El Toro Water District











ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2026

EL TORO WATER DISTRICT

Lake Forest, California

Annual Comprehensive Financial Report

For Fiscal Year ended June 30, 2026

El Toro Water District
Lake Forest, California

Board of Directors
Kathryn Freshley, President
Kay Havens, Vice President
Wyatt McClean, Director
Mark Monin, Director
Mike Gaskins, Director

General Manager
Dennis P. Cafferty

Prepared by:
El Toro Water District
Finance Department

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INTRODUCTORY SECTION

Board of Directors

Kathryn Freshley
President

Kay Havens
Vice President

Mike Gaskins
Director

Mark L. Monin
Director

Wyatt McClean
Director

General Manager
Dennis P. Cafferty

El Toro Water District

"A District of Distinction"

Serving the Public – Respecting the Environment

October 8, 2026

To the Board of Directors and citizens of the El Toro Water District

Submitted for your review and consideration are the Annual Comprehensive Financial Statements for the El Toro Water District (the "District"), for the fiscal year ended June 30, 2026 (FY 2025-26). California Statute requires special purpose governments to publish a complete set of financial statements within 180 days of the close of each fiscal year. The enclosed FY 2026 Comprehensive Financial Statements are issued by the District to comply with this requirement and to enable the District Board and District residents, customers and stakeholders to obtain a comprehensive understanding of the District's finances.

The financial statements included in this report depict the District's financial position and the changes in that financial position as of June 30, 2026. 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. District staff believes the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and changes in financial position of the District. Incorporated into the financial statements are all disclosures necessary to enable the reader to gain a maximum understanding of the District's financial affairs.

The District's financial statements have been audited by LSL, 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, 2026 are fairly presented in accordance with GAAP. The independent auditors' 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.

El Toro Water District

Profile of the El Toro Water District

The El Toro Water District was formed in 1960 and serves approximately 54,000 residents of five municipalities located in southern Orange County. The District is a fully integrated water, sewer, and recycled water retail operation with a service area that includes the entirety of the City of Laguna Woods and portions of the Cities of Aliso Viejo, Laguna Hills, Lake Forest, and Mission Viejo. The District's service area includes 5,430 acres or approximately 8.48 square miles.

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

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

The District is very proud to have been awarded the District of Distinction Award by the Special District Leadership Foundation in each accreditation cycle since 2007, a testament to the responsible leadership that has been a long-standing tradition at the District. The District achieved the Platinum level of the District of Distinction Award during the fiscal year 2024-25.

Significant Accomplishments during Fiscal Year 2025-26

During each budget cycle the District Board participates in a goal setting discussion for the purpose of establishing or redefining key financial goals and objectives for the upcoming budget year. District Staff utilizes the established budget goals and objectives to guide operations and spending throughout each fiscal year. The achievements in the 2025-26 fiscal year were a result of the goals and objectives established by the Board during the annual budget process and are described below:

<u>General Accomplishments</u>

- The District successfully implemented a new fixed asset software module during the fiscal year. The implementation of the system started towards the end of the 2024-25 fiscal year and continued into the 2025-26 fiscal year.
- The District continued its transition to a new Enterprise Resource Planning software system to integrate multiple stand-alone software systems into one District wide financial system. The migration to a new purchase order module was completed during the fiscal year 2025-26.
- The District continued to make investments in infrastructure improvements, technology and security, in order to provide uninterrupted, safe and reliable service to its customers.
- The District staff attended various community events on water conservation, sewer safety, and recycled water use; expanded presence at local community events.

Financial Management

- Continued the District's commitment to superb financial management practices as demonstrated by the receipt of the Certificate of Achievement for Excellence in Financial Reporting for the FY 2025 Annual Comprehensive Financial Report, a national recognition of the District's financial reporting by the Government Finance Officers Association (GFOA) of the United States.
- The District completed a Cost of Service Study to establish fair and equitable rates for potable water and recycled water usage. The District also completed an analysis of capital, operations, and maintenance charges for water, wastewater, and recycled water services.
- The District also continued its commitment to fiscal discipline by approving a budget for the 2026-2027 fiscal year that is balanced and includes funding for several significant capital projects.

Infrastructure Improvements

The District is dedicated to investing in infrastructure improvements to ensure the community can rely on its water, wastewater, and recycled water utilities including the following:

- Invested in its water distribution system by repairing the southern slope of the R-6 Reservoir.
- Replaced pumps and motors at the Shenandoah Booster Station.
- Replaced the chlorine tank at the R-1/R-2 Reservoir Management System.
- Finalized its Water Distribution System Asset Management Plan to support long-term planning and future infrastructure investments.
- Invested in its wastewater collection system by replacing the main switchboard at the Westline Lift Station.
- Replaced a pump at the 4920 Lift Station.
- Began construction on the Headworks/Secondary Clarifier No. 1 Rehabilitation Project.
- Neared completion of the design for the Aliso Creek Lift Station Improvements Project.
- Purchased a new solids hauling trailer to convey wastewater from the Wastewater Recycling Plant to MNWD's Regional Treatment Plant.

The District obtained regulatory approval and implemented a new control method for its tertiary disinfection system to produce recycled water with less chlorine.

Significant Future Initiatives

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

- Staff has updated the ten-year Capital Improvement Program (CIP) to preserve water, sewer and recycled water infrastructure, meet regulatory requirements, and ensure continuous quality services are provided. Projected Water, Sewer and Recycled Water capital improvement expenses (projects and equipment) for budget year –2026-2027 total $12.5 million. The 2026 – 2027 capital improvement expenses will be funded by revenue from the Capital Facilities charge combined with 2022 Revenue Bond proceeds and capital cash reserves accumulated in prior years.

- Revenue generated from the Recycled Water Capital Facilities charge amounts to approximately $348,000 and will be used to fund recycled water capital projects and to offset the cost of Recycled Water System debt service.
- The water distribution system 2026-2027 capital budget includes rehabilitating Pressure Reducing Valve No. 4, the Low Zone 1 Hydraulic Modification Project, installing a new chlorine injection system at the R-6 Reservoir, retrofitting the main switchboard at the Spartan Booster Station, and purchasing a spare motor for Cherry Pump Station.
- The wastewater collection and treatment system 2026-2027 capital budget includes construction for the Headworks and Secondary Clarifier No. 1 Rehabilitation Project at the WRP, coating rehabilitations at several lift stations, design for a new forcemain at the Westline Lift Station, installing a new emergency generator at the Westline Lift Station, replacing the existing electrical equipment at Veeh Lift Station, purchasing a new pump for the Freeway Lift Station, rehabilitating the asphalt at the Holding Pond near the WRP, replacing valves and diffusers in the aeration basins at the WRP, and improving network communications at the WRP.

Financial Management

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived from it, and (2) the valuation of costs and benefits requires estimates and judgments by management. The Board and District staff continue to evaluate the District's internal control framework to determine if improvements are attainable and implement feasible recommendations.

In addition, the District implemented a new purchase order module within its accounting system to strengthen internal controls and streamline the expenditure approval process. The new module enhances budgetary controls by providing improved oversight of purchase commitments and ensuring expenditures are properly authorized and monitored within approved budget limits.

Strategic Planning

In the 2025-26 fiscal year, the District updated its 5-Year Strategic Plan to guide the District in the coming years. The Strategic Plan was developed through a collaborative process with the Board of Directors, management and staff. The Strategic Plan was designed to support the District's vision: "To ensure lasting excellence in water, sewer and recycled water services that our community can rely on today and for generations to come". This vision was intended be accomplished by fulfilling the mission of ETWD to provide its customers with safe and reliable water, sewer, and recycled water services in an environmentally and economically responsible manner. Six goals were established to accomplish the mission and achieve the vision. The management team then developed strategies, objectives, and key performance indicators for each of the goals. The draft plan was presented to the Board and, following revisions, finalized on November 25, 2025.

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 development of the operating and the capital budgets are guided by the Ten-Year Cash Flow and the Ten-Year Capital Improvement Program. The operating and capital budgets serve as the foundation for the District's financial planning and control of District operations and enterprise functions. The District reports its water, wastewater, and recycled water services as a single enterprise fund. On a monthly basis, a budget comparison report is submitted to the Board to provide a year-to-date comparison of the revenues and expenses against the adopted budget, and a capital improvement program progress report is submitted to the Board to provide the status of current capital improvement projects. The budget and reporting processes of the District are consistent with the accrual basis of accounting and financial reporting.

Cash Reserve Policy

The main objective of the Cash Reserve Policy is to set target levels for cash reserves to establish a relationship between current and anticipated future risks. The District's Board of Directors reviews the Cash Reserve Policy periodically and sets reserve levels to make sure adequate reserves are maintained in anticipation of future risk. The Board receives monthly updates on the status of the adopted reserve targets.

