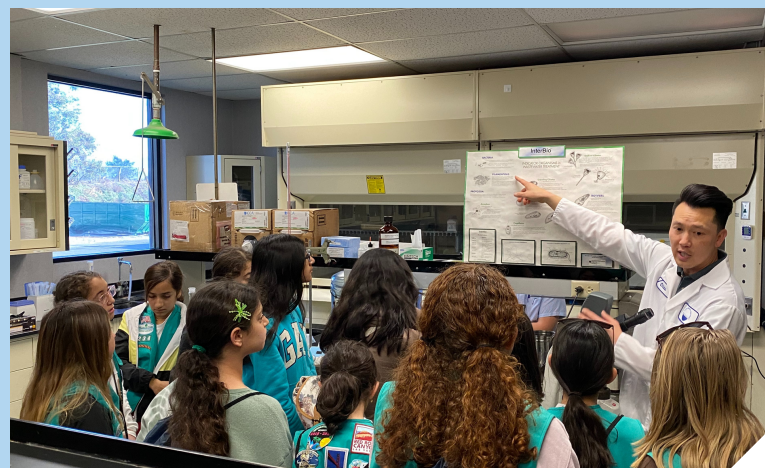


EL TORO WATER DISTRICT
COMPREHENSIVE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAcconnect.com



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2021



**EL TORO WATER DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

INTRODUCTORY SECTION

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	11
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	14
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	22
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	23
STATEMENTS OF CASH FLOWS	24
NOTES TO BASIC FINANCIAL STATEMENTS	26
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS	46

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUE BY CATEGORY	48
SCHEDULE OF EXPENSES BY CATEGORY	49
STATISTICAL SECTION (UNAUDITED)	50
INDEX TO STATISTICAL SECTION	51
CHANGES IN NET POSITION AND NET POSITION BY COMPONENT	52
OPERATING REVENUES BY SOURCE	54
OPERATING EXPENSES BY ACTIVITY	55
SOURCE OF WATER FOR SALES	56
WATER OPERATION RATES AND CHARGES	57
SEWER OPERATION RATES AND CHARGES	58
WATER CUSTOMERS BY TYPE	59
TOP TEN WATER CUSTOMERS	60

**EL TORO WATER DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

OUTSTANDING DEBT BY TYPE	61
DEBT SERVICE COVERAGE	62
DEMOGRAPHIC AND ECONOMIC STATISTICS – COUNTY OF ORANGE	63
PRINCIPAL EMPLOYERS	64
FULL TIME EQUIVALENT EMPLOYEES BY DEPARTMENT	65
OPERATING AND CAPACITY INDICATORS	66

INTRODUCTORY SECTION



El Toro Water District

"A District of Distinction"

Serving the Public - Respecting the Environment

November 30, 2021

Board of Directors

Mike Gaskins
President

Kathryn Freshley
Vice President

Kay Havens
Director

Mark L. Monin
Director

Jose F. Vergara
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, 2021 (FYE 2021). 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, 2021. 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, 2021 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the El Toro Water District

The El Toro Water District was formed in 1960 and serves approximately 47,900 residents of five municipalities located in southern Orange County. The District is a fully integrated water, sewer, and recycled water retail operation with a service area that includes 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 establish policy and make decisions based on the District's mission, goals, and operations. The Board's policies are administered and implemented by the General Manager, who is appointed by the Board. Public elections are held every two years and Directors serve four-year 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 auditors to focus in detail on an aspect of internal controls. Each AUP focuses on different internal control risk areas. Additionally, the District prepares a full cost of service analysis each year to determine the fairness and adequacy of its rates for the next fiscal year.

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

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 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 2021 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 managed the transition of several senior staff members by recruiting qualified successors, including a Chief Financial Officer, a new position for the District, an Operations Superintendent, and an Engineering Manager.
- Like all of its peer agencies, the District had 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.

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 2020 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 began the process of securing funding for the construction, replacement, or refurbishment of significant infrastructure and equipment by assessing various options for financing the projects.
- The District also continued its commitment to fiscal discipline by approving a budget for the 2021-2022 fiscal year that is balanced and includes funding for several significant capital projects.

Infrastructure Improvements

- During fiscal year 2020-2021 the District successfully completed the Phase II Recycled Water Project. This project expanded access to the District's recycled water used for irrigation purposes to a larger number of residences in the City of Laguna Woods, thereby reducing the consumption of potable water and improving the utilization of the water tertiary treatment plant.
- The District also successfully completed several engineering design projects including the Aeration Basin Diffuser and Ocean Outfall Pump Station Emergency Generator replacements; these projects entered into construction phase during the 2020-2021 fiscal year.
- The District began several significant projects, including the reconstruction of the Oso Lift Station as well as the engineering design for the replacement of the Reservoir 6 Cover, the R-2 recoating project, and the Grit Chamber rehabilitation project.

Significant Future Initiatives

The District is committed to providing high quality services to its customers while also maintaining the infrastructure necessary to providing its services. The challenge the District faces in the future is setting rates that are acceptable to its 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:

- One significant project that will be ongoing during the 2021-2022 fiscal year is the engineering design of the replacement of the R-6 Reservoir floating cover and liner. This will be a major construction project that will likely begin in the 2022-2023 fiscal year and 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.
- Also in FYE 2022, the District will begin the engineering design for the demolition of the old water filtration plant and the construction of an emergency operations center for the Water Emergency Response Organization of Orange County (WEROC) and a vehicle and equipment storage facility for the District.
- 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 FYE 2022.
- A significant project for the District that will occur during FYE 2022 will be the issuance of Certificates of Participation (COPs) to finance future capital projects

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, 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 all revenues from user charges and surcharges that are generated 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

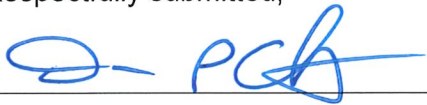
State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of CliftonAllenLarson, LLP has conducted the audit of the District's financial statements. Their unqualified Independent Auditor's 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, 2020. 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



DISTRICT OFFICIALS

Board of Directors

Mike Gaskins, President

Kathryn Freshley, Vice President

Kay Havens, Director

Mark Monin, Director

Jose Vergara, Director

District Management

Dennis P. Cafferty, General Manager

Jason Hayden, Chief Financial Officer

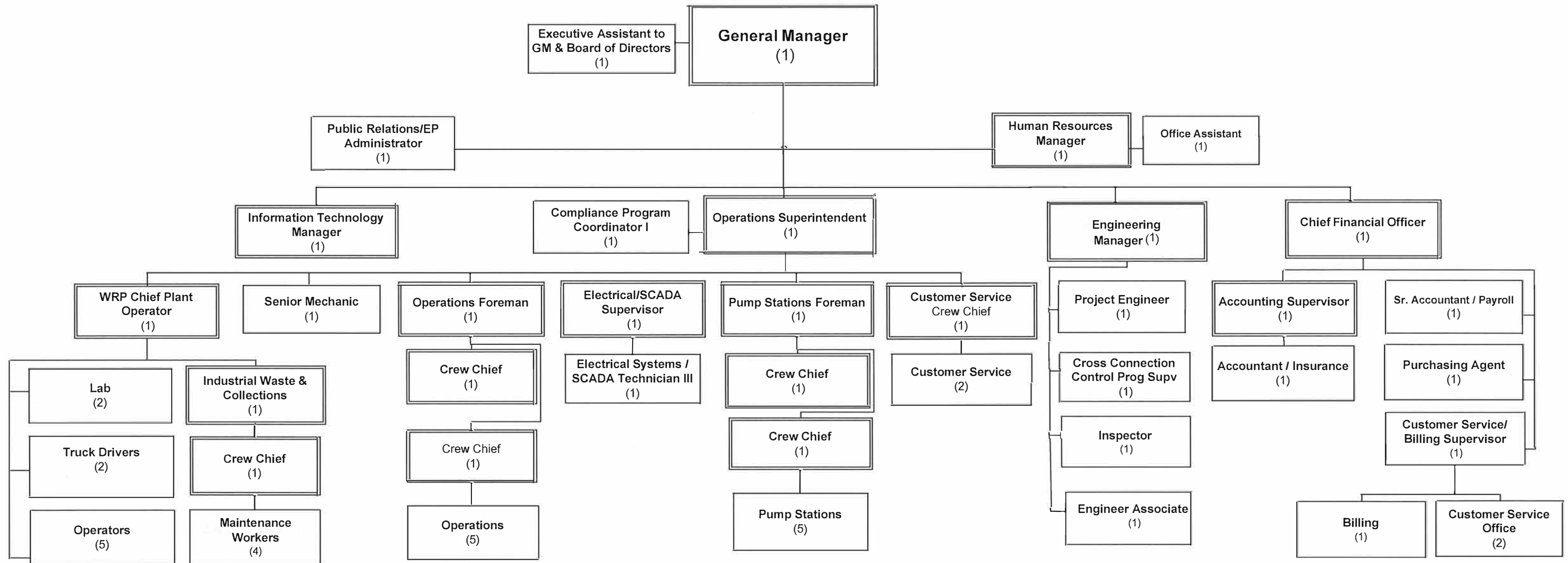
Hannah Ford, Engineering Manager

Judy Cimorell, Human Resource Manager

Michael Miazga, Information Technology Manager



EL TORO WATER DISTRICT ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**El Toro Water District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
El Toro Water District
Lake Forest, California

Report on the Financial Statements

We have audited the accompanying financial statements of the El Toro Water District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Summarized Prior-Year Comparative Information

The District's basic financial statements for the year ended June 30, 2020 were audited by White Nelson Diehl Evans LLP, whose practice became part of CliftonLarsonAllen LLP as of November 1, 2020, and whose report dated October 27, 2020, expressed an unmodified opinion on the respective financial statements of El Toro Water District from which the prior year summarized financial information was derived.

Report on 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 post-employment benefit (OPEB) liability and related ratios identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, schedule of revenue, schedule of expenses, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenue and schedule of expenses as of and for the year ended June 30, 2021, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue and schedule of expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, 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

CliftonLarsonAllen LLP

Irvine, California
November 30, 2021

**El Toro Water District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**

Management's Discussion and Analysis (MD&A) of activities and financial performance for the El Toro Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2021 (FYE 2021). We encourage readers to consider the information presented in this document in conjunction with the basic financial statements and related notes, which follow the MD&A.

Financial Highlights

- In FYE 2021, the District's net position decreased \$1,885,656 (-3.01%), from \$62,739,280 as of June 30, 2020 to \$60,853,624 as of June 30, 2021, primarily due to depreciation expense and Other Post Employment Benefits (OPEB) charges.
- In FYE 2021, the District's operating revenues increased \$1,512,649 (6%), from \$25,197,330 during the year ended June 30, 2020 to \$26,709,979 during the year ended June 30, 2021. The increase in Operating Revenues was caused by increases in every category of Operating Revenues, with significant revenue increases occurring in Water Consumption Charges and Sewer Service Charges.
- In FYE 2021, the District's operating expenses, not including depreciation expense or OPEB Charges, increased \$1,160,151 or 5.24%, primarily due to increases in Source of Supply, Pumping Operations, Treatment Operations, and Transmission & Distribution. These increases were counterbalanced to some extent by decreases in Customer Service and Administration. Depreciation expense declined in FYE 2021 but OPEB Charges increased.
- In FYE 2021, the District's Non-operating Revenues declined significantly primarily due to a decrease in Investment Income of \$402,599. This was primarily caused by lower interest rates which negatively impacted the District's investments. Non-operating expenses declined modestly as Interest Expense for the District's outstanding debt declined in accordance with the amortization schedules for the various outstanding debt issuances.

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, 2021 and includes all of the assets and liabilities of the District. The Net Position of the District is the difference between its assets plus deferred outflows of resources and its liabilities and deferred inflows of resources. The Net Position of the District is classified into three components, net investment in capital assets, restricted, and unrestricted. The Statement of Net Position can be used to evaluate the District's capital structure and assess the liquidity and financial flexibility of the District.
- The Statement of Revenues, Expenses and Changes in Net Position accounts for all of the revenues and expenses of the District during the fiscal year ended June 30, 2021. 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 final required financial statement is the Statement of Cash Flows, which 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-

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

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 FYE 2020 and FYE 2021.

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, 2021

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 ended June 30 2019, 2020, and 2021 and illustrates the changes in the Net Position that occurred between the fiscal years. The District's total Net Position equaled \$60,853,624 at the end of FYE 2021 and \$62,739,280 at the end of FYE 2020. In FYE 2021, total assets and deferred outflows of resources increased \$218,601 (0.18%), total liabilities and deferred inflows increased \$2,104,257 (3.69%) and the result of these changes was a decrease of \$1,885,656 (-3.01%) in Net Position.

