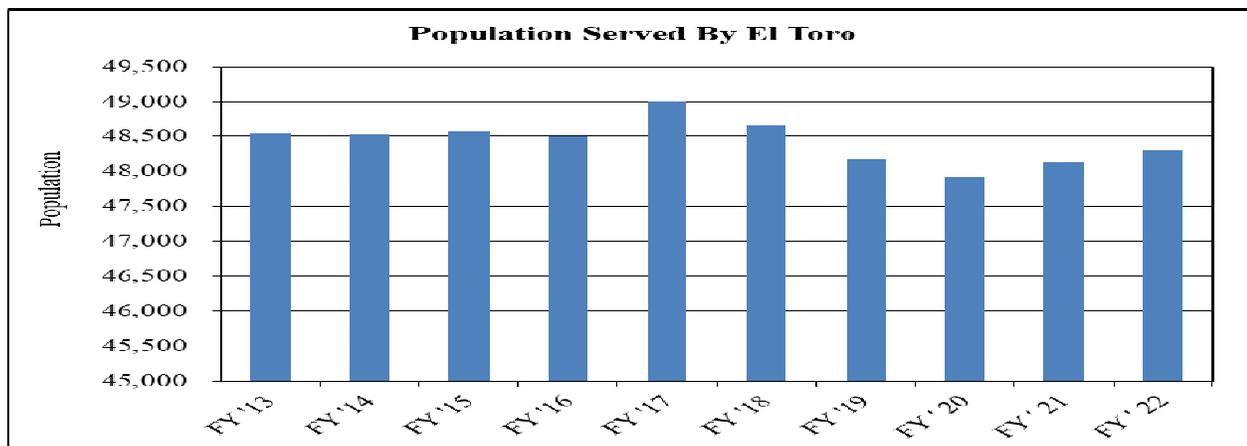


Notes:

(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
2013	48,541	\$ 169,986,956	\$ 54,594	6.9%
2014	48,529	179,141,029	57,110	5.5%
2015	48,579	193,358,936	61,178	4.5%
2016	48,498	199,441,555	62,763	4.3%
2017	49,003	208,653,019	65,400	3.8%
2018	48,657	220,684,684	69,268	3.3%
2019	48,174	227,732,561	71,711	3.0%
2020	47,911	227,732,561	71,711	13.6%
2021 ⁽³⁾	48,135	227,732,561	71,711	6.4%
2022 ⁽³⁾	48,303	236,303,451	74,618	2.9%



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.