Investment Policy

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

Service Rates and District Revenues

District policy requires that revenues derived from user charges 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. Potable Water and Recycled Water rates are composed of a commodity (usage) charge and fixed charges including an O&M charge and a capital charge. Similarly, wastewater rates are composed of an O&M charge and a capital 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 LSL, LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the El Toro Water District for its Comprehensive Financial Statements for the fiscal year ended June 30, 2025. The Certificate of Achievement is a prestigious award recognizing conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Financial Statements whose contents conform to program standards, Generally Accepted Accounting Principles (GAAP), and applicable legal requirements. A Certificate of Achievement is valid for one year only. The El Toro Water District has received a Certificate of Achievement for seven consecutive years.

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

Respectfully submitted,

Dennis Cafferty
General Manager

Vishav Sharma
Chief Financial Officer



List of Principal Officials

As of June 30, 2026

Board of Directors

Kathryn Freshley, President

Kay Havens, Vice President

Wyatt McClean, Director

Mark Monin, Director

Mike Gaskins, Director

District Management

Dennis P. Cafferty, General Manager

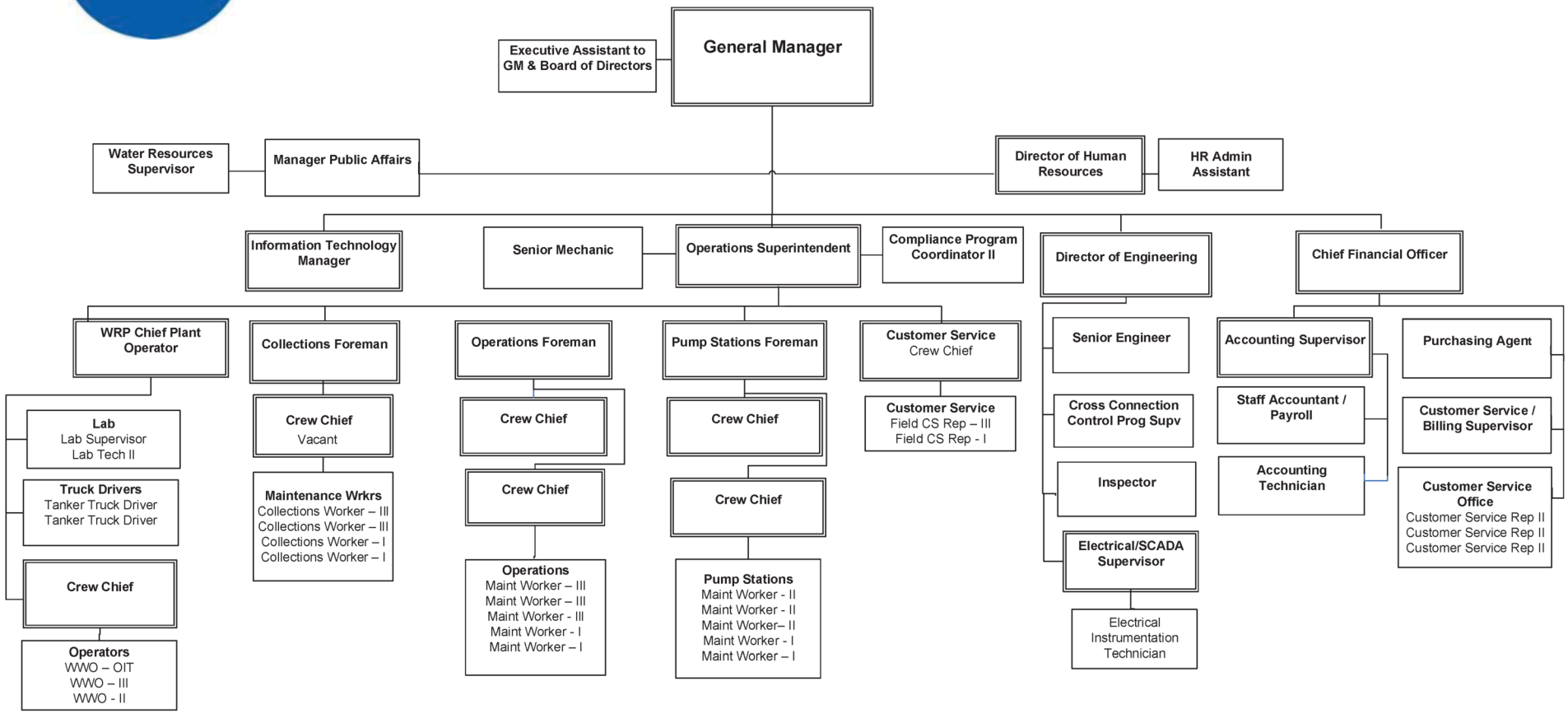
Vishav R. Sharma, Chief Financial Officer

Hannah Ford, Director of Engineering

Judy Cimorell, Director of Human Resources

Michael Miazga, Information Technology Manager

EL TORO WATER DISTRICT
2025 / 2026 ORGANIZATIONAL CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

El Toro Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the El Toro Water District (hereafter, the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2026, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2026, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements. GASB Statement No. 103 modifies certain financial reporting requirements, including management's discussion and analysis and the presentation of proprietary fund financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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To Board of Directors
El Toro Water District

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Standards for California Special Districts, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in the total other postemployment benefit (OPEB) liability and related ratios, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To Board of Directors
El Toro Water District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules of revenue and expense by category are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2026, 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 District's internal control over financial reporting and compliance.

LSL, LLP

Irvine, California

October 8, 2026

EL TORO WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
Financial Highlights For the Year Ended June 30, 2026

El Toro Water District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2026

The purpose of management's discussion and analysis (MD&A) is to help the District's residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staffs' knowledge of the District's finances.

If you have questions about this report or required further information, contact the District at customerservice@etwd.com or 949-837-7050

Overview of the Financial Statements

This annual report consists of a series of financial statements that provide information about the financial position, operating results, and cash flows of the District. These statements, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, are prepared using the accrual basis of accounting, similar to the accounting methods used by private-sector businesses.

Although each statement presents different financial information, they are closely related and should be considered together. The Statement of Net Position reports what the District owns and owes at year-end and provides a snapshot of its financial condition. The Statement of Revenues, Expenses, and Changes in Net Position explains how the District's financial position changed during the fiscal year by reporting the results of operations. The Statement of Cash Flows complements these statements by explaining how operating, capital, financing, and investing activities affected the District's cash and cash equivalents during the year. Together, these statements provide a comprehensive picture of the District's financial health, operational performance, liquidity, and ability to meet current and future obligations.

The financial statements are accompanied by the Notes to the Financial Statements, which provide additional detail and context necessary for a full understanding of the information presented. The report also includes required supplementary information and other supplementary information that provide additional details regarding the District's financial condition and operations.

- **Statement of Net Position** – The Statement of Net Position depicts the District's financial position as of June 30, 2026, and includes all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District. Deferred inflows and outflows that occurred during the year, or prior years, that will not be reported as expenses and revenues until the future year to which they are related.Net position represents the difference between these amounts and is classified into three components: net investment in capital assets, restricted, and unrestricted. This statement provides a long-term view of the District's

financial strength and can be used to evaluate its capital structure, financial flexibility, and overall ability to meet future obligations.

- **Statement of Revenues, Expenses, and Changes in Net Position** – This statement accounts for all revenues and expenses of the District for the fiscal year ended June 30, 2026. It reports how the District's net position changed during the year as a result of operating and non-operating activities. The statement enables readers to assess whether the District successfully recovered the costs of providing services through rates, charges, and other revenues, and to evaluate the overall financial results of operations.
- **Statement of Cash Flows** – The Statement of Cash Flows provides information about changes in the District's cash and cash equivalents during the reporting period. It reports cash receipts, cash payments, and net changes in cash resulting from operating, non-capital financing, capital and related financing, and investing activities. This statement helps users assess the District's ability to generate sufficient cash to meet its operating needs, finance capital improvements, and satisfy debt and other financial obligations.
- **Notes to the Financial Statements** – The Notes to the Financial Statements provide additional information that is essential to understanding the amounts reported in the financial statements. They describe the District's significant accounting policies, provide detailed explanations of financial statement balances, and disclose other information necessary for a complete understanding of the District's financial position and results of operations.
- **Required Supplementary Information** – The required supplementary information provides additional information regarding the District's progress in funding its obligation to provide Other Post-Employment Benefits (OPEB) and pension benefits, as applicable, and includes other schedules required by generally accepted accounting principles.
- **Other Supplementary Information** – The other supplementary information section provides additional detail regarding the District's revenues, expenses, and other financial information for fiscal years 2025 and 2026 to assist readers in understanding the District's financial operations.