Condensed Statement of Net Position							
	June 30, 2019	June 30, 2020	FYE 2019 to FYE 2020		June 30, 2021	FYE 2020 to FYE 2021	
	(FYE 2019)	(FYE 2020)	\$	%	FYE 2021	\$	%
			Change	Change		Change	Change
Assets							
Current Assets	\$ 21,703,841	\$ 22,412,049	\$ 708,208	3.26%	\$ 22,185,188	\$ (226,861)	-1.01%
Restricted Assets	2,334,664	2,273,045	(61,619)	-2.64%	2,273,045	-	0.00%
Capital Assets, Net	94,473,600	91,437,536	(3,036,064)	-3.21%	90,048,564	(1,388,972)	-1.52%
Total Assets	118,512,105	116,122,630	(2,389,475)	-2.02%	114,506,797	(1,615,833)	-1.39%
Deferred Outflows of Resources							
Deferred OPEB Outflow	3,337,168	3,634,674	297,506	8.91%	5,469,108	1,834,434	50.47%
Total Deferred Outflows of Resources	3,337,168	3,634,674	297,506	8.91%	5,469,108	1,834,434	50.47%
Total Assets & Deferred Outflows	121,849,273	119,757,304	(2,091,969)	-1.72%	119,975,905	218,601	0.18%
Liabilities							
Current Liabilities	5,058,237	5,141,973	83,736	1.63%	5,938,406	796,433	15.49%
Non-current Liabilities	52,237,988	51,876,051	(361,937)	-0.70%	52,039,964	163,913	0.32%
Total Liabilities	57,296,225	57,018,024	(278,201)	-0.49%	57,978,370	960,346	1.66%
Deferred Inflows of Resources							
Deferred Amounts from OPEB	-	-	-	n/a	1,143,911	1,143,911	n/a
Total Deferred InFlows of Resources	-	-	-	n/a	1,143,911	1,143,911	n/a
Net Position							
Net Investment in Capital Assets	56,355,138	55,476,580	(878,558)	-1.58%	56,108,404	631,824	1.14%
Restricted	2,334,664	2,273,045	(61,619)	-2.71%	2,273,045	-	0.00%
Unrestricted	5,863,246	4,989,655	(873,591)	-17.51%	2,472,175	(2,517,480)	-50.45%
Total Net Position	64,553,048	62,739,280	(1,813,768)	-2.89%	60,853,624	(1,885,656)	-3.01%
Total Liabilities, Deferred Inflows, and Net Position	\$ 121,849,273	\$ 119,757,304	\$ (2,091,969)	-1.75%	\$ 119,975,905	\$ 218,601	0.18%

The largest portion of the District's net position (92% as of June 30, 2021) 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.

At the end of FYE 2021, Restricted Net Position remained stable at \$2,273,045 and comprised 3.7% of Net Position. Restricted Net Position is legally obligated for debt service or capital projects.

At the end of FYE 2020 and FYE 2021, the District's Unrestricted Net Position equaled \$4,989,655 and \$2,472,175, respectively, a decrease of \$2,517,480 (-50.45%) during FYE 2021. This portion of Net Position is available to fund current operations in future years. The decrease in Unrestricted Net Position was caused by a combination of the significant OPEB Charges incurred in FYE 2021, reductions in long

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

term liabilities as a portion of the Unrestricted Net Position was utilized to reduce outstanding principal in FYE 2021, and an increase in the Net Position Invested in Capital Assets as the District incurred significant capital expenses in FYE 2021.

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 \$1,885,656 in FYE 2021, from \$62,739,280 at the beginning of the year to \$60,853,624 at the end of the year.

Condensed Statement of Revenues, Expenses, and Changes in Net Position								
	FYE 2019	FYE 2020	\$ Change	% Change	FYE 2021	\$ Change	% Change	
Revenues								
Operating Revenues	\$ 24,663,457	\$ 25,197,330	\$ 533,873	2.16%	\$ 26,709,979	\$ 1,512,649	6.00%	
Non-operating Revenues	2,627,873	1,744,549	(883,324)	-33.61%	1,398,283	(346,266)	-19.85%	
Total Revenues	27,291,330	26,941,879	(349,451)	-1.28%	28,108,262	1,166,383	4.33%	
Expenses								
Operating Expenses	21,549,152	22,155,520	606,368	2.81%	23,283,264	1,127,744	5.09%	
Depreciation & Amortization	4,466,431	4,483,607	17,176	0.38%	4,345,557	(138,050)	-3.08%	
OPEB Charge	913,252	1,341,903	428,651	46.94%	1,615,466	273,563	20.39%	
Non-operating Expenses	753,794	777,511	23,717	3.15%	758,339	(19,172)	-2.47%	
Total Expenses	27,682,629	28,758,541	1,075,912	3.89%	30,002,626	1,244,085	4.33%	
Net Loss prior to Capital Contributions	(391,299)	(1,816,662)	(1,425,363)	-364.26%	(1,894,364)	(77,702)	4.28%	
Capital Contributions	1,985,903	2,894	(1,983,009)	-99.85%	8,708	5,814	200.90%	
Change in Net Position	1,594,604	(1,813,768)	(3,408,372)	-213.74%	(1,885,656)	(71,888)	3.96%	
Net Position								
Beginning of year	62,958,444	64,553,048	1,594,604	2.53%	62,739,280	(1,813,768)	-2.81%	
End of Year	\$ 64,553,048	\$ 62,739,280	(1,813,768)	-2.81%	\$ 60,853,624	(1,885,656)	-3.01%	

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

As depicted in the chart below, total revenues for FYE 2021 increased \$1,166,383 (4.33%) when compared to revenues received in FYE 2020. The increase in revenues was the result of increases in Operating Revenues offset to some extent by a decrease in Non-operating Revenues. The primary causes of the increase in Operating Revenues were increases in Water Consumption Sales and Wastewater Service Charges. Both of these increases resulted from the increased sale of water as demand for water reverted to the average of years prior to FYE 2019 (water demand in FYE 2019 was below the long term average). As shown in the chart on the next page, the primary cause of the decrease in Non-operating Revenues in FYE 2021 was a significant decrease in Investment Income which was caused by the difficult investment environment for fixed income investments during FYE 2021.

Total Revenues by Major Category								
	FYE 2019	FYE 2020	Increase/(Decrease)		FYE 2021	Increase/(Decrease)		
			\$	%		\$	%	
			Change	Change		Change	Change	
Operating Revenues								
Water Consumption Sales	\$ 8,474,791	\$ 8,705,986	\$ 231,195	2.73%	\$ 9,571,562	\$ 865,576	9.94%	
Water Service Charges	4,623,068	4,977,611	354,543	7.67%	5,070,326	92,715	1.86%	
Wastewater Service Charges	10,955,238	11,044,342	89,104	0.81%	11,496,657	452,315	4.10%	
Reimbursements from Others	383,810	328,310	(55,500)	-14.46%	401,225	72,915	22.21%	
Other Charges for Services	226,303	141,018	(85,285)	-37.69%	170,209	29,191	20.70%	
Total Operating Revenues	24,663,210	25,197,267	534,057	2.17%	26,709,979	1,512,712	6.00%	
Non-operating Revenues								
Property Taxes	1,012,576	1,037,335	24,759	2.45%	1,097,589	60,254	5.81%	
Rental Revenue	204,160	242,187	38,027	18.63%	236,357	(5,830)	-2.41%	
Investment Income	500,786	424,110	(76,676)	-15.31%	21,511	(402,599)	-94.93%	
Other Non-operating revenue	910,351	40,917	(869,434)	-95.51%	42,826	1,909	4.67%	
	2,627,873	1,744,549	(883,324)	-33.61%	1,398,283	(346,266)	-19.85%	
Total Revenue	\$ 27,291,083	\$ 26,941,816	\$ (349,267)	-1.28%	\$ 28,108,262	1,166,446	4.33%	

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

In FYE 2021, Operating Expenses before OPEB Charges and Depreciation & Amortization increased 5.24%, from \$22,123,113 in FYE 2020 to \$23,283,264 in FYE 2021. The increase was caused by increases in Source of Supply, Pumping Operations, Treatment Operations, and Transmission & Distribution. These increases were offset to some extent by decreases in Customer Service and General & Administrative. OPEB Charges increased significantly (20.39%) but were somewhat offset by a decrease in Depreciation & Amortization expenses (-3%). Interest Expense decreased \$19,172 in accordance with the long term debt amortization schedules.

	Expenses							
			Increase/(Decrease)				Increase/(Decrease)	
			\$	%			\$	%
	FYE 2019	FYE 2020	Change	Change	FYE 2021	Change	Change	
Operating Expenses								
Source of Supply	\$ 7,650,468	\$ 8,085,299	\$ 434,831	5.68%	\$ 8,763,806	\$ 678,507	8.39%	
Pumping Operations	1,480,556	1,371,076	(109,480)	-7.39%	1,417,215	46,139	3.37%	
Treatment Operations	3,744,102	3,755,181	11,079	0.30%	3,951,679	196,498	5.23%	
Transmission & Distribution	4,561,123	5,144,436	583,313	12.79%	5,458,122	313,686	6.10%	
Customer Service	720,714	602,925	(117,789)	-16.34%	533,039	(69,886)	-11.59%	
General & Administrative	3,392,189	3,164,196	(227,993)	-6.72%	3,159,403	(4,793)	-0.15%	
Sub-total Operating Expenses	21,549,152	22,123,113	573,961	2.66%	23,283,264	1,160,151	5.24%	
OPEB Charges	913,252	1,341,903	428,651	46.94%	1,615,466	273,563	20.39%	
Depreciation & Amortization	4,466,431	4,483,607	17,176	0.38%	4,345,557	(138,050)	-3.08%	
Total Operating Expenses	26,928,835	27,948,623	1,019,788	3.79%	29,244,287	1,295,664	4.64%	
Non-operating Expenses								
Interest Expense	753,794	777,511	23,717	3.15%	758,339	(19,172)	-2.47%	
	753,794	777,511	23,717	3.15%	758,339	(19,172)	-2.47%	
Total Expenses	\$ 27,682,629	\$ 28,726,134	\$ 1,043,505	3.77%	\$ 30,002,626	\$ 1,276,492	4.44%	

El Toro Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

Capital Assets

Capital asset balances were as follows:

Capital Assets							
			Increase/(Decrease)			Increase/(Decrease)	
	FYE 2019	FYE 2020	\$	%	FYE 2021	\$	%
			Change	Change		Change	Change
Capital Assets							
Non-depreciable Assets	\$ 14,290,118	\$ 8,244,889	\$ (6,045,229)	-42.30%	\$ 10,515,919	\$ 2,271,030	27.54%
Depreciable Assets	155,531,931	163,024,703	7,492,772	4.82%	163,476,816	452,113	0.28%
Accumulated Depreciation	(75,348,449)	(79,832,056)	(4,483,607)	5.95%	(83,944,171)	(4,112,115)	5.15%
Total Capital Assets, Net	94,473,600	91,437,536	(3,036,064)	-3.21%	90,048,564	(1,388,972)	-1.52%
Net Liabilities for Capital Assets							
Loans Payable - Current	(2,173,133)	(2,203,943)	(30,810)	1.42%	(2,249,058)	(45,115)	2.05%
Loans Payable Non-Current	(35,945,329)	(33,747,566)	2,197,763	-6.11%	(31,504,688)	2,242,878	-6.65%
Retention	-	-	-	n/a	(101,805)	(101,805)	n/a
Accounts Payable for Construction	-	-	-	n/a	(84,609)	(84,609)	n/a
Total Net Liabilities	(38,118,462)	(35,951,509)	2,166,953	-5.68%	(33,940,160)	2,011,349	-5.59%
Net Investments in Capital Assets	\$ 56,355,138	\$ 55,486,027	\$ (869,111)	-1.54%	\$ 56,108,404	\$ 622,377	1.12%

At the end of fiscal years 2020 and 2021, the District's investment in capital assets amounted to \$55,486,027 and \$56,108,359 (net of accumulated depreciation), 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 increase in FYE 2021 was primarily caused by an increase in Non-depreciable assets as a significant amount was added to Construction in Progress in FYE 2021. During FYE 2021, the District was engaged in a significant infrastructure improvement project, the reconstruction of the Oso Lift Station, but the project was not quite complete at the end of the fiscal year. It was therefore included in Construction in Progress at the end of FYE 2021, it is anticipated this project will be complete in FYE 2022 and will be moved to Depreciable Assets at the end of that fiscal year.