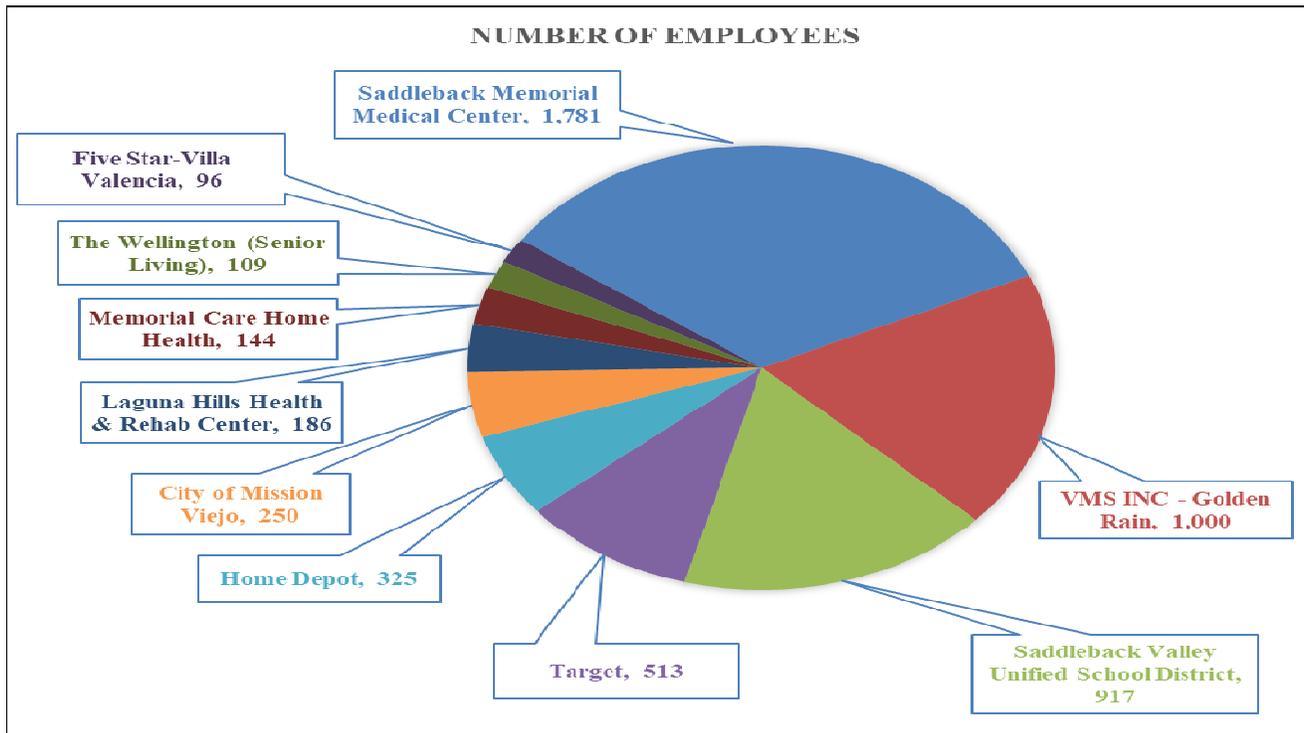
2 Data from the Bureau of Economic Analysis, <http://www.bea.gov>

3 The income data for 2020 and 2021 was not available at the time this report was published

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

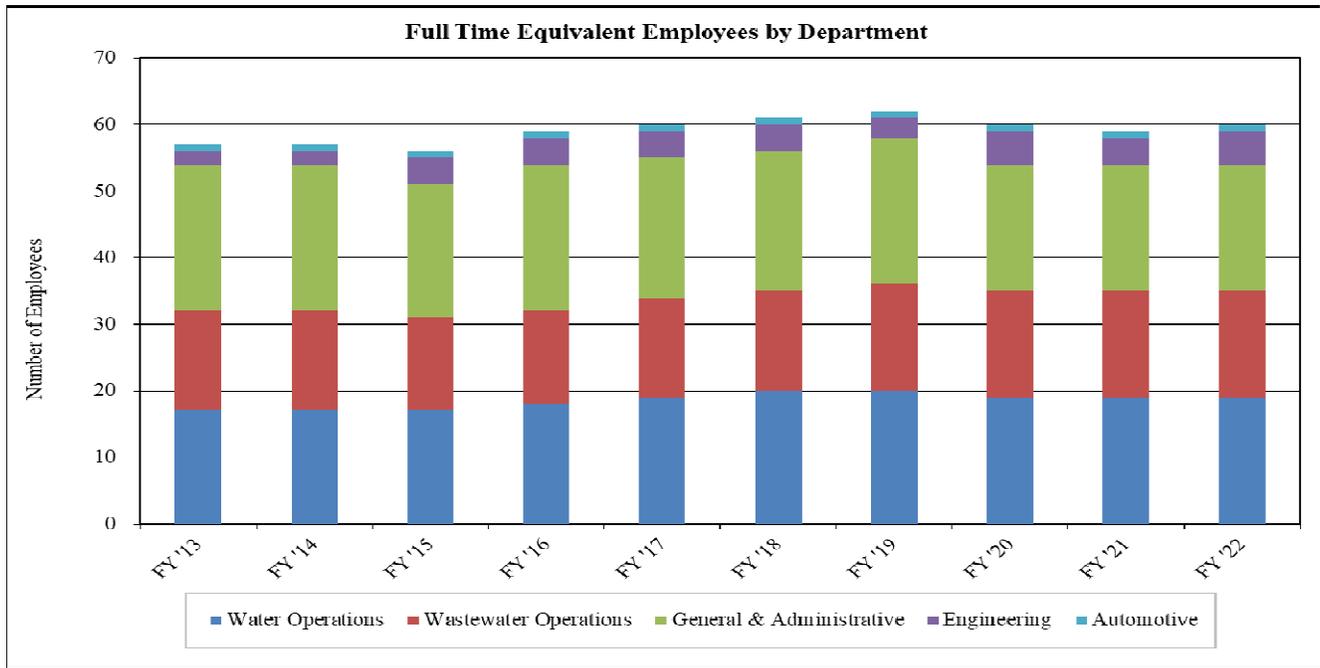
Employer	Number of Employees at 6/30/2022	Percent of Total
Saddleback Memorial Medical Center	1,781	33.47 %
VMS INC - Golden Rain	1,000	18.79
Saddleback Valley Unified School District	917	17.23
Target	513	9.64
Home Depot	325	6.11
City of Mission Viejo	250	4.70
Laguna Hills Health & Rehab Center	186	3.50
Memorial Care Home Health	144	2.71
The Wellington (Senior Living)	109	2.05
Five Star-Villa Valencia	96	1.80
Total Principal Employers	5,321	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 2021 CAFRs for the service area cities listed. Nine years prior information comparison is not available since the district started filing for the CAFR from fiscal year end 2016.