Financial Summary

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

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

Condensed Statement of Net Position

Net position is a useful indicator of the District's overall financial condition. The District’s financial position improved during FY 2026, with total net position increasing by $3.1 million, or 4.61%, from $67.7 million to $70.8 million. The increase was primarily reflected in unrestricted net position, which increased $3.5 million, or 41.54%, to $11.8 million, providing additional resources available to support current and future District operations.

Current assets increased $2.3 million, or 7.66%, to $31.6 million. Net capital assets decreased by $2.2 million, or 1.96%, to $107.9 million during the fiscal year. The decrease was primarily attributable to $6.1 million in depreciation expense and $0.3 million in asset retirements, which exceeded capital asset additions. During the year, the District invested approximately $4.0 million in capital assets through construction-in-progress (CIP) additions. In addition, $5.3 million of completed projects were transferred from CIP to fixed assets, reflecting the completion and placement of these projects into service.

Total liabilities decreased $3.3 million, or 4.82%, to $64.4 million, primarily due to a $4.0 million decrease in non-current liabilities resulting from scheduled principal payments on the District's outstanding debt and other changes in long-term obligations. This decrease was partially offset by a $778,269 increase in current liabilities.

Condensed Statement of Net Position

			Increase/(Decrease)	
			$	%
	FY 2025	FY 2026	Change	Change
Assets				
Current Assets	$ 29,397,421	$ 31,648,349	$ 2,250,928	7.66%
Restricted Assets	1,444	76,555	75,111	5201.59%
Non Current Assets - Lease Receivable	4,012,747	3,890,786	(121,961)	-3.04%
Non Current Assets - Capital Assets Net	110,081,528	107,920,637	(2,160,891)	-1.96%
Total Assets	143,493,140	143,536,327	43,187	0.03%
Deferred Outflows of Resources				
Deferred OPEB Outflow	1,917,324	1,307,952	(609,372)	-31.78%
Total Deferred Outflows of Resources	1,917,324	1,307,952	(609,372)	-31.78%
Total Assets & Deferred Outlfows	145,410,464	144,844,279	(566,185)	-0.39%
Liabilities				
Current Liabilities	6,578,328	7,356,597	778,269	11.83%
Non-current Liabilities	61,043,110	57,005,429	(4,037,681)	-6.61%
Total Liabilities	67,621,438	64,362,026	(3,259,412)	-4.82%
Deferred Inflows of Resources				
Deferred Amounts from OPEB/Lease	10,128,266	9,702,473	(425,793)	-4.20%
Total Deferred InFlows of Resources	10,128,266	9,702,473	(425,793)	-4.20%
Net Position				
Net Investment in Capital Assets	59,349,999	58,940,456	(409,543)	-0.69%
Restricted	1,444	76,555	75,111	N/A
Unrestricted	8,309,317	11,762,769	3,453,452	41.56%
Total Net Position	67,660,760	70,779,780	3,119,020	4.61%
Total Liabilities, Deferred Inflows, and Net Position	$ 145,410,464	$ 144,844,279	$ (566,185)	-0.39%

Deferred outflows related to OPEB decreased $609,372, while deferred inflows related to OPEB and leases decreased $425,793. These balances primarily reflect the timing of recognition of actuarial and lease-related amounts in accordance with applicable accounting standards.

The largest component of the District's net position, $58.94 million (83%), represents its net investment in capital assets. These assets include the District's water distribution and wastewater collection systems, treatment facilities, reservoirs, pumping stations, vehicles, and equipment, net of accumulated depreciation and outstanding debt used to finance those assets. During fiscal year 2026, the District continued implementing its capital improvement program to maintain and replace aging infrastructure and improve long-term system reliability.

Unrestricted net position increased from $8.31 million to $11.76 million, an increase of $3.5 million (41.54%). The increase was primarily attributable to operating results during the year, including more than $1.0 million received from Moulton Niguel Water District (MNWD), representing the second of three annual payments for South Orange County Wastewater Authority (SOCWA) capacity rights, and the commencement of Metropolitan Water District's Reverse Cyclic Program water deliveries. These factors contributed to the growth in available resources and strengthened the District's financial flexibility to support ongoing operations, future capital needs, and unforeseen events

Condensed Statement of Revenues, Expenses and Changes in Net Position

Condensed Statement of Revenues, Expenses, and Changes in Net Position			Increase/(Decrease)	
			$	%
	FY 2025	FY 2026	Change	Change
Revenues				
Operating Revenues	$ 33,387,969	$ 36,062,972	$ 2,675,003	8.01%
Non-operating Revenues	4,245,618	1,977,886	(2,267,732)	-53.41%
Total Revenues	37,633,587	38,040,858	407,271	1.08%
Noncapital Subsidies				
Property Taxes	1,308,540	1,383,220	74,680	5.71%
Grants, Rebates, & Reimbursements	24,016	2,006	(22,010)	-91.65%
Total Noncapital Subsidies	1,332,556	1,385,226	52,670	3.95%
Expenses				
Operations Expenses	28,311,625	28,295,087	(16,538)	-0.06%
Other Operating Expenses	196,432	406,109	209,677	106.74%
Depreciation & Amortization	5,104,212	6,117,941	1,013,729	19.86%
Non-operating Expenses	1,554,947	1,487,927	(67,020)	-4.31%
Total Expenses	35,167,216	36,307,064	1,139,848	3.24%
Net Gain/(Loss) prior to Capital Contributions	3,798,927	3,119,020	(679,907)	17.90%
Capital Contributions	-	-	-	N/A
Change in Net Position	2,466,371	3,119,020	652,649	-26.46%
Net Position				
Beginning of year	65,194,389	67,660,760	2,466,371	3.78%
End of Year	$ 67,660,760	$ 70,779,780	3,119,020	4.61%

The District's operating results improved during fiscal year 2026. Operating revenues increased at a greater rate than operating expenses, resulting in an improvement in operating results compared with the prior year.

Total operating revenues increased by approximately $2.17 million, or 6.47%, from $33.52 million in FY 2025 to $35.69 million in FY 2026. The increase was primarily driven by higher capital replacement charges and service charges, as discussed further in the Revenues by Major Category section.

Non-operating revenues decreased approximately $428 thousand, or 15.38%, from $2.78 million in FY 2025 to $2.35 million in FY 2026. The decrease was primarily attributable to lower investment income and rental revenue, partially offset by approximately $1.0 million recognized in connection with the sale of SOCWA treatment plant capacity rights to Moulton Niguel Water District (MNWD), representing the second of three annual payments associated with the transaction.

Property tax revenues, which are classified as noncapital subsidies, increased approximately $53 thousand, or 3.95%, from $1.33 million to $1.39 million.

Total expenses increased by approximately $1.14 million, or 3.24%, from $35.17 million in FY 2025 to $36.31 million in FY 2026. The increase was primarily attributable to higher depreciation and amortization and other operating expenses, partially offset by lower non-operating expenses. Depreciation and amortization increased approximately $1.01 million, or 19.86%, primarily due to the District's implementation of its fixed asset module and the related review and update of depreciation estimates.

Total Operating expenses (including General & Administrative, Source of Supply and Operations) remained substantially consistent with the prior year, decreasing approximately $17 thousand, or 0.06%. Other operating expenses increased approximately $210 thousand, or 106.74%, while non-operating expenses decreased approximately $67 thousand, or 4.31%, primarily reflecting lower interest expense associated with scheduled debt principal payments.

As a result of the changes in revenues and expenses, the District reported net gain prior to capital contributions of $3.12 million in FY 2026, compared with $2.47 million in FY 2025, an increase of approximately $653 thousand, or 26.46%. The District reported no capital contributions during either fiscal year.

The resulting $3.12 million increase in net position increased the District's net position from $67.66 million at June 30, 2025, to $70.78 million at June 30, 2026, representing an increase of approximately 4.61%.

The improvement in the District's financial position was primarily attributable to the 6.47% increase in operating revenues, which exceeded the 3.24% increase in total expenses, together with the financial impact of the SOCWA capacity rights transaction. Additional explanations of the significant year-over-year changes in revenues and expenses are presented in the following sections.

Detailed Analysis of Activities and Balances

Total Revenues by Major Category:

As depicted in the table below, total revenues increased by approximately $1.8 million, or 4.76%, from $37.63 million in FY 2025 to $39.43 million in FY 2026. The increase reflects stronger operating revenues, partially offset by lower non-operating revenues.