Debt Administration

Long-term debt balances were as follows:

Summary of Outstanding Debt							
			Increase/(Decrease)			Increase/(Decrease)	
	FYE 2019	FYE 2020	\$	%	FYE 2021	\$	%
			Change	Change		Change	Change
Loans Payable							
Main Extension Contract	\$ 6,180	\$ 6,180	\$ -	0.00%	\$ 6,180	\$ -	0.00%
SRF Loan - 2010	2,798,794	2,616,216	(182,578)	-6.52%	2,428,708	(187,508)	-7.17%
SRF Loan - 2013	22,290,739	21,066,724	(1,224,015)	-5.49%	19,821,900	(1,244,824)	-5.91%
Baker Water Treatment Plant	8,936,967	8,529,750	(407,217)	-4.56%	8,109,910	(419,840)	-4.92%
SRF Loan - 2018	4,085,782	3,732,639	(353,143)	-8.64%	3,387,048	(345,591)	-9.26%
Total Expenses	\$ 38,118,462	\$ 35,951,509	\$ (2,166,953)	-6.03%	\$ 33,753,746	\$ (2,197,763)	-6.51%

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, 2021

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.

EL TORO WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	2021	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 9,044,411	\$ 15,069,523
Investments	8,632,207	3,762,975
Receivables, Net:		
Water Sales and Sewer Services	3,542,589	2,603,631
Miscellaneous	63,487	43,807
Interest	14,611	46,909
Taxes	13,190	12,576
Other	23,551	17,880
Materials and Supply Inventory	714,750	698,778
Prepaid Expenses	136,392	155,970
Restricted - Cash and Cash Equivalents	2,273,045	2,273,045
Total Current Assets	<u>24,458,233</u>	<u>24,685,094</u>
Noncurrent Assets:		
Capital Assets		
Nondepreciable	10,515,919	8,244,889
Depreciable, Net of Accumulated Depreciation	79,532,645	83,192,647
Total Noncurrent Assets	<u>90,048,564</u>	<u>91,437,536</u>
Total Assets	<u>114,506,797</u>	<u>116,122,630</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-Related Deferred Outflows of Resources	5,469,108	3,634,674
Total Deferred Outflows of Resources	<u>5,469,108</u>	<u>3,634,674</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	2,834,557	2,115,283
Accrued Salaries and Related Payables	355,292	301,818
Customer Deposits	44,313	52,753
Accrued Interest Payable	272,010	270,321
Long-Term Liabilities - Due Within One Year		
Compensated Absences	183,176	197,855
Loans Payable	2,249,058	2,203,943
Total Current Liabilities	<u>5,938,406</u>	<u>5,141,973</u>
Noncurrent Liabilities:		
Long-Term Liabilities - Due in More than One Year:		
Compensated Absences	1,385,408	1,284,606
Total Other Post-Employment Benefits Liability	19,149,868	16,843,879
Loans Payable	31,504,688	33,747,566
Total Noncurrent Liabilities	<u>52,039,964</u>	<u>51,876,051</u>
Total Liabilities	<u>57,978,370</u>	<u>57,018,024</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts from OPEB	1,143,911	-
Total Deferred Inflows of Resources	<u>1,143,911</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	56,108,404	55,476,580
Restricted - Capital Projects	2,895	2,895
Restricted - Debt Service	2,270,150	2,270,150
Unrestricted	2,472,175	4,989,655
Total Net Position	<u>\$ 60,853,624</u>	<u>\$ 62,739,280</u>

See accompanying Notes to Basic Financial Statements.

EL TORO WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
OPERATING REVENUES		
Water Consumption Sales	\$ 9,571,562	\$ 8,705,986
Water Service Charges	5,070,326	4,977,611
Sewer Service Charges	11,496,657	11,044,342
Reimbursements from Others	401,225	328,310
Other Charges for Service	170,209	141,081
Total Operating Revenues	<u>26,709,979</u>	<u>25,197,330</u>
OPERATING EXPENSES		
Source of Supply	8,763,806	8,085,299
Pumping	1,417,215	1,359,915
Treatment	3,951,679	3,763,671
Transmission and Distribution	5,458,122	5,178,966
Customer Service	533,039	603,473
General and Administrative	4,774,869	4,506,099
Depreciation and Amortization	4,345,557	4,483,607
Total Operating Expenses	<u>29,244,287</u>	<u>27,981,030</u>
OPERATING LOSS	(2,534,308)	(2,783,700)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	1,097,589	1,037,335
Rental Revenue	236,357	242,187
Investment Earnings	21,511	424,110
Interest Expense	(758,339)	(777,511)
Other Nonoperating Revenue	42,826	40,917
Total Nonoperating Revenues (Expenses)	<u>639,944</u>	<u>967,038</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,894,364)	(1,816,662)
CAPITAL CONTRIBUTIONS	<u>8,708</u>	<u>2,894</u>
CHANGES IN NET POSITION	(1,885,656)	(1,813,768)
Net Position - Beginning of Year	<u>62,739,280</u>	<u>64,553,048</u>
NET POSITION - END OF YEAR	<u><u>\$ 60,853,624</u></u>	<u><u>\$ 62,739,280</u></u>

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers for Water Sales and Services	\$ 25,827,754	\$ 25,664,143
Payments to Suppliers for Operations	(19,428,999)	(18,894,425)
Payments to Employees for Salaries and Wages	(3,019,806)	(3,075,111)
Net Cash Provided by Operating Activities	<u>3,378,949</u>	<u>3,694,607</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Property Taxes	1,096,975	1,034,056
Other Revenue (Expense)	(19,680)	102,350
Net Cash Provided by Noncapital and Related Financing Activities	<u>1,077,295</u>	<u>1,136,406</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets, Net	(2,956,585)	(1,447,543)
Repayment of Long-Term Debt	(2,197,763)	(2,166,953)
Interest Payments	(756,650)	(787,458)
Capital Contributions	8,708	2,894
Net Cash Used by Capital and Related Financing Activities	<u>(5,902,290)</u>	<u>(4,399,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Investments	3,924,497	7,748,552
Purchases of Investments	(8,793,729)	(3,897,896)
Proceeds from Investment Earnings	53,809	466,922
Proceeds from Rental Income	236,357	242,187
Net Cash Provided (Used) by Investing Activities	<u>(4,579,066)</u>	<u>4,559,765</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,025,112)	4,991,718
Cash and Cash Equivalents - Beginning of Year	<u>17,342,568</u>	<u>12,350,850</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 11,317,456</u>	<u>\$ 17,342,568</u>
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 9,044,411	\$ 15,069,523
Restricted - Cash and Cash Equivalents	2,273,045	2,273,045
Total Cash and Investments	<u>\$ 11,317,456</u>	<u>\$ 17,342,568</u>

See accompanying Notes to Basic Financial Statements.

EL TORO WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (2,534,308)	\$ (2,783,700)
Adjustment to Reconcile Operating Loss to Net		
Cash Provided by Operating Activities:		
Depreciation	4,345,557	4,483,607
Other Nonoperating Revenue	42,826	40,917
(Increase) Decrease in Assets:		
Accounts Receivable - Sales and Services	(938,958)	489,169
Accounts Receivable - Other	(5,671)	(10,271)
Inventories	(15,972)	(73,306)
Prepaid Expenses	19,578	(53,002)
Deferred Outflow - OPEB	(1,834,434)	(297,506)
Increase (Decrease) in Liabilities:		
Accounts Payable	719,274	139,586
Accrued Payroll Liabilities	53,474	55,020
Deposits	(8,440)	(1,788)
Compensated Absences	86,123	66,472
Total OPEB Liability	2,305,989	1,639,409
Deferred Inflow - OPEB	1,143,911	-
Total Adjustments	<u>5,913,257</u>	<u>6,478,307</u>
Net Cash Provided by Operating Activities	<u>\$ 3,378,949</u>	<u>\$ 3,694,607</u>

See accompanying Notes to Basic Financial Statements.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 that has substantively the same governing body as the District's governing body, and additionally, 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 Public Facilities Corporation (the Corporation) was organized on May 21, 1993, pursuant to the Non-Profit Public Benefit Corporation Law of the state of California (Title 1, Division 2, Part 2 of the California Corporation Code), solely for the purpose of providing financial assistance to the District. The Corporation, an entity legally separate from the District, is governed by substantially all the board members of the District. The Corporation is inactive at this time.

B. Basic Financial Statements

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

C. Basis of Presentation

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

E. Cash and Cash Equivalents

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

F. Investments and Investment Policy

The District has adopted an investment policy directing the District's General Manager or Controller 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.

G. Restricted Assets

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

H. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Management evaluates all accounts receivable and if it is determined that they are uncollectible, they are written off as bad debt expense. A charge of \$18,672 was made to bad debt expense for the year ended June 30, 2021.

EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

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

J. Materials and Supplies Inventory

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

K. Property Taxes

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

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

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

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

Building	25 – 40 Years
Vehicles	5 – 25 Years
Office Furniture and Equipment	5 – 10 Years
Computer Software	5 – 10 Years
Land Improvements	12 – 50 Years
Water Facilities:	
Reservoir	100 Years
Transmission and Distribution	20 – 60 Years
Filtration Plant	30 – 40 Years
Other Plant and Equipment	5 – 15 Years
Sanitation Facilities:	
Collection and Transmission	15 – 50 Years
Treatment and Disposal Plant	15 – 30 Years
Other Plant and Equipment	5 – 15 years

M. Deferred Outflows/Inflows of Resources

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

- Deferred outflows related to other 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, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

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

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

- Deferred inflows related to OPEB for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan.

N. Compensated Absences

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

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

O. Net Position

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

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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.

P. Water Sales and Sewer Services

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

Q. Capital Contributions

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

R. Prior Year Data and Reclassifications

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's prior-year financial statements from which this selected financial data was derived. Certain amounts in the June 30, 2020 balances have been reclassified for comparative purposes to conform to the presentation of the June 30, 2021 financial statements. There was no change in reported net income or net position related to these reclassifications.

S. Use of Estimates

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

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS

Cash and Investments

At June 30, 2021, cash and investments were classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$ 9,044,411
Investments	8,632,207
Restricted - Cash and Cash Equivalents	2,273,045
Total	<u>\$ 19,949,663</u>

At June 30, 2021, cash and investments consisted of the following:

Cash on Hand	\$ 700
Demand Deposits Held with Financial Institutions	3,117,467
Investments	16,831,496
Total	<u>\$ 19,949,663</u>

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

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

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

N/A - Not applicable

EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021.

Investment Type	Remaining Maturity (in Months)			
	12 Months or Less	13 to 24 Months	25 to 60 Months	Total
U.S. Treasury Obligations	\$ 508,125	\$ 3,666,242	\$ 1,584,141	\$ 5,758,508
Government-Sponsored Entities Securities	1,252	229,724	482,016	712,992
Supranationals	-	134,672	-	134,672
Municipal Bonds	-	-	19,959	19,959
Corporate Medium-Term Notes	-	-	1,067,103	1,067,103
Commercial Paper	384,880	-	-	384,880
Negotiable Certificates of Deposit	190,092	-	-	190,092
Asset-Backed Securities	-	10,498	353,503	364,001
LAIF	7,278,185	-	-	7,278,185
CAMP - Money Market	921,104	-	-	921,104
Total	<u>\$ 9,283,638</u>	<u>\$ 4,041,136</u>	<u>\$ 3,506,722</u>	<u>\$ 16,831,496</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, 2021, for each investment type.

Investment Type	Minimum Legal Rating	Total as of June 30, 2021	Not Rated	Aaa	Aa	A	P1
U.S. Treasury Obligations	N/A	\$ 5,758,508	\$ -	\$ 5,758,508	\$ -	\$ -	\$ -
Government-Sponsored Entities Securities	AA	712,992	-	712,992	-	-	-
Supranationals	AA	134,672	-	134,672	-	-	-
Municipal Bonds	A	19,959	-	-	-	19,959	-
Corporate Medium-Term Notes	A	1,067,103	-	-	42,765	1,024,338	-
Commercial Paper		384,880					384,880
Negotiable Certificates of Deposit	AA	190,092	-	-	-	-	190,092
Asset-Backed Securities	AA	364,001	105,001	259,000	-	-	-
LAIF	N/A	7,278,185	7,278,185	-	-	-	-
CAMP - Money Market	N/A	921,104	921,104	-	-	-	-
Total		<u>\$ 16,831,496</u>	<u>\$ 8,304,290</u>	<u>\$ 6,865,172</u>	<u>\$ 42,765</u>	<u>\$ 1,044,297</u>	<u>\$ 574,972</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, 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, 2021**

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, 2021	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Obligations	\$ -	\$ 5,758,508	\$ -	\$ 5,758,508
Government-Sponsored Entities				
Securities	-	712,992	-	712,992
Supranationals	-	134,672	-	134,672
Municipal Bonds	-	19,959	-	19,959
Corporate Medium-Term Notes	-	1,067,103	-	1,067,103
Commercial Paper	-	384,880	-	384,880
Negotiable Certificates of Deposit	-	190,092	-	190,092
Asset-Backed Securities	-	364,001	-	364,001
Total Leveled Investments	<u>\$ -</u>	<u>\$ 8,632,207</u>	<u>\$ -</u>	8,632,207
LAIF*				7,278,185
CAMP - Money Market*				921,104
Total Investments				<u>\$ 16,831,496</u>

* Not subject to fair value measurement hierarchy.

EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, is as follows:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, not Depreciated:				
Land, Mineral, and Water Rights	\$ 7,451,586	\$ -	\$ -	\$ 7,451,586
Construction in Progress	793,303	2,964,999	(693,969)	3,064,333
Total Capital Assets, not Depreciated	8,244,889	2,964,999	(693,969)	10,515,919
Capital Assets, Being Depreciated:				
Capacity Rights	342,382	-	-	342,382
Source of Supply	19,985,656	9,019	-	19,994,675
Pumping	22,212,785	99,764	(80,426)	22,232,123
Treatment	40,565,475	100,749	-	40,666,224
Transmission and Collection	65,370,618	107,488	-	65,478,106
General Plant Facilities	14,547,787	368,535	(153,016)	14,763,306
Total Capital Assets, Being Depreciated	163,024,703	685,555	(233,442)	163,476,816
Less Accumulated Depreciation for:				
Capacity Rights	(246,541)	(6,846)	-	(253,387)
Source of Supply	(11,533,292)	(386,069)	-	(11,919,361)
Pumping	(13,322,797)	(908,837)	80,426	(14,151,208)
Treatment	(28,561,090)	(1,231,914)	-	(29,793,004)
Transmission and Collection	(14,070,400)	(1,315,438)	-	(15,385,838)
General Plant Facilities	(12,097,936)	(496,453)	153,016	(12,441,373)
Total Accumulated Depreciation	(79,832,056)	(4,345,557)	233,442	(83,944,171)
Total Capital Assets, Being Depreciated, Net	83,192,647	(3,660,002)	-	79,532,645
Total Capital Assets, Net	\$ 91,437,536	\$ (695,003)	\$ (693,969)	\$ 90,048,564

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 \$3,064,333 as of June 30, 2021.

Construction in progress consisted of the following projects as of June 30, 2021:

Project Description	2021
Oso Lift Station Improvement	\$ 2,176,595
Recycled Water Distribution System Expansion	344,315
Filter Plant Site Use Plan	127,246
Various Other Minor Projects <\$100,000	416,177
Total Construction in Progress	\$ 3,064,333

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 COMPENSATED ABSENCES

A summary of changes to compensated absences for the year ended June 30, 2021, is as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Current Portion	Noncurrent Portion
\$ 1,482,461	\$ 580,276	\$ (494,153)	\$ 1,568,584	\$ 183,176	\$ 1,385,408

NOTE 5 LONG-TERM DEBT

The following is a summary of long-term liabilities at June 30, 2021:

	July 1, 2020	Additions	Deletions	June 30, 2021	One Year	Than One Year
Direct Borrowings:						
Loans Payable:						
Main Extension Contract	\$ 6,180	\$ -	\$ -	\$ 6,180	\$ 6,180	\$ -
SRF Loan - 2010	2,616,216	-	(187,508)	2,428,708	192,571	2,236,137
SRF Loan - 2013	21,066,724	-	(1,244,824)	19,821,900	1,265,986	18,555,914
Baker Water Treatment Plant - Refinance Loan	8,529,750	-	(419,840)	8,109,910	432,855	7,677,055
SRF Loan - 2018	3,732,639	-	(345,591)	3,387,048	351,466	3,035,582
Total Loans Payable	<u>\$ 35,951,509</u>	<u>\$ -</u>	<u>\$ (2,197,763)</u>	<u>\$ 33,753,746</u>	<u>\$ 2,249,058</u>	<u>\$ 31,504,688</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, 2021 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 is scheduled to mature in 2032. Principal and interest are payable annually at the interest rate of 2.70%.

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 192,571	\$ 65,575	\$ 258,146
2023	197,770	60,376	258,146
2024	203,110	55,036	258,146
2025	208,594	49,552	258,146
2026	214,226	43,920	258,146
2027 - 2032	1,412,437	136,436	1,548,873
Total	<u>\$ 2,428,708</u>	<u>\$ 410,895</u>	<u>\$ 2,839,603</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 LONG-TERM DEBT (CONTINUED)

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 is scheduled to mature in 2035. Principal and interest are payable annually at the interest rate of 1.70%.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,265,986	\$ 336,972	\$ 1,602,958
2023	1,287,507	315,451	1,602,958
2024	1,309,395	293,563	1,602,958
2025	1,331,655	271,303	1,602,958
2026	1,354,293	248,665	1,602,958
2027 - 2031	7,124,738	890,052	8,014,790
2032 - 2035	6,148,326	265,116	6,413,442
Total	<u>\$ 19,821,900</u>	<u>\$ 2,621,122</u>	<u>\$ 22,443,022</u>

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>
2022	\$ 432,855	\$ 251,407	\$ 684,262
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 - 2031	2,682,429	738,884	3,421,313
2032 - 2036	3,124,795	296,518	3,421,313
Total	<u>\$ 8,109,910</u>	<u>\$ 2,154,028</u>	<u>\$ 10,263,938</u>

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 LONG-TERM DEBT (CONTINUED)

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 is scheduled to mature in 2030. Principal and interest are payable annually at the interest rate of 1.70%.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 351,466	\$ 57,580	\$ 409,046
2023	357,441	51,605	409,046
2024	363,518	45,528	409,046
2025	369,698	39,349	409,047
2026	375,982	33,064	409,046
2027 - 2030	1,568,943	67,242	1,636,185
Total	<u>\$ 3,387,048</u>	<u>\$ 294,368</u>	<u>\$ 3,681,416</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 \$972,682 as of June 30, 2021.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020, 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, 2020, was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020.
Measurement Date	June 30, 2020
Actuarial Assumptions:	
Discount Rate	2.21%
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, 2021**

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, 2021, the District made payments of \$280,577 for premiums and the implied subsidy was \$30,548, thereby resulting in payments of \$311,125.

Discount Rate

The discount rate used to measure the 2020 total OPEB liability was 2.21%. 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, 2020:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.31%)
Total OPEB Liability at June 30, 2020	\$ 22,705,271	\$ 19,149,868	\$ 16,337,176

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, 2020:

	1% Decrease	Healthcare Cost Trend Rates (a)	1% Increase
Total OPEB Liability at June 30, 2020	\$ 16,064,425	\$ 19,149,868	\$ 23,103,282

- (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, 2021**

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Change in Total OPEB Liability

A summary of change in total OPEB liability for the measurement date June 30, 2020, is as follows:

Balance at June 30, 2019 (Measurement Date)	\$ 16,843,879
Changes in the Year:	
Service Cost	468,321
Interest on the Total OPEB Liability	600,602
Differences Between Actual and Expected Experience	(1,334,563)
Changes in Assumptions	2,875,924
Benefit Payments	(304,295)
Net Changes	<u>2,305,989</u>
Balance at June 30, 2020 (Measurement Date)	<u><u>\$ 19,149,868</u></u>

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

For the year ended June 30, 2021, OPEB expense in the amount of \$1,926,591 is included in the accompanying statement of revenues, expenses and changes in net position. For the year ended June 30, 2021, 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	\$ 311,125	\$ -
Differences Between Actual and Expected Experience	564,234	(1,143,911)
Change in Assumptions	4,593,749	-
Total	<u><u>\$ 5,469,108</u></u>	<u><u>\$ (1,143,911)</u></u>

The \$311,125 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, 2020, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020, are recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 857,668
2023	857,668
2024	857,668
2025	857,666
2026	350,207
Thereafter	233,195

Change of Assumptions

The following assumptions were changed from the June 30, 2018 actuarial valuation to the June 30, 2020 actuarial valuation: (1) mortality improvement scale was updated from Scale MP-2018 to Scale MP-2020, (2) discount rate was updated from 3.50% to 2.21% and (3) healthcare trend changed from 7.50% non-Medicare and 6.50% Medicare to 7.00% non-Medicare and 6.1% Medicare (non-Kaiser) and 5% Medicare (Kaiser).

NOTE 8 NET POSITION

Net investment in capital assets at June 30, 2021, consisted of the following:

Capital Assets - Not Being Depreciated	\$ 10,515,919
Capital Assets, Net - Being Depreciated	79,532,645
Loans Payable - Current	(2,249,058)
Loans Payable - Noncurrent	(31,504,688)
Retention	(101,805)
Accounts Payable for Construction Projects	(84,609)
Net Investment in Capital Assets	<u>\$ 56,108,404</u>

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the 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, 2021, the District participated in the liability and property programs of the ACWA/JPIA as follows:

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 RISK MANAGEMENT (CONTINUED)

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), subsidence (\$35 million), lead (\$35 million), and mold (\$35 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 \$50,874,753. 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 \$50,000 per occurrence based on annual revenues.
- Fiduciary liability coverage of up to \$3,000,000 with a deductible of \$5,000 for claims resulting from a breach in fiduciary duty associated with its retirement pension plan.

Settled claims have not exceeded any of the coverage amounts, and there were no reductions in the District's insurance coverage during the year ended June 30, 2021. 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, 2021.

**EL TORO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 COMMITMENTS AND CONTINGENCIES

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions. As of June 30, 2021, the District had engineering design and construction commitments of approximately \$556,000.

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	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:				
Service Cost	\$ 468,321	\$ 410,098	\$ 267,270	\$ 260,117
Interest on Total OPEB Liability	600,602	598,626	430,926	409,009
Differences Between Actual and Expected Experience	(1,334,563)	-	987,411	-
Assumption Changes	2,875,924	923,090	2,564,813	-
Benefit Payments	(304,295)	(292,405)	(237,713)	(228,570)
Net Change in Total OPEB Liability	2,305,989	1,639,409	4,012,707	440,556
Total OPEB Liability - Beginning of Year	16,843,879	15,204,470	11,191,763	10,751,207
Total OPEB Liability - End of Year (a)	<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%
Covered - Employee Payroll	\$ 5,980,908	\$ 5,889,881	\$ 5,709,337	\$ 5,696,461
Total OPEB Liability as Percentage of Covered - Employee Payroll	320.18%	285.98%	266.31%	196.47%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

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

SUPPLEMENTARY INFORMATION

EL TORO WATER DISTRICT
SCHEDULE OF REVENUE BY CATEGORY
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

OPERATING REVENUES	<u>2021</u>	<u>2020</u>
Water Consumption Sales		
Unrestricted	\$ 8,824,016	\$ 8,066,268
Restricted - Conservation	100,000	100,000
Restricted - Recycled Water	<u>647,546</u>	<u>539,718</u>
Total Water Consumption Sales	9,571,562	8,705,986
Water Service Charges		
Operations & Maintenance	3,805,648	3,695,636
Capital Replacement & Refurbishment	<u>1,264,678</u>	<u>1,281,975</u>
Total Water Service Charges	5,070,326	4,977,611
Sewer Service Charges		
Wastewater Service Charges		
Operations & Maintenance	7,549,752	7,705,618
Capital Replacement & Refurbishment	1,605,820	1,606,851
Recycled Consumption Sales	1,898,113	1,355,119
Recycled Service Charges		
Operations & Maintenance	308,199	258,409
Capital Replacement & Refurbishment	<u>134,773</u>	<u>118,345</u>
Total Sewer Service Charges	11,496,657	11,044,342
Reimbursements from Others		
Recycled Water Rebates	270,175	217,125
Shared Facility Charges	<u>131,050</u>	<u>111,185</u>
Total Reimbursements from Others	401,225	328,310
Other Charges for Service		
Miscellaneous Revenue	104,198	16,542
Miscellaneous Charges for Service	10,975	27,435
Refunds/Rebates	<u>55,036</u>	<u>97,104</u>
Total Other Charges for Service	170,209	141,081
TOTAL OPERATING REVENUES	26,709,979	25,197,330
NONOPERATING REVENUES		
Property Taxes		
Water System	439,052	479,696
Wastewater System	570,730	474,652
Recycled Water System	87,807	82,987
Rental Revenue	236,357	242,187
Investment Income	21,511	424,110
Other Non-Operating Revenue	<u>42,826</u>	<u>40,917</u>
TOTAL NONOPERATING REVENUES	1,398,283	1,744,549
TOTAL REVENUE	<u>\$ 28,108,262</u>	<u>\$ 26,941,879</u>