**EL TORO WATER DISTRICT
FULL TIME EQUIVALENT EMPLOYEES BY DEPARTMENT
LAST TEN FISCAL YEARS**

Fiscal Year	Water Operations	Wastewater Operations	General and Administrative	Engineering	Automotive	Total
2013	17	15	22	2	1	57
2014	17	15	22	2	1	57
2015	17	14	20	4	1	56
2016	18	14	22	4	1	59
2017	19	15	21	4	1	60
2018	20	15	21	4	1	61
2019	20	16	22	3	1	62
2020	19	16	19	5	1	60
2021	19	16	19	4	1	59
2022	19	16	19	5	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)
2013	170	9,803	3,138	8.60
2014	170	9,880	3,254	8.91
2015	170	9,828	2,819	7.72
2016	170	9,953	2,273	6.23
2017	170	9,943	2,292	6.28
2018	170	9,948	2,566	7.03
2019	170	9,949	2,298	6.29
2020	170	9,977	2,371	6.50
2021	170	9,983	2,470	6.77
2022	170	9,977	2,338	6.41

Sewer System				
Fiscal Year	Miles of Sewers Lines	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2013	114	9,803	1,396	3.82
2014	114	9,880	1,262	3.46
2015	114	9,828	1,242	3.40
2016	114	9,953	1,096	3.00
2017	114	9,943	1,146	3.14
2018	114	9,948	1,105	3.03
2019	114	9,949	1,122	3.07
2020	114	9,977	1,140	3.12
2021	114	9,983	1,057	2.90
2022	114	9,977	1,169	3.20

Recycled Water				
Fiscal Year	Miles of Recycled Pipe	Service Connections	Annual Production (MG)	Daily Production (MGD)
2013	19	1	190.26	0.52
2014	19	1	142.58	0.39
2015	19	70 (1)	159.56	0.44
2016	19	138 (1)	337.87	0.93
2017	19	210 (1)	462.49	1.27
2018	26 (2)	210	502.12	1.38
2019	26	210	418.89	1.15
2020	26	229	447.32	1.23
2021	26	275	583.58	1.60
2022	26	276	574.81	1.57

Notes:

MG - Millions of Gallons

MGD - Millions of Gallons per Day

(1) The increase in Recycled Connections was a result of Recycled Water Project to transition irrigation customers to recycled water.

(2) The increase in Miles of Recycled Pipe was due to the completion of The Phase II Recycled Water Distribution System Expansion Project.



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