Operating revenues increased by approximately $2.17 million, or 6.47%, from $33.52 million to $35.69 million. The principal drivers were:

- Capital replacement charges increased $1.23 million, or 24.45%.
- Service charges increased $889 thousand, or 5.98%.
- Commodity supply charges increased approximately $105 thousand, or 0.82%.
- Reimbursements from others decreased approximately $61 thousand.

The increases in capital replacement and service charges accounted for substantially all of the growth in operating revenues. These charges are an important component of the District's rate structure and provide revenues to support ongoing operations, capital replacement, and system reliability.

Total Revenues by Major Category

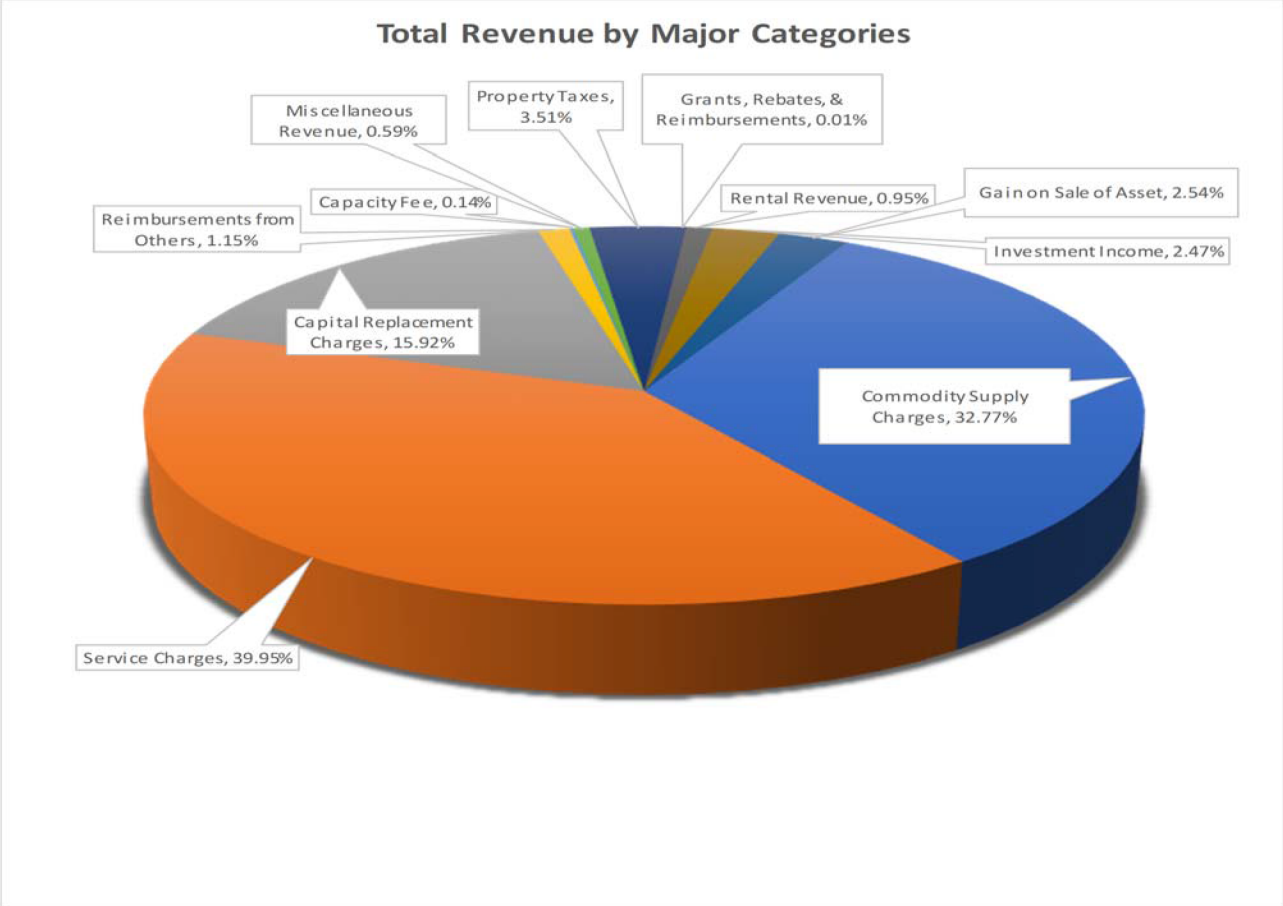
	FY 2025	FY 2026	Increase/(Decrease) $ Change	Increase/(Decrease) % Change
Operating Revenues				
Commodity Supply Charges	$ 12,814,271	$ 12,919,109	$ 104,838	0.82%
Service Charges	14,862,800	15,752,000	889,200	5.98%
Capital Replacement Charges	5,043,025	6,276,199	1,233,174	24.45%
Reimbursements from Others	514,357	453,820	(60,537)	-11.77%
Capacity Fee	83,520	55,611	(27,909)	-33.42%
Rental Revenue	548,958	373,870	(175,088)	-31.89%
Miscellaneous Revenue	203,741	232,363	28,622	14.05%
Total Operating Revenues	34,070,672	36,062,972	1,992,300	5.85%
Noncapital Subsides				
Property Taxes	1,308,540	1,383,220	74,680	5.71%
Grants, Rebates, & Reimbursements	24,016	2,006	(22,010)	-91.65%
Total Noncapital Subsidies	1,332,556	1,385,226	52,670	3.95%
Non-operating Revenues				
Investment Income	1,237,335	974,782	(262,553)	-21.22%
Gain / (Loss) on Sale/Retirement of Asset	993,024	1,003,104	10,080	1.02%
Total Non-operating Revenues	39,718,842	41,417,543	1,698,701	4.28%
Capital Contributions	-	-	-	0.00%
Total Revenue	$ 75,122,070	$ 78,865,741	3,743,671	4.98%

Service Charges and Capital Replacement Charges are paid by all District customers, while Commodity Supply Charges are paid only by water and recycled water customers. This distinction reflects the different components of the District's rate structure and the services provided to its various customer groups.

Noncapital subsidies, consisting of property taxes and grant revenues, increased approximately $52 thousand, or 3.95%, from $1.33 million to $1.39 million. Property taxes are presented separately from operating and other non-operating revenues consistent with the District's implementation of the GASB 103 financial reporting model.

Non-operating revenues decreased approximately $427 thousand, or 15.38%, from $2.78 million in FY 2025 to $2.35 million in FY 2026. Investment income declined approximately $263 thousand, or 21.22%, and rental revenue declined approximately $175 thousand, or 31.89%. These decreases were partially offset by approximately $1.0 million recognized from the sale of SOCWA treatment plant capacity rights to MNWD, representing the second of three annual payments associated with the transaction.

Together, service charges, commodity supply charges, and capital replacement charges represented the majority of the District's revenue in FY 2026. Service charges represented approximately 39.95% of total revenue, commodity supply charges approximately 32.77%, and capital replacement charges approximately 15.92%.



Revenue Distribution

The 3-D pie chart above illustrates the distribution of the District's revenue across its major revenue categories. Service Charges represent the largest source of revenue at 39.95%, followed by Commodity Supply Charges at 32.77% and Capital Replacement Charges at 15.92%. Together, these three categories account for approximately 88.6% of total revenue, highlighting their importance to the District's overall financial resources.

Service Charges and Capital Replacement Charges are paid by all District customers**,** while Commodity Supply Charges are paid only by water and recycled water customers**.** This distinction

reflects the different components of the District's rate structure and the services provided to its various customer groups.

The remaining revenue is generated through property taxes, investment income, gains on the sale of assets, rental revenue, reimbursements, grants, and miscellaneous revenue. Property Taxes contribute 3.51%, while Investment Income accounts for 2.47%. The other categories each contribute less than 3% of total revenue. Overall, the chart demonstrates that the District's revenue is primarily supported by service-related charges, with additional funding provided by taxes and other non-operating revenue sources.

Total Expense by Major Category:

Total expenses increased by approximately $1.14 million, or 3.24%, from $35.17 million in FY 2025 to $36.31 million in FY 2026. The increase was primarily attributable to higher depreciation and amortization, source of supply costs, and general and administrative expenses, partially offset by decreases in operations, other operating expenses, and interest expense.