EL TORO WATER DISTRICT
SCHEDULE OF EXPENSES BY CATEGORY
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

OPERATING EXPENSES	<u>2021</u>	<u>2020</u>
Source of Supply	\$ 8,763,806	\$ 8,085,299
Pumping		
Water System	841,888	788,663
Wastewater System	<u>575,327</u>	<u>571,252</u>
Total Pumping	1,417,215	1,359,915
Treatment		
Water System	47,884	56,226
Wastewater System	3,524,731	3,332,452
Recycled System	<u>379,064</u>	<u>374,993</u>
Total Treatment	3,951,679	3,763,671
Transmission & Distribution		
Water System	2,036,245	2,149,885
Wastewater System	750,678	644,381
Recycled System	2,580	-
Operations Support	<u>2,668,619</u>	<u>2,384,700</u>
Total Transmission & Distribution	5,458,122	5,178,966
Customer Service	533,039	603,473
General & Administrative		
Administration	3,159,403	3,164,196
OPEB Charges	<u>1,615,466</u>	<u>1,341,903</u>
Total General & Administrative	4,774,869	4,506,099
Depreciation & Amortization	<u>4,345,557</u>	<u>4,483,607</u>
TOTAL OPERATING EXPENSES	29,244,287	27,981,030
NONOPERATING EXPENSES		
Interest Expense	<u>758,339</u>	<u>777,511</u>
TOTAL NONOPERATING EXPENSES	758,339	777,511
TOTAL EXPENSES	<u><u>\$ 30,002,626</u></u>	<u><u>\$ 28,758,541</u></u>

STATISTICAL SECTION (UNAUDITED)

**EL TORO WATER DISTRICT
INDEX TO STATISTICAL SECTION
YEARS ENDED JUNE 30, 2021**

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

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

	Fiscal Year				
	2012	2013	2014	2015	2016
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 21,323,356	\$ 22,592,576	\$ 23,188,691	\$ 23,124,200	\$ 22,516,781
Operating expenses ^(see Schedule 3)	(22,010,956)	(22,785,966)	(24,484,521)	(24,469,909)	(23,990,984)
Operating income (loss)	(687,600)	(193,390)	(1,295,830)	(1,345,709)	(1,474,203)
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	691,377	753,865	774,568	815,554	843,301
Rental revenue	-	-	165,282 (2)	246,196	172,665
Investment earnings	208,446	124,439	51,881	76,804	147,447
Interest expense	(487,724)	(327,684)	(185,655)	(132,375)	(397,680)
Other non-operating revenues	527,254	463,981	56,564	218,824	188,701
Other non-operating expenses	-	(1,571,619) (1)	-	-	-
Total non-operating revenues(expenses), net	939,353	(557,018)	862,640	1,225,003	954,434
Net income before capital contributions	251,753	(750,408)	(433,190)	(120,706)	(519,769)
Capital contributions	124,071	3,092,146	1,648,257	-	577,471
Changes in net position	\$ 375,824	\$ 2,341,738	\$ 1,215,067	\$ (120,706)	\$ 57,702
Net position by component:					
Net investment in capital assets	\$ 45,207,184	\$ 53,386,647	\$ 57,218,606	\$ 52,204,625	\$ 57,306,311
Restricted:					
Debt Service	3,888,332	3,326,941	2,772,564	2,285,068	1,602,958
Capital Projects	1,221,358	29,640	83,771	571,268	577,471
Total restricted	5,109,690	3,356,581	2,856,335	2,856,336	2,180,429
Unrestricted	15,723,773	11,639,157	9,522,511	14,415,785	10,047,708
Total net position	\$ 66,040,647	\$ 68,382,385	\$ 69,597,452	\$ 69,476,746	\$ 69,534,448

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

	Fiscal Year				
	2017	2018	2019	2020	2021
Changes in net position:					
Operating revenues ^(see Schedule 2)	\$ 24,032,874	\$ 25,445,261	\$ 24,663,457	\$ 25,197,330	\$ 26,709,979
Operating expenses ^(see Schedule 3)	(25,287,726)	(26,859,040)	(26,928,835)	(27,981,030)	(29,244,287)
Operating income (loss)	(1,254,852)	(1,413,779)	(2,265,378)	(2,783,700)	(2,534,308)
Non-operating revenues (expenses)					
Property Taxes Ad-Valorem	888,973	927,672	1,012,576	1,037,335	1,097,589
Rental revenue	181,491	188,183	204,160	242,187	236,357
Investment earnings	75,113	124,001	500,786 (5)	424,110	21,511
Interest expense	(706,683) (3)	(790,753)	(753,794)	(777,511)	(758,339)
Other non-operating revenues	152,710	59,653	910,351 (6)	40,917	42,826
Other non-operating expenses	-	-	-	-	-
Total non-operating revenues(expenses), net	591,604	508,756	1,874,079	967,038	639,944
Net income before capital contributions	(663,248)	(905,023)	(391,299)	(1,816,662)	(1,894,364)
Capital contributions	85,821	45,853	1,985,903	2,894	8,708
Changes in net position	\$ (577,427)	\$ (859,170)	\$ 1,594,604	\$ (1,813,768)	\$ (1,885,656)
Net position by component:					
Net investment in capital assets	\$ 57,194,565	\$ 60,300,968	\$ 56,355,138	\$ 55,486,027	\$ 56,108,404
Restricted:					
Debt Service	1,602,958	1,602,958	2,012,004	2,270,150	2,270,150
Capital Projects	23,081	45,853	64,514	2,895	2,895
Total restricted	1,626,039	1,648,811	2,076,518	2,273,045	2,273,045
Unrestricted	10,136,417	1,008,665 (4)	6,121,392 (4)	4,980,208	2,472,175
Total net position	\$ 68,957,021	\$ 62,958,444	\$ 64,553,048	\$ 62,739,280	\$ 60,853,624

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

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

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

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

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

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

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

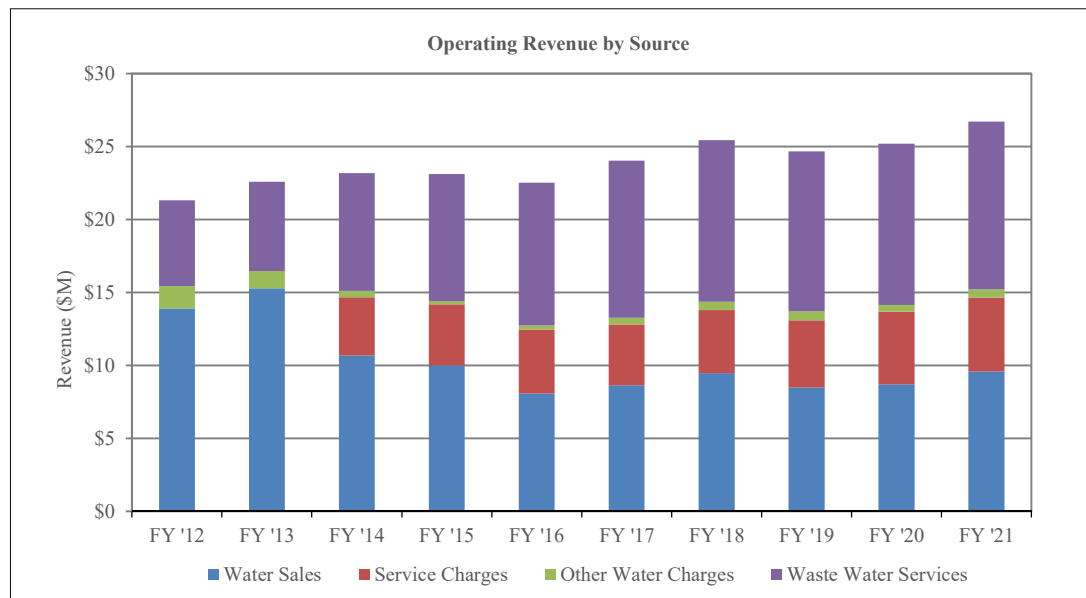
Fiscal Year	Water Sales	Service Charges	Other Water Charges	Waste Water Services	Total Operating Revenue
2012	13,902,298	-	1,538,758	5,882,300	21,323,356
2013	15,293,372	-	1,169,883	6,129,321	22,592,576
2014	10,687,396	3,979,752 (1)	443,673 (2)	8,077,870	23,188,691
2015	9,998,985	4,183,699	216,108	8,725,408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

Other Water Charges - by Category

Fiscal Year	Standby Charge	Reimbursement	Other	Total Other Water Charges
2012	970,517	171,014	397,227	1,538,758
2013	984,847	117,364	67,672	1,169,883
2014	10,623	124,353	308,697	443,673
2015	4,818 (2)	116,957	94,333	216,108
2016	3,292	233,000	58,037	294,329
2017	1,525	331,179	127,222	459,926
2018	418	403,445	170,781	574,644
2019	247	383,810	226,303	610,360
2020	63	328,310	141,018	469,391
2021	-	401,225	170,209	571,434

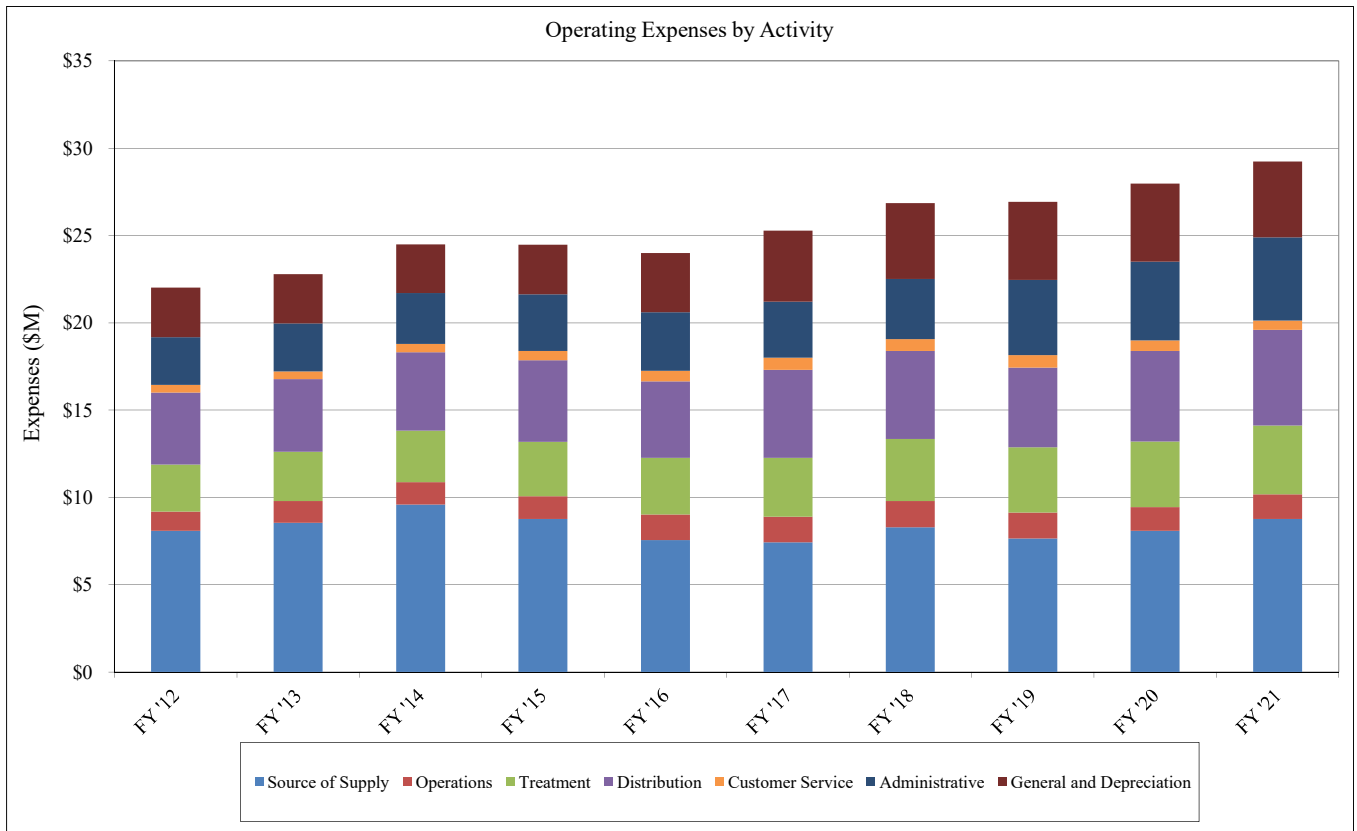
(1) Starting in 2014, Service Charge Revenues was separated from Water Sales Revenues.