Total Expenses by Major Category

	FY 2025	FY 2026	Increase/(Decrease) $ Change	Increase/(Decrease) % Change
Operating Expenses				
General & Administrative	$ 5,596,680	$ 5,007,031	(589,649)	-10.54%
Source of Supply	9,467,386	10,313,269	845,883	8.93%
Operations	13,247,559	12,974,787	(272,772)	-2.06%
Other Operating Expenses	196,432	406,109	209,677	106.74%
Depreciation & Amortization	5,104,212	6,117,941	1,013,729	19.86%
Total Operating Expenses	33,612,269	34,819,137	1,206,868	3.59%
Non-operating Expenses				
Interest Expense	1,554,947	1,487,927	(67,020)	-4.31%
Total Non-operating Expenses	1,554,947	1,487,927	(67,020)	-4.31%
Total Expenses	$ 35,167,216	$ 36,307,064	1,139,848	3.24%

Operating expenses increased approximately $1.21 million, or 3.59%, from $33.61 million to $34.82 million.

Depreciation and Amortization

Depreciation and amortization increased approximately $1.01 million, or 19.86%, to $6.12 million. A significant portion of the increase resulted from the District's implementation of its fixed asset module and the related review and update of depreciation estimates. The implementation resulted in approximately $782 thousand of additional depreciation expense resulting from changes in depreciation methodology.

Additional information regarding the District's capital assets and the fixed asset module is presented in the Capital Assets section below.

Source of Supply

Source of supply costs increased approximately $846 thousand, or 8.93%, from $9.47 million to $10.31 million. The increase primarily reflects higher water supply activity, including the commencement of Metropolitan Water District of Southern California's Reverse Cyclic Program water deliveries.

General and Administrative

General and administrative expenses represent the District's cost related administration, finance, human resources, information & technology, public affairs and customer services departments. General and Administrative cost decreased approximately $590 thousand, or 10.54%, to $5.01 million. The decrease was primarily attributable to the net effect of the OPEB-related charges.

Please see the required supplementary information section for additional information regarding the District's obligation to provide Other Post-Employment Benefits (OPEB).

Operations

Operations expenses decreased approximately $273 thousand, or 2.06%. Operations represents the District's largest expense category and includes the departments responsible for operating, maintaining, and supporting the District's water and recycled water systems, facilities, equipment, and infrastructure.

Other Operating Expenses

Other operating expenses increased approximately $210 thousand. Retiree medical costs and vacation accruals contributed to this increase.

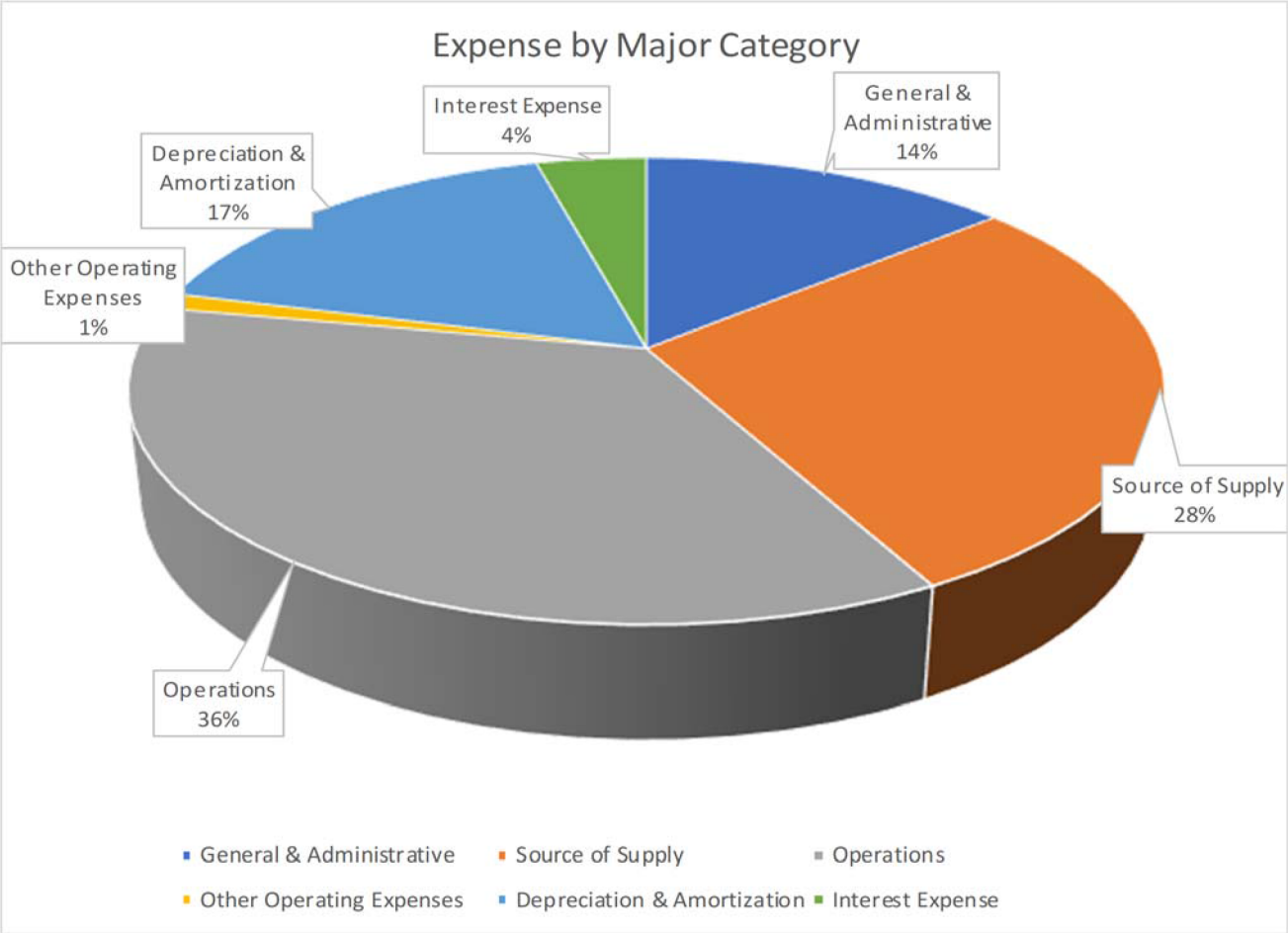
Interest Expense

Interest expense decreased approximately $67 thousand, or 4.31%, from $1.55 million to $1.49 million. The decrease primarily reflects scheduled principal payments on outstanding debt and the resulting reduction in interest costs.

Overall, the FY 2026 increase in expenses was primarily driven by additional depreciation associated with the implementation of the fixed asset module and higher source of supply costs. These increases were partially offset by lower general and administrative, operations, and interest expenses.

Operations represented approximately 36% of total expenses, Source of Supply approximately 28%, Depreciation and Amortization approximately 17%, and General and Administrative approximately 14%. Together, these categories represented approximately 95% of total expenses.

The District's expense structure is primarily driven by the costs of operating and maintaining its systems, securing water supply, and supporting the infrastructure necessary to provide reliable service to customers.



Expense Distribution

The chart above illustrates the distribution of the District's expenses across its major expense categories. The operations are responsible for the largest share of expenses at 36%. Followed by Source of Supply at 28 % and Depreciation & Amortization accounts for 17%.

Operations encompass 11 District departments, including key functions such as Engineering and Fleet Operations. These departments are responsible for the day-to-day activities required to operate, maintain, and support the District's water and recycled water systems, facilities, equipment, and infrastructure. As a result, Operations represents the largest component of the District's expenses.

While General & Administrative expenses represent 14%. Together, these four categories account for approximately 95% of the District's total expenses. General & Administrative (G&A) expenses include six District departments. These departments provide the administrative, financial, human resources, technology, communications, and customer support functions necessary to support the District's overall operations.

Source of Supply expenses primarily reflect the costs associated with securing the water supply necessary to serve the District's customers. Depreciation & Amortization reflects the allocation of

the cost of the District's capital assets over their useful lives, while Interest Expense, at 4.10%, represents the District's financing costs.

Other Operating Expenses are shown as 1.12%, reflecting an offset or credit to operating expenses rather than a traditional expense category. This credit is due to the OPEB charge for fiscal year 2025-26. Overall, the District's expense structure is primarily driven by the costs of operating and maintaining its systems, securing water supply, and supporting the infrastructure necessary to provide reliable service to customers.

Significant Capital Assets and Long-Term Financing Activities

Capital Assets

The Net Investment in Capital balances were as follows:

Capital Assets				
	FY 2025	FY 2026	$ Change	% Change
Capital Assets				
Non-depreciable Assets	$ 14,483,965	$ 13,135,560	$ (1,348,405)	-9.31%
Depreciable Assets	197,311,470	202,338,568	5,027,098	2.55%
Accumulated Depreciation	(101,713,907)	(107,553,491)	(5,839,584)	5.74%
Total Capital Assets, Net	110,081,528	107,920,637	(2,160,891)	-1.96%

The District's capital assets consist primarily of its water distribution and wastewater collection systems, treatment facilities, reservoirs, pumping stations, vehicles, equipment, and other infrastructure.

The District's net capital assets decreased by approximately $2.16 million, or 1.96%, from $110.08 million at June 30, 2025, to $107.92 million at June 30, 2026. The decrease resulted from depreciation and asset retirements exceeding capital additions during the fiscal year.

During FY 2026, the District continued implementation of its Capital Improvement Program. Approximately $4.0 million of additions were recorded in construction in progress, while approximately $5.3 million of completed projects were transferred from construction in progress to depreciable capital assets when placed into service.

Non-depreciable capital assets decreased approximately $1.35 million, or 9.31%, from $14.48 million to $13.14 million, while depreciable capital assets increased approximately $5.03 million, or 2.55%, from $197.31 million to $202.33 million. These changes primarily reflect capital project activity and the movement of completed projects from construction in progress to depreciable asset classifications.

Accumulated depreciation increased approximately $5.84 million, or 5.74%, to $107.55 million. The increase reflects depreciation of the District's existing utility infrastructure and other depreciable assets. In addition, the District implemented its fixed asset module during FY 2026, which included

a review and update of depreciation estimates. As a result, approximately $782 thousand of additional depreciation expense was recognized from changes in accounting estimates.

The District's capital investment continues to focus on maintaining and replacing aging infrastructure, improving system reliability and operational efficiency, and meeting regulatory requirements.

At June 30, 2026, the District had approximately $10.9 million of construction commitments under active contracts for projects expected to continue into fiscal year 2027. These projects include Headworks and Secondary Clarifier No. 1, Aeration Basin Diffusers, Westline Main Switchboard Replacement, Freeway and Mathis Lift Station Coating Rehabilitation, and several other smaller projects.

These projects are expected to be funded through available cash reserves, operating revenues, and other planned funding sources. The District did not issue new debt to finance capital improvements during FY 2026.

Debt Administration

Summary of Debt Outstanding

			Increase/(Decrease)	
			$	%
	FY 2025	FY 2026	Change	Change
Total Debt Outstanding				
Baker Water Treatment Plant	$ 6,296,301	$ 5,807,224	$ (489,077)	-7.77%
2022 Revenue Bonds	36,970,000	35,445,000	(1,525,000)	-4.12%
2022 Revenue Bonds - Premium	7,041,580	6,529,525	(512,055)	-7.27%
Total Debt Outstanding	$ 50,307,881	$ 47,781,749	$ (2,526,132)	-5.02%

Total debt balances were as follows:

The District did not issue any new long-term debt during fiscal year 2026 and continued to manage its existing debt obligations in accordance with its long-term financial plan. Total debt outstanding, including the unamortized premium on the 2022 Water Revenue Bonds, decreased by approximately $2.53 million, or 5.29%, from $50.31 million at June 30, 2025, to $47.78 million at June 30, 2026. The decrease was primarily attributable to scheduled principal payments on existing debt and the continued amortization of the bond premium.

As of June 30, 2026, the District's outstanding debt consisted of approximately $5.81 million related to the Baker Water Treatment Plant obligation, $35.45 million of outstanding principal on the 2022 Water Revenue Bonds, and $6.53 million of unamortized bond premium. During FY 2026, the Baker Water Treatment Plant obligation decreased approximately $489 thousand, or 7.77%, while outstanding principal on the 2022 Water Revenue Bonds decreased $1.53 million, or 4.12%. The unamortized bond premium decreased approximately $512 thousand, or 7.28%.

Consistent with the reduction in outstanding debt, interest expense decreased approximately $67 thousand, or 4.31%, from $1.55 million in FY 2025 to $1.49 million in FY 2026. The District continued

to meet its scheduled debt service requirements and remained in compliance with the financial covenants contained in its bond and loan agreements.

The District's S&P credit rating remained AA- during fiscal year 2026, consistent with the rating assigned on February 6, 2025, and no rating actions occurred during the fiscal year. The District is not subject to a statutory debt limit for its enterprise activities. Management believes the District maintains sufficient financial capacity to meet its existing debt obligations while funding planned capital improvements.

The District had no material Subscription-Based Information Technology Arrangements (SBITAs) and no Public-Private Partnerships (PPPs) or Public-Public Partnerships requiring recognition or disclosure as long-term financing arrangements during fiscal year 2026.

Additional information regarding the District's long-term liabilities is presented in Note 4 – Long-Term Liabilities to the financial statements.

Currently Known Facts, Decisions, or Conditions

The District continues to monitor financial, operational, and regulatory matters that may affect its future financial position, results of operations, and cash flows. The following matters were known as of June 30, 2026, and are considered relevant to the District's future financial planning and operations.

Capital Improvement Program

The District has approximately $11.1 million in outstanding construction commitments as of June 30, 2026, associated with ongoing infrastructure and facility improvement projects. These projects include improvements to the Headworks and Secondary Clarifier No. 1, Aeration Basin Diffusers, Westline Main Switchboard Replacement, and Freeway and Mathis Lift Station Coating Rehabilitation, along with other smaller projects. The District expects these projects to continue into fiscal year 2027. Management will continue to monitor project schedules, construction costs, and available funding to ensure that capital improvements are completed while maintaining adequate operating and capital reserves. The District currently anticipates funding its planned capital improvements through available reserves and operating revenues, without the need for additional long-term borrowing.

SOCWA Treatment Plant Capacity Rights Transaction

During fiscal year 2026, the District received the second of three anticipated annual payments, totaling approximately $1.0 million, related to the sale of its SOCWA treatment plant capacity rights to the Moulton Niguel Water District (MNWD). One additional annual payment is expected in fiscal year 2027. This transaction represents the sale of an asset rather than recurring operating revenue. Accordingly, the remaining payment is not considered a continuing source of operating revenue and will be considered separately in the District's future financial planning.

Adopted Water, Wastewater, and Recycled Water Rates

In June 2026, the Board of Directors approved the fiscal year 2026–27 budget and associated water, wastewater, and recycled water rate adjustments. The approved changes are expected to

result in an average increase of approximately 10.1% for a typical single-family residential customer's utility bill. The adjustments are intended to provide sufficient revenues to meet anticipated operating expenses, support reserve requirements, fund planned capital improvements, and meet debt-service obligations. Management will continue to monitor revenues, expenses, and customer demand to evaluate the adequacy of the approved rate structure.

Water Supply and Metropolitan Water District Programs

The District began participating in the Metropolitan Water District's Reverse Cyclic Program during fiscal year 2026. The program is expected to influence the District's water supply planning and purchased-water costs in future periods. Management will continue to evaluate the program's financial and operational impacts and incorporate relevant information into water supply planning, budgeting, and long-term financial forecasts.

Postemployment Benefits and Other Long-Term Obligations

The District provides postemployment benefits and maintains a defined contribution retirement plan. The District does not have a defined benefit pension liability. Other postemployment benefit (OPEB) obligations and the related deferred outflows and inflows of resources are subject to actuarial valuations and changes in assumptions and experience. These amounts may affect future financial reporting and will continue to be monitored by management.

Economic, Regulatory, and Operating Conditions

The District's future financial performance may be affected by changes in purchased-water costs, labor and employee benefit expenses, energy and chemical costs, construction and contractor pricing, regulatory requirements, water supply conditions, and customer demand. Management considers these factors in preparing annual budgets, establishing rates, evaluating reserve levels, and prioritizing capital improvements. The District will continue to monitor these conditions and assess their potential impact on future operating and capital requirements.

Management believes that the District's current financial position, adopted rate structure, available reserves, and ongoing financial planning provide a reasonable basis for meeting its anticipated operating, capital, and debt-service obligations. However, actual future results may differ as economic, operational, and regulatory conditions change.

Requests for Information

This report is intended to provide customers, ratepayers, bondholders, regulatory agencies, and other interested parties with an overview of the District's financial position, operating results, and cash flows for fiscal year 2026. The financial statements, notes, and accompanying supplementary information are designed to provide additional detail regarding the District's financial activities and long-term financial condition.