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



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

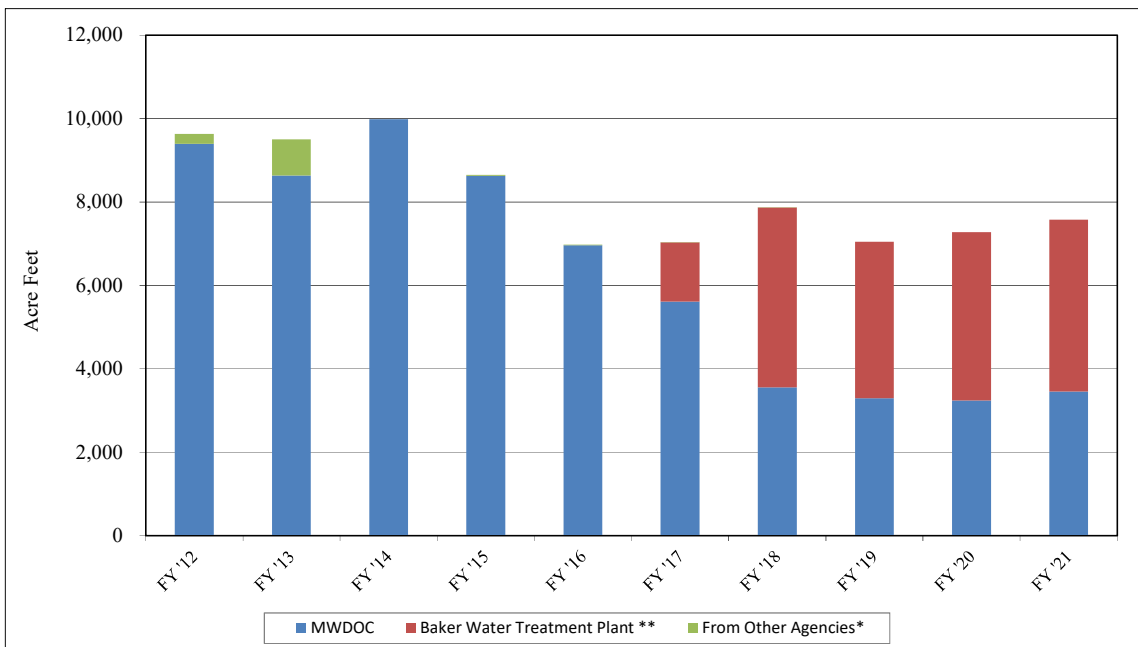
Fiscal Year	Source of Supply	Pumping Operations	Water Treatment	Water Distribution	Customer Service	General and Administrative	Depreciation	Operating Expenses
2012	8,096,104	1,096,347	2,688,844	4,124,778	440,218	2,732,748	2,831,917	22,010,956
2013	8,554,214	1,232,213	2,831,190	4,160,251	438,053	2,753,292	2,816,753	22,785,966
2014	9,584,718	1,293,752	2,953,328	4,492,432	465,163	2,913,731	2,781,397	24,484,521
2015	8,771,110	1,295,650	3,126,545	4,673,922	516,361	3,255,140	2,831,181	24,469,909
2016	7,555,626	1,466,757	3,243,194	4,388,871	592,405	3,365,722	3,378,409	23,990,984
2017	7,435,534	1,460,096	3,380,526	5,037,124	694,479	3,211,224	4,068,743	25,287,726
2018	8,294,019	1,491,273	3,567,648	5,035,094	686,217	3,434,736	4,350,053	26,859,040
2019	7,650,468	1,480,556	3,744,102	4,561,123	720,714	4,305,441	4,466,431	26,928,835
2020	8,085,299	1,359,915	3,760,193	5,182,444	603,473	4,506,099	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



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

Source of Water for Sales (AF)

Fiscal Year	MWDOC	Baker Water Treatment Plant **	From Other Agencies*	Total Production
2012	9,395	-	235	9,630
2013	8,640	-	861	9,501
2014	9,986	-	-	9,986
2015	8,631	-	19	8,650
2016	6,967	-	8	6,976
2017	5,616	1,417	1	7,034
2018	3,559	4,312	3	7,874
2019	3,297	3,754	-	7,051
2020	3,245	4,032	-	7,277
2021	3,460	4,121	-	7,581



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

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

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

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

Water Rates ⁽¹⁾					
Rate per CCF⁽²⁾					Rate per AF
Fiscal Year	Tier 1	Tier 2	Tier 3	Tier 4	Commercial / Industrial
2012	1.92	2.32	4.50	6.06	2.15
2013	2.07	2.47	4.79	6.35	2.30
2014	2.19	2.59	4.91	6.47	2.42
2015	2.34	2.68	5.04	7.04	2.63
2016	2.46	2.83	5.61	7.18	2.79
2017	2.46	2.83	5.61	7.18	2.79
2018	2.52	2.91	6.08	7.82	2.89
2019	2.52	2.91	6.08	7.82	2.89
2020	2.58	2.97	6.14	7.88	2.95
2021	2.65	3.04	6.21	7.95	3.02

Monthly Water Service Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 ½" Meter	2" Meter
2012	7.60	10.14	15.20	27.87	53.22
2013	8.56	11.42	17.12	31.38	59.93
2014	9.31	12.42	18.61	34.12	65.15
2015	9.98	13.31	19.95	36.56	69.81
2016	9.98	13.31	19.95	36.56	69.81
2017	10.93	14.58	21.86	40.06	76.48
2018	11.80	15.82	23.85	43.92	84.07
2019	12.96	17.37	26.20	48.25	92.36
2020	14.14	18.99	28.70	52.98	101.52
2021	15.17	20.33	30.66	56.48	108.11

Monthly Water Capital Replacement and Refurbishment (CR&R) Charge					
Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 ½" Meter	2" Meter
2012	4.66	4.66	7.78	18.91	47.47
2013	4.66	4.66	7.78	18.91	47.47
2014	4.66	4.66	7.78	18.91	47.47
2015	4.66	4.66	7.78	18.91	47.47
2016	4.66	4.66	7.78	18.91	47.47
2017	4.66	4.66	7.78	18.91	47.47
2018	4.66	4.66	7.78	18.91	47.47
2019	4.66	4.66	7.78	18.91	47.47
2020	4.66	4.66	7.78	18.91	47.47
2021	4.66	4.66	7.78	18.91	47.47

Notes:

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

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

(2) CCF = 100 Cubic Feet = 748 gallons

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

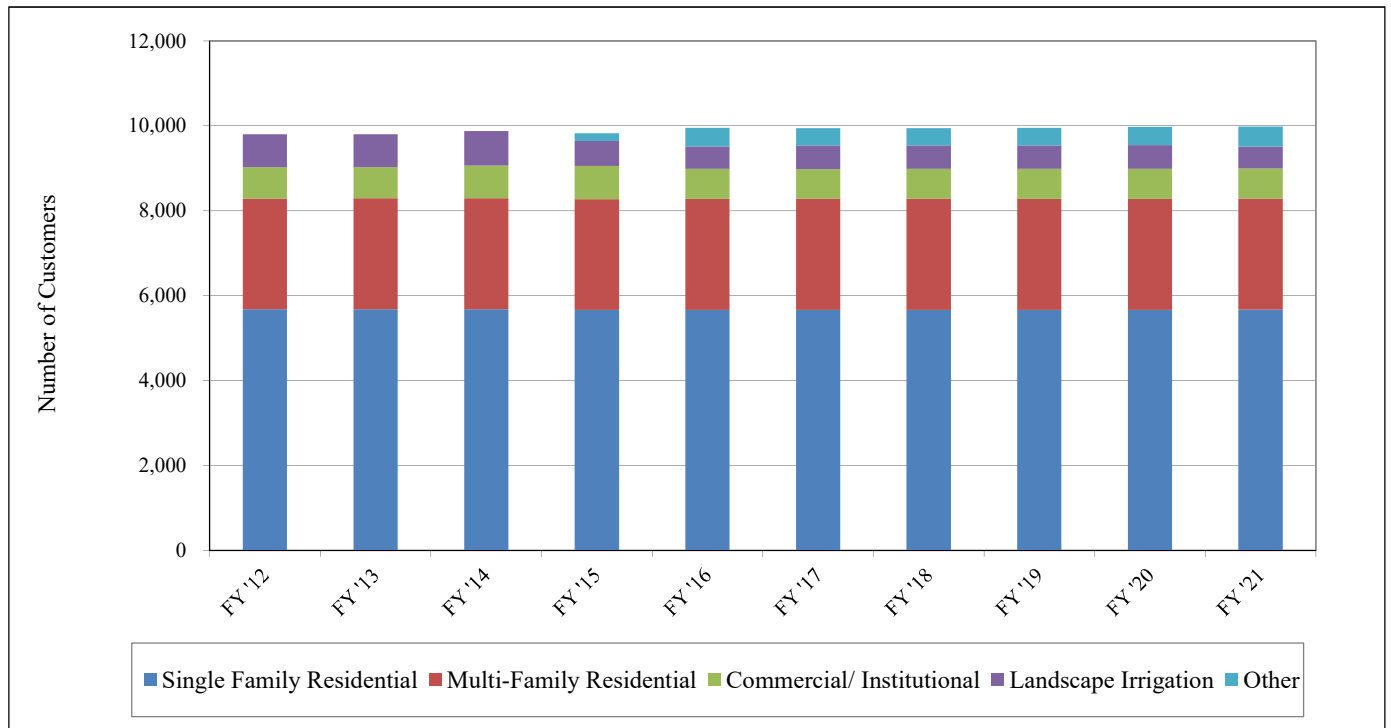
**El Toro Water District
Sewer Operation Rates and Charges
Last Ten Fiscal Years**

Sewer Rates by Customer Class										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential Rates (monthly charge per EDU)										
Residential Unrestricted	\$ 17.49	\$ 17.77	\$ 18.99	\$ 20.50	\$ 22.02	\$ 23.11	\$ 23.63	\$ 24.30	\$ 24.30	\$ 24.30
Multi-Family Restricted	13.87	14.09	15.06	16.26	17.46	18.33	18.74	19.28	19.28	19.28
Multi-Family Unrestricted	16.49	16.75	17.90	19.33	20.76	21.79	22.28	22.92	22.92	22.92
Commercial Rates (per ccf of water used)										
Animal Kennel / Hospital	\$ 2.86	\$ 2.91	\$ 3.11	\$ 3.36	\$ 3.61	\$ 3.79	\$ 3.88	\$ 3.99	\$ 3.99	\$ 3.99
Car Wash	2.84	2.89	3.09	3.34	3.59	3.77	3.86	3.97	3.97	3.97
Department / Retail Store	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99
Dry Cleaners	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50
Golf Course / Camp / Park	2.49	2.53	2.71	2.93	3.15	3.31	3.39	3.49	3.49	3.49
Health Spa	2.85	2.90	3.10	3.35	3.60	3.78	3.87	3.98	3.98	3.98
Hospital / Convalescent Home	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50
Hotel	4.33	4.40	4.71	5.09	5.47	5.74	5.87	6.04	6.04	6.04
Market	5.68	5.77	6.17	6.67	7.17	7.53	7.70	7.92	7.92	7.92
Mortuary	5.66	5.75	6.15	6.64	7.14	7.50	7.67	7.89	7.89	7.89
Nursery / Greenhouse	2.54	2.58	2.76	2.98	3.20	3.36	3.44	3.54	3.54	3.54
Professional / Financial Office	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99
Public Institution	2.80	2.85	3.05	3.30	3.55	3.73	3.82	3.93	3.93	3.93
Repair / Service Station	2.85	2.90	3.10	3.35	3.60	3.78	3.87	3.98	3.98	3.98
Restaurant	2.69	2.74	2.93	3.17	3.41	3.58	3.66	3.77	3.77	3.77
Schools	2.95	3.00	3.21	3.47	3.73	3.92	4.01	4.13	4.13	4.13
Theater	2.86	2.91	3.11	3.36	3.61	3.79	3.88	3.99	3.99	3.99
Warehouse / Storage	2.25	2.29	2.45	2.65	2.85	3.00	3.07	3.16	3.16	3.16
Basic Commercial	2.50	2.54	2.72	2.94	3.16	3.32	3.40	3.50	3.50	3.50

Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	3.95	3.91	3.91	3.91	3.91	3.91
Multi-Family Unrestricted	4.69	4.69	4.69	4.69	4.69	4.65	4.65	4.65	4.65	4.65
Commercial (per Meter)										
5/8" Meter	\$ 6.42	\$ 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	12.38	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55	13.55
1 ½" Meter	25.60	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07	24.07
2" Meter	68.77	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96	70.96
Public Authority (per Meter)										
1" Meter	\$ 4.55	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93	\$ 4.93
1 ½" Meter	20.48	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65	24.65
2" Meter	35.20	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
2012	5,677	2,613	735	777	-	9,802
2013	5,683	2,610	735	775	-	9,803
2014	5,683	2,610	774	813	-	9,880
2015	5,662	2,610	785	583	187	9,827
2016	5,667	2,612	709	526	439	9,953
2017	5,668	2,616	694	559	406	9,943
2018	5,668	2,618	700	555	407 ⁽¹⁾	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



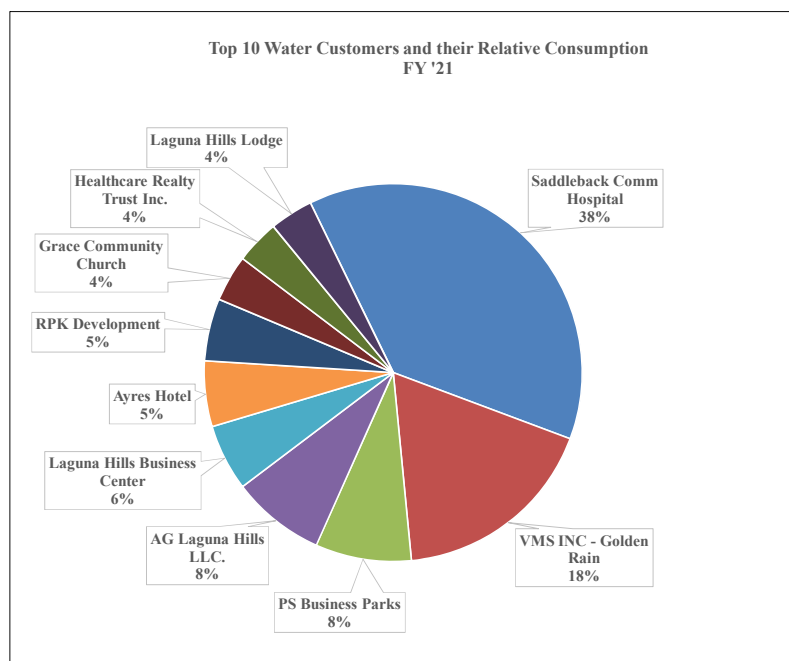
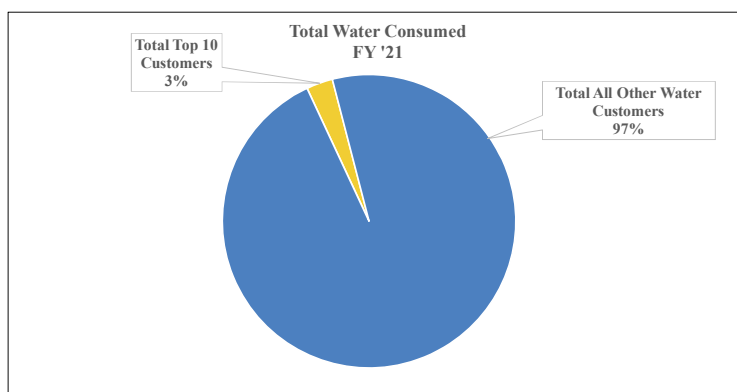
(1) The District did not track "Other" connections in total prior to FY 14/15.

*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**

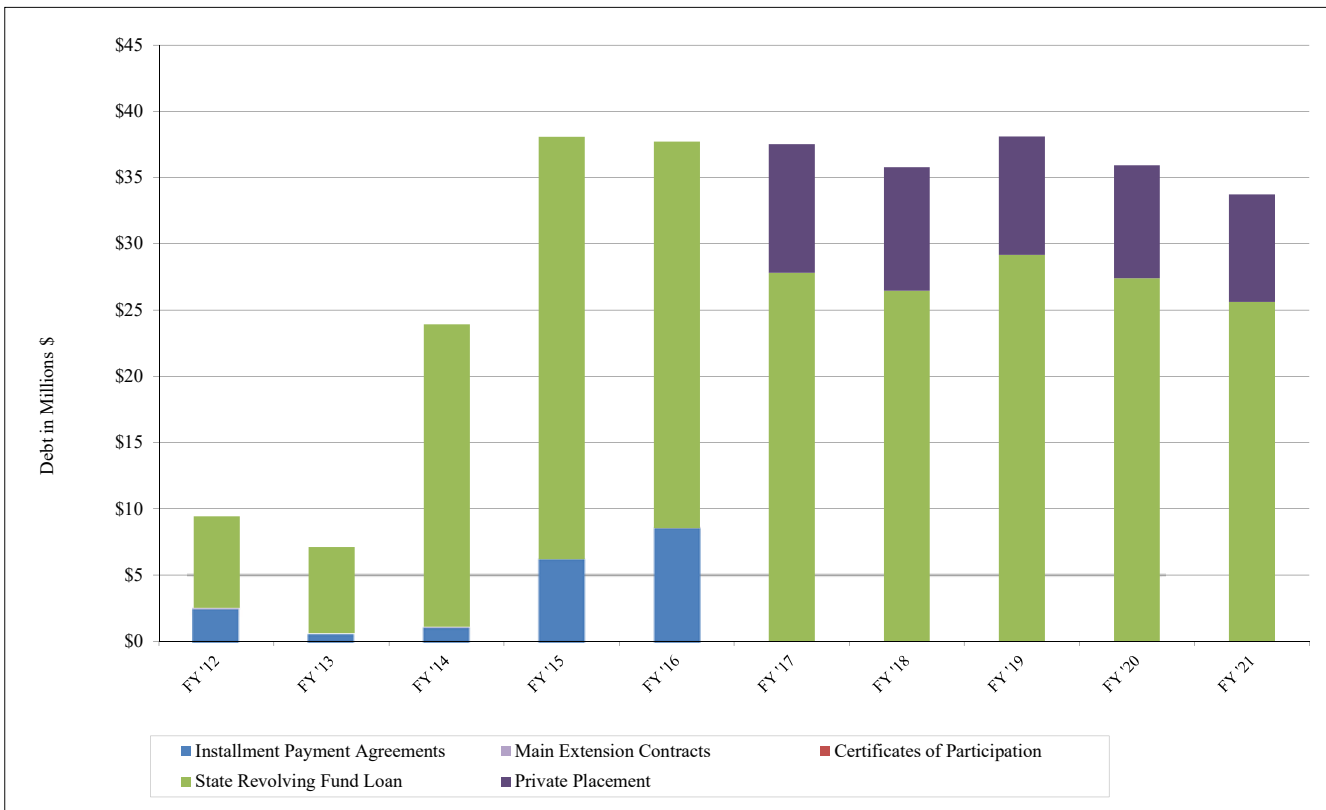
Customer	FY '12		Customer	FY '21	
	Annual Usage (HCF)	Percent of Total		Annual Usage (HCF)	Percent of Total
Saddleback Comm Hospital	53,578	1.41%	Saddleback Comm Hospital	40,755	1.11%
Country Villa Laguna Hills	9,641	0.25%	VMS INC - Golden Rain	19,102	0.52%
PS Business Parks	9,376	0.25%	PS Business Parks	8,815	0.24%
VMS INC - Golden Rain	8,198	0.22%	AG Laguna Hills LLC.	8,621	0.23%
Simon Properties #4665	6,804	0.18%	Laguna Hills Business Center	6,118	0.17%
Laguna Hills Business Center	6,544	0.17%	Ayres Hotel	6,039	0.16%
RPK Development	6,362	0.17%	RPK Development	5,734	0.16%
Ayres Hotel	5,590	0.15%	Grace Community Church	4,275	0.12%
BJ'S Restaurant Brewhouse Site#438	5,274	0.14%	Healthcare Realty Trust Inc.	4,028	0.11%
Ralphs Grocery Store	5,047	0.13%	Laguna Hills Lodge	3,988	0.11%
Total Top 10 Customers	116,414	3.06%	Total Top 10 Customers	107,475	2.92%
Total All Other Water Customers	3,688,127	96.94%	Total All Other Water Customers	3,566,889	97.08%
Total Water Consumed	3,804,541	100.00%	Total Water Consumed	3,674,364	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
2012	-	2,535,858	6,920,615	6,180	-	9,462,653	196	0.35%
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	1.05% ⁽³⁾
2021	-	-	25,637,656	6,180	8,109,910	33,753,746	701	N/A ⁽³⁾

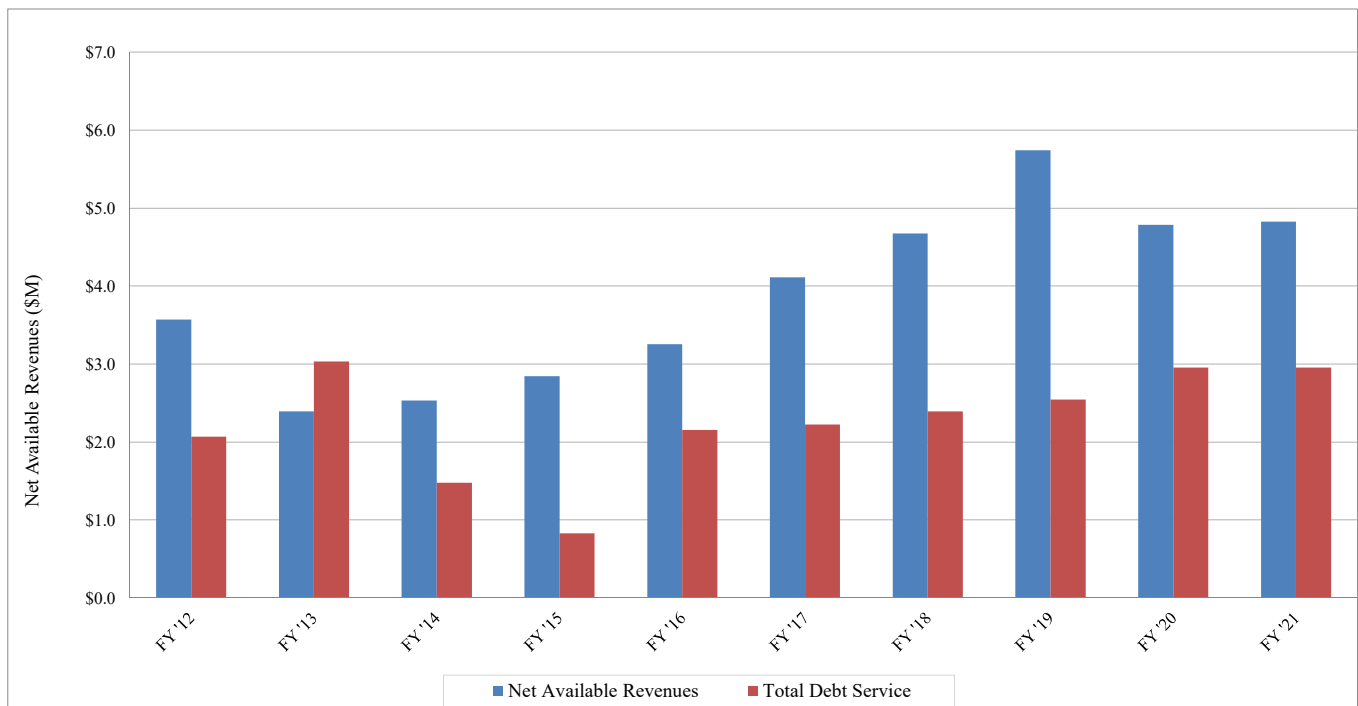


Notes:

- (1) In Dec 2013 the District entered into an agreement for the Baker Water Treatment Plant with five other entities. Additions in 2013 and 2014 were \$1,123,184 and \$5,092,679 respectively. This project was completed and refinanced in December 2016 with Texas Capital Bank for a lower interest rate.
- (2) In 2013 the District entered into a loan agreement with the State Water Resources Control Board for the Recycled Water Treatment Plan Project. Additions in 2013 and 2014 were \$16,995,763 and \$9,741,814 respectively. Interest rate on the loan is 1.7% per annum.
- (3) Personal Income data is not available for 2020 & 2021. The Bureau of Economic Analysis typically releases this information in late November of the following year.