Questions regarding this report or requests for additional financial information may be directed to:

El Toro Water District
24251 Los Alisos Boulevard
Lake Forest, California 92630

BASIC FINANCIAL STATEMENTS

EL TORO WATER DISTRICT
Statement of Net Position
June 30, 2026

ASSETS		
Current Assets:		
Cash and cash equivalents	$	1,496,225
Investments		22,515,296
Receivables (net of uncollectibles):		
Accounts receivables		4,359,341
Accounts receivables - grants		540,291
Interest		208,418
Taxes		18,538
Lease		127,628
Materials and supply inventory		854,999
Prepaid expenses		727,541
Water inventory		800,072
Restricted:		
Cash and cash equivalents		76,555
Total Current Assets		31,724,904
Noncurrent:		
Lease receivable		3,890,786
Capital assets:		
Nondepreciable		13,135,560
Depreciable, net of accumulated depreciation		94,785,077
Total noncurrent assets		111,811,423
Total assets		**143,536,327**
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related		1,307,952
Total Deferred Outflows of Resources		**1,307,952**
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses		4,097,472
Accrued salaries and related payables		231,836
Customer deposits		50,000
Accrued interest payable		144,575
Long-term liabilities - due within one year:		
Compensated absences		243,078
Total other post employment benefit liability		485,397
Bonds payable		1,600,000
Loans payable		504,239
Total current liabilities		7,356,597
Noncurrent liabilities:		
Long-term liabilities - due in more than one year		
Compensated absences		1,587,158
Total other post employment benefits liability		9,740,761
Bonds payable		40,374,525
Loans payable		5,302,985
Total noncurrent liabilities		57,005,429
Total liabilities		**64,362,026**
DEFERRED INFLOWS OF RESOURCES		
Lease-related		3,435,073
OPEB-related		6,267,400
Total deferred inflows of resources		**9,702,473**
NET POSITION		
Net investment in capital assets		58,940,456
Restricted for capital outlay		76,555
Unrestricted		11,762,769
Total net position	**$**	**70,779,780**

EL TORO WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2026

OPERATING REVENUES		
Commodity supply charges	$	12,919,109
Service charges		15,752,000
Capital replacement charges		6,276,199
Reimbursement from others		453,820
Capacity fees		55,611
Rental revenue		373,870
Miscellaneous revenue		232,363
Total operating revenues		**36,062,972**
OPERATING EXPENSES		
General & administrative		5,007,031
Source of supply		10,313,269
Operations		12,974,787
Other operating expense		406,109
Depreciation		6,117,941
Total operating expenses		**34,819,137**
Operating income (loss)		**1,243,835**
NONCAPITAL SUBSIDIES		
Property taxes		1,383,220
Grants, rebates, reimbursements		2,006
Total noncapital subsidies		**1,385,226**
Operating income (loss) and noncapital subsidies		**2,629,061**
OTHER NONOPERATING REVENUES (EXPENSES)		
Investment income		974,782
Gain on sale of asset		1,003,104
Interest expense		(1,487,927)
Total other nonoperating revenues (expenses)		**489,959**
Increase in net position		**3,119,020**
Net position-beginning		67,660,760
Net position-ending	**$**	**70,779,780**

EL TORO WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers for water sales and services	$	35,516,028
Payments to suppliers for operations		(24,193,249)
Payments to employees for salaries and wages		(5,968,906)
Net Cash Provided By (Used For) Operating Activities		**5,353,873**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from property taxes		1,377,655
Receipts from other governments		2,006
Net Cash Provided By (Used For) Noncapital Financing Activities		**1,379,661**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets, net		(2,758,618)
Repayment of long-term debt		(2,014,077)
Interest payments		(2,006,336)
Proceeds from sales of assets		1,003,104
Net Cash Provided By (Used For) capital and related financing activities		**(5,775,927)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts from interest and dividends		825,785
Lease payments received		271,118
Net Cash Provided By (Used For) investing activities		**1,096,903**
Net increase (decrease) in cash and investments		**2,054,510**
Cash and investments-beginning		22,033,566
Cash and investments-ending	**$**	**24,088,076**

EL TORO WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2026

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (loss)	$	1,243,835
Adjustments to Reconcile Operating Income (Loss) to net cash provided by (used for) operating activities:		
Depreciation expense		6,117,941
Nonoperating rental revenues		(373,870)
(Increase) in accounts receivable		(157,421)
Decrease in inventories		404,218
(Increase) in prepaid expenses		(352,201)
Decrease in deferred outflows - OPEB		609,372
(Decrease) in accounts payable and accrued expenses		(551,101)
Increase in accrued salaries and related payables		40,478
(Decrease) in deposits		(15,653)
Increase in compensated absences		25,573
(Decrease) in total OPEB liability		(1,424,655)
(Decrease) in deferred inflows - OPEB		(212,643)
Total adjustments		4,110,038
Net Cash Provided By (Used For) Operating Activities	**$**	**5,353,873**

NONCASH CAPITAL AND FINANCING ACTIVITIES		
Accounts payable related to capital acquisition costs	$	1,198,432
Amortization on bond discount/(premium)		(512,055)

Notes to The Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the Reporting Entity

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

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

The El Toro Water District Financing Authority (the Authority) was organized on January 24, 2022, pursuant to the Joint Exercise Powers Act, of the state of California (Code 6500 et seq. (the JPA Act) solely for the purpose of assisting the District in financing and refinancing capital improvement projects of the District and in financing working capital for the District. The Authority, an entity legally separate from the District, is governed by substantially all the board members of the District and has an agreement with the District for the receipt of revenues to pay debt service on behalf of the District. As a result of these two factors, the Authority is a blended component unit of the District. The Authority does not issue separate financial statements.

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.

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 resources 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and Expenses

Noncapital subsidies, such as property taxes and grants, rebates and reimbursements represent receipts from other entities provided for operating purposes of the District. Nonoperating revenues, such as investment income, result from non-exchange transactions of the District. Operating revenues represent all receipts not meeting these definitions. Operating expenses include the costs of providing water and related services (source of supply, operations), general and administrative, other operating expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating revenues and expenses.

F. Cash and Cash Equivalents

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

G. Investments and Investment Policy

The District has adopted an investment policy directing the District's General Manager or Chief Financial Officer to invest, reinvest, sell, or exchange securities. Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

H. Restricted Assets

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

I. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Management evaluates all accounts receivable and if it is determined that they are uncollectible, they are written off as bad debt expense. No charges were made to bad debt expense for the year ended June 30, 2026.

J. Prepaid Items

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

K. Materials and Supplies and Water Inventory

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

Water inventory is separately reported from materials and supplies inventory and is valued using the current applicable water rate at the reporting date. The value of water inventory is recorded as an asset until the water is used, at which time the related cost is recognized in the appropriate operating expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Property Taxes

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

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

M. Capital Assets

Capital assets acquired and/or constructed assets are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $25,000. Donated assets are recorded at acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

N. Deferred Outflows/Inflows of Resources

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

- Deferred outflows related to other postemployment benefit (OPEB) for an amount equal to employer payment of benefits made after the measurement date of the total OPEB liability.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

- 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 assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

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

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

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

O. Compensated Absences

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

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

P. Net Position

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

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

Restricted Net Position - This amount consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Q. Water Sales and Sewer Services

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

R. Capital Contributions

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

S. Leases

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

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

T. 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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.

U. New GASB Pronouncements Effective during Fiscal Year

The following Government Accounting Standards Board (GASB) pronouncements were effective for and implemented for the fiscal year ended June 30, 2026:

GASB Statement No. 103, Financial Reporting Model Improvements

The requirements of this Statement will improve the presentation and disclosure requirements of the governmental financial reporting model, including MD&A, proprietary fund reporting, budgetary comparison information, and other financial reporting elements, to enhance the usefulness of governmental financial statements.

Implementation of this statement has resulted in these changes to the presentation of the Statement of Revenues, Expenses and Changes in Net Position:

- Property taxes and grants, rebates and reimbursements have been moved to the noncapital subsidies section from nonoperating revenues (expenses).
- Rental revenue and nonoperating revenue have been moved to operating revenues from nonoperating revenues (expenses). Nonoperating revenue has been combined with miscellaneous revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 104, Disclosure of Certain Capital Assets

The requirements of this Statement provide enhanced disclosures for certain capital assets, including lease, subscription-based information technology, and other intangible assets, as well as additional disclosures for capital assets held for sale, to provide more transparent and decision-useful information to financial statement users.

GASB Statement No. 105, Subsequent Events

The requirements of this Statement provide guidance for identifying, evaluating, and disclosing subsequent events, clarifies subsequent event reporting requirements, and enhances consistency and transparency in the presentation of information affecting the financial statements. The District is early-implementing this statement for this year.

Cash and investments

At June 30, 2026, cash and investments were classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	$	1,496,225
Investments		22,515,296
Restricted - Cash and Cash Equivalents		76,555
Total cash and investments	$	24,088,076

At June 30, 2026, cash and investments consisted of the following:

Cash on hand	$	700
Deposits with financial institutions		1,572,080
Investments		22,515,296
Total cash and investments	$	24,088,076

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, and concentration of credit risk.

NOTE 2 - CASH AND CASH INVESTMENTS (CONTINUED)

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 Certificate of Deposit	5 years	30%	None
Non-negotiable Certificate of Deposit	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Money Market Mutual Funds	5 years	10%	None
Collateralized Bank Deposits	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	30 million	None
California Asset Management (CAMP)	N/A	60%	None
Supranationals	5 years	30%	None
Placement Service Deposit	5 years	30%	None

N/A - Not applicable

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 table that shows the distribution of the District's investments by maturity as of June 30, 2026.

	Remaining Maturity (in Months)			
Investment Type	12 Months or Less	13 to 24 Months	25 to 60 Months	Total
U.S. Treasury Obligations	$ 990,415	$ 2,684,258	$ -	$ 3,674,673
Corporate Medium-Term Notes	-	199,748	770,661	970,409
Negotiable Certificates of Deposit	9,000,000	-	-	9,000,000
LAIF	6,388,654	-	-	6,388,654
CAMP - Money Market	2,481,560	-	-	2,481,560
Total	$ 18,860,629	$ 2,884,006	$ 770,661	$ 22,515,296

NOTE 2 - CASH AND CASH INVESTMENTS (CONTINUED)

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, 2026, for each investment type.

Investment Type	Minimum Legal Rating	Not Rated	AA	A	BBB	Total as of June 30, 2026
U.S. Treasury Obligations	N/A	$ -	$ 3,674,673	$ -	$ -	$ 3,674,673
Corporate Medium-Term Notes	A	-	-	806,034	164,375	970,409
Negotiable Certificates of Deposit	AA	-	-	9,000,000	-	9,000,000
LAIF	N/A	6,388,654	-	-	-	6,388,654
CAMP - Money Market	N/A	2,481,560	-	-	-	2,481,560
Total		$ 8,870,214	$ 3,674,673	$ 9,806,034	$ 164,375	$ 22,515,296

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, 2026, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

NOTE 2 - CASH AND CASH INVESTMENTS (CONTINUED)

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).

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.

Investment Type	Observable Inputs Level 2	Total
U.S. Treasury Obligations	$ 3,674,673	$ 3,674,673
Corporate Medium-Term Notes	970,409	970,409
Negotiable Certificates of Deposit	9,000,000	9,000,000
Total Leveled Investments	$ 13,645,082	13,645,082
LAIF*		6,388,654
CAMP - Money Market*		2,481,560
Total Investments		$ 22,515,296

*Not subject to fair value measurement hierarchy.

NOTE 3 - CAPITAL ASSETS

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

A summary of changes in capital assets for the year ended June 30, 2026 is as follows:

	Balance June 30, 2025	Additions	Deletions	Transfers	Balance June 30, 2026
Capital Assets, Not Being Depreciated					
Land	$ 2,077,237	$ -	$ -	$ -	$ 2,077,237
Mineral and Water Rights	5,374,349	-	-	-	5,374,349
Construction in Progress	7,032,379	3,957,050	-	(5,305,455)	5,683,974
Total Capital Assets, Not Being Depreciated	14,483,965	3,957,050	-	(5,305,455)	13,135,560
Capital Assets, Being Depreciated					
Source of Supply	15,570,856	-	-	72,350	15,643,206
Pumping	26,683,623	-	-	240,543	26,924,166
Treatment	45,683,343	-	-	292,590	45,975,933
Transmission and Collection	92,944,154	-	-	-	92,944,154
General Plant Facilities	16,201,239	-	(247,552)	4,699,972	20,653,659
Intangible Assets					
Capacity Rights	228,255	-	(30,805)	-	197,450
Total Capital Assets, Being Depreciated	197,311,470	-	(278,357)	5,305,455	202,338,568
Less Accumulated Depreciation					
Source of Supply	(9,653,630)	(948,612)	-	-	(10,602,242)
Pumping	(17,983,604)	(1,135,902)	-	-	(19,119,506)
Treatment	(36,986,333)	(1,353,829)	-	-	(38,340,162)
Transmission and Collection	(21,940,068)	(2,107,146)	-	-	(24,047,214)
General Plant Facilities	(14,983,629)	(566,272)	247,552	-	(15,302,349)
Intangible Assets					
Capacity Rights	(166,643)	(6,180)	30,805	-	(142,018)
Total Accumulated Depreciation	(101,713,907)	(6,117,941)	278,357	-	(107,553,491)
Total Capital Assets, Being Depreciated, Net	95,597,563	(6,117,941)	-	5,305,455	94,785,077
Total Capital Assets, Net	$ 110,081,528	$ (2,160,891)	$ -	$ -	$ 107,920,637

NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at June 30, 2026:

	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026	Amount Due Within One Year	Amount Due More Than One Year
Direct Borrowings:						
Loans Payable:						
Baker Water Treatment Plant - Refinance Loan	$ 6,296,301	$ -	$ 489,077	$ 5,807,224	$ 504,239	$ 5,302,985
Total Loans Payable	6,296,301	-	489,077	5,807,224	504,239	5,302,985
Bonds Payable:						
Revenue Bonds, Series 2022A	36,970,000	-	1,525,000	35,445,000	1,600,000	33,845,000
Premium, Series 2022A	7,041,580	-	512,055	6,529,525	-	6,529,525
Total Bonds Payable	44,011,580	-	2,037,055	41,974,525	1,600,000	40,374,525
Compensated absences*	1,804,663	25,573	-	1,830,236	243,078	1,587,158
Total long-term liabilities	$ 52,112,544	$ 25,573	$ 2,526,132	$ 49,611,985	$ 2,347,317	$ 47,264,668

*Compensated absences change is shown as net change.

Baker Water Treatment Plant Agreement and Direct Borrowing

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

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

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 504,239	$ 180,024	$ 684,263
2028	519,870	164,393	684,263
2029	535,986	148,277	684,263
2030	552,602	131,661	684,263
2031	569,732	114,530	684,262
2032-2036	3,124,795	296,518	3,421,313
Totals	$ 5,807,224	$ 1,035,403	$ 6,842,627

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Water and Wastewater Revenue Bonds, Series 2022A

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

Future annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 1,600,000	$ 1,734,900	$ 3,334,900
2028	1,680,000	1,654,900	3,334,900
2029	1,765,000	1,570,900	3,335,900
2030	1,850,000	1,482,650	3,332,650
2031	1,525,000	1,390,150	2,915,150
2032-2036	6,910,000	5,809,250	12,719,250
2037-2041	4,765,000	4,475,800	9,240,800
2042-2046	5,970,000	3,269,750	9,239,750
2047-2051	7,620,000	1,619,750	9,239,750
2052-2056	1,760,000	88,000	1,848,000
Totals	$ 35,445,000	$ 23,096,050	$ 58,541,050

NOTE 5 - 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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the District has little administrative involvement and does not perform the investing function for the Plan, and the assets and related liabilities are not presented in the accompanying financial statements in accordance with GASB Statement No. 84 and No. 97.

As of February 1, 2016, the District executed an amendment to the Plan authorizing the District (as employer) to match an amount equal to 75% of each participant's total contributions to either 401 (k) or 457 plans, but no more than 10% of their annual compensation. The District contributions can be deposited to the 401 (k) or 457 plans depending on which account the participant contributes to and if the participant chooses to have their 457 contributions matching funds deposited to their 457 plan account.

In addition, the District contributes an amount equal to 9% of compensation for a Plan year for all qualified participants regardless of whether they are an employee on the last day of the Plan year and regardless of whether they made any salary deferrals to the Plan. Employees are immediately vested in their employer contributions. District contributions to the 401 (k) plan were $1,245,332 for the year ended June 30, 2026.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Benefits

The District offers postemployment medical benefits to retired employees who satisfy the eligibility rules. Certain spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District's ACWA/JPIA Health Program. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors. There are no assets accumulated in a GASB compliant trust.

Employees Covered

At the June 30, 2025, measurement date, the following current and former employees were covered by the benefit terms:

Inactive members currently receiving benefits	32
Active members	58
Total	90

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2025, was determined using the following actuarial assumptions:

Valuation Date*	June 30, 2024
Measurement Date	June 30, 2025
Actuarial Assumptions:	
Discount Rate	5.20%
Projected Salary Increase	2.75% Per Year
Inflation	2.50% Per Year
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study (2%@ 55 Rates for Tier 1, Modified Rates for Tier 2)
Mortality Improvement	Mortality Projected Fully Generational with Scale MP-2021
Medical Trend	
Non-Medicare	8.5% for 2025, Decreasing to 3.45% in 2076
Medicare (Non-Kaiser)	7.5% for 2025, Decreasing to 3.45% in 2076
Medicare (Kaiser)	6.25% for 2025, Decreasing to 3.45% in 2076
Healthcare Participation