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

Fiscal Year	Net Revenue			Debt Service			
	Total Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Principal	Interest	Total Debt Service	Coverage Ratio
2012	22,750,433	19,179,039	3,571,394	1,663,826	406,826	2,070,652	1.72
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

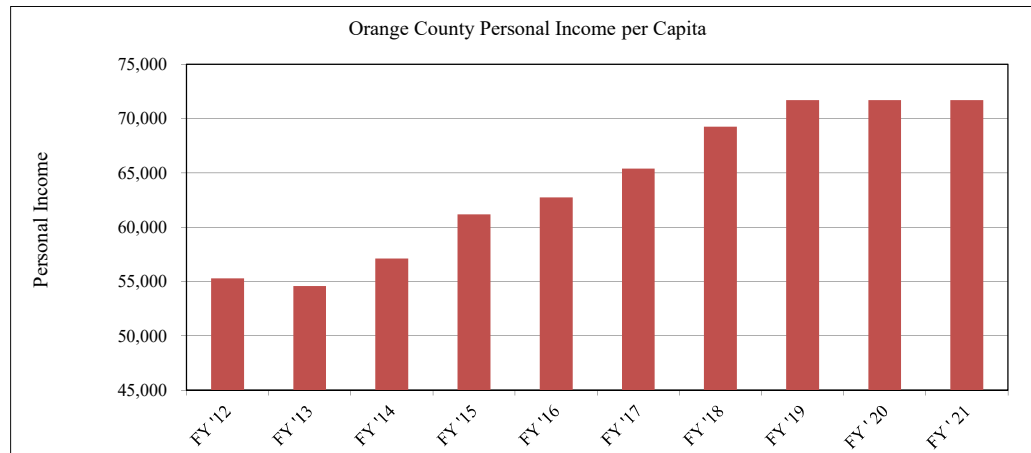
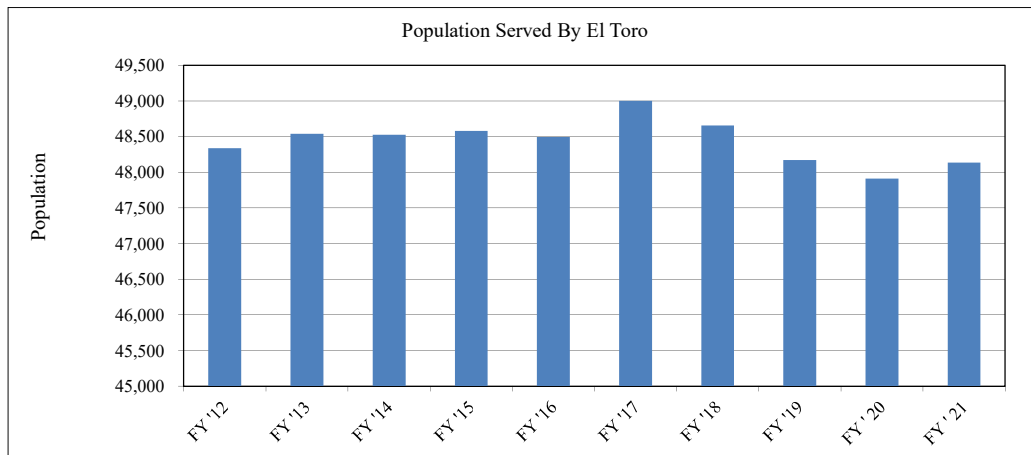


Notes:

(1) Operating expenses less depreciation and amortization, interest, 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
2012	48,339	170,609,148	55,296	8.3%
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 ⁽³⁾	47,911	227,732,561	71,711	13.3%
2021 ⁽³⁾	48,135	227,732,561	71,711	6.4%



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

Source: Municipal Water District of Orange County (MWDOC)

N/A - Data not available for time period

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

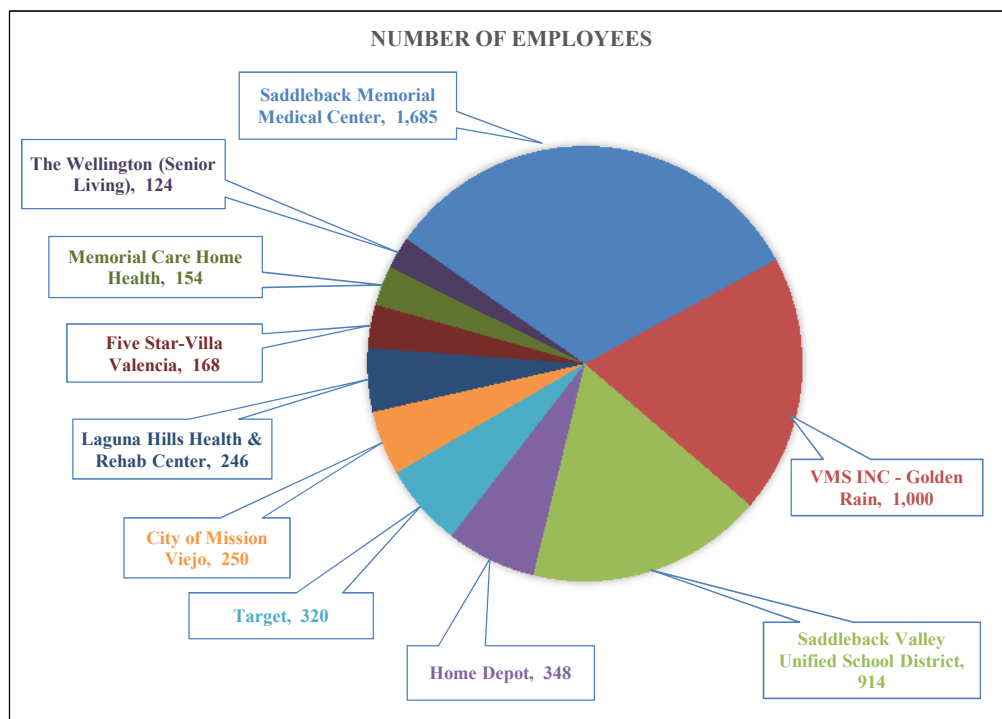
2 Data from the Bureau of Economic Analysis, <http://www.bea.gov>

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

El Toro Water District Principal Employers Current Fiscal Year

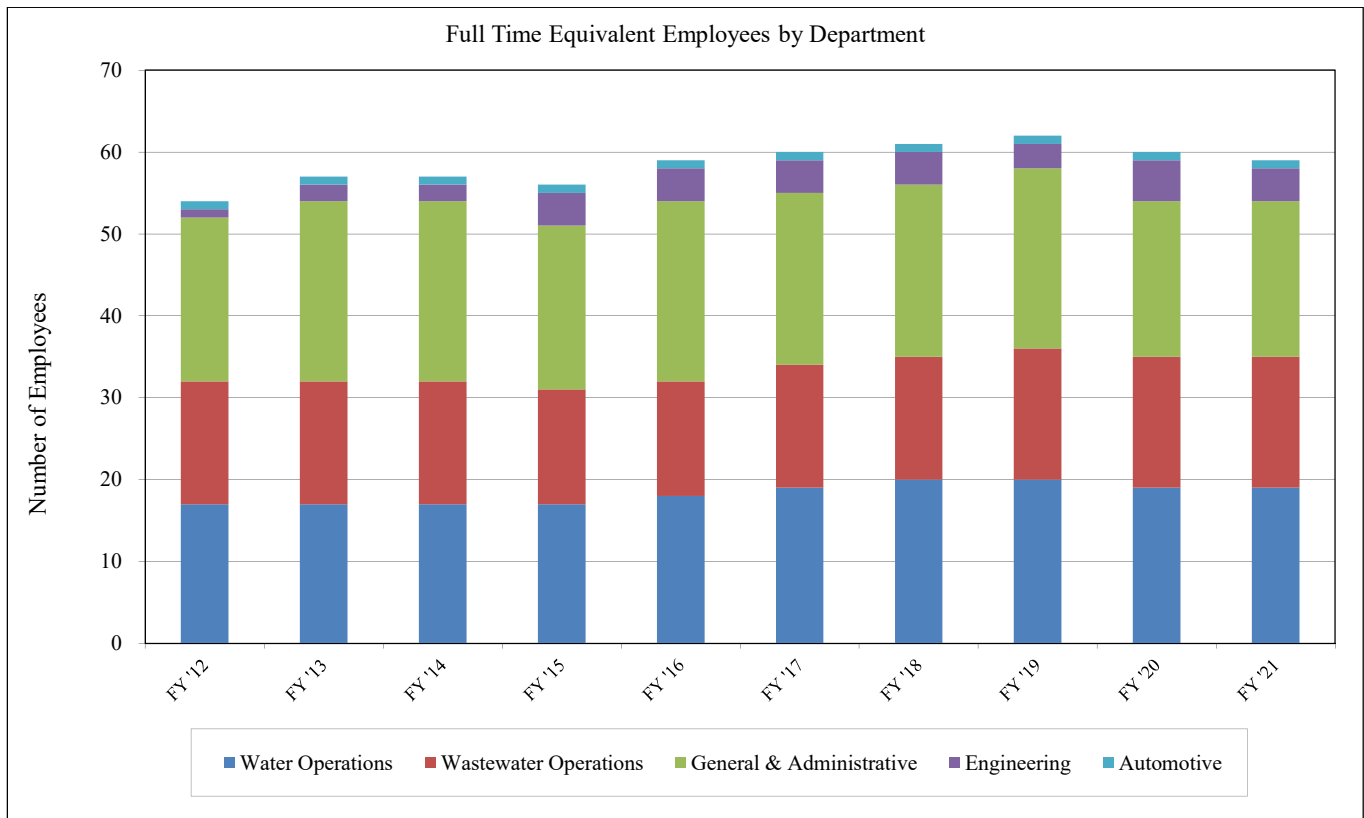
Employer	Number of Employees at 06/30/20	Percent of Total
Saddleback Memorial Medical Center	1,685	32.35%
VMS INC - Golden Rain	1,000	19.20%
Saddleback Valley Unified School District	914	17.55%
Home Depot	348	6.68%
Target	320	6.14%
City of Mission Viejo	250	4.80%
Laguna Hills Health & Rehab Center	246	4.72%
Five Star-Villa Valencia	168	3.23%
Memorial Care Home Health	154	2.96%
The Wellington (Senior Living)	124	2.38%
Total Principal Employers	5,209	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 2020 CAFRs for the service area cities listed. Nine years prior information comparison is not available since the district started filing for the CAFR from fiscal year end 2016.



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

Fiscal Year	Water Operations	Wastewater Operations	General & Administrative	Engineering	Automotive	Total
2012	17	15	20	1	1	54
2013	17	15	22	2	1	57
2014	17	15	22	2	1	57
2015	17	14	20	4	1	56
2016	18	14	22	4	1	59
2017	19	15	21	4	1	60
2018	20	15	21	4	1	61
2019	20	16	22	3	1	62
2020	19	16	19	5	1	60
2021	19	16	19	4	1	59



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

Fiscal Year	Water System			
	Miles of Water Mains	Service Connections	Annual Potable Import (MG)	Average Daily Potable Import (MGD)
2012	170	9,802	3,138	8.60
2013	170	9,803	3,138	8.60
2014	170	9,880	3,254	8.91
2015	170	9,828	2,819	7.72
2016	170	9,953	2,273	6.23
2017	170	9,943	2,292	6.28
2018	170	9,948	2,566	7.03
2019	170	9,949	2,298	6.29
2020	170	9,977	2,371	6.50
2021	170	9,983	2,470	6.77

Fiscal Year	Sewer System			
	Miles of Sewers Lines	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2012	114	9,802	1,442	3.95
2013	114	9,803	1,396	3.82
2014	114	9,880	1,262	3.46
2015	114	9,828	1,242	3.40
2016	114	9,953	1,096	3.00
2017	114	9,943	1,146	3.14
2018	114	9,948	1,105	3.03
2019	114	9,949	1,122	3.07
2020	114	9,977	1,140	3.12
2021	114	9,983	1,057	2.90

Fiscal Year	Recycled Water			
	Miles of Recycled Pipe	Service Connections	Annual Production (MG)	Daily Production (MGD)
2012	19	1	244.39	0.67
2013	19	1	190.26	0.52
2014	19	1	142.58	0.39
2015	19	70 (1)	159.56	0.44
2016	19	138 (1)	337.87	0.93
2017	19	210 (1)	462.49	1.27
2018	26 (2)	210	502.12	1.38
2019	26	210	418.89	1.15
2020	26	229	447.32	1.23
2021	26	275	583.58	1.60

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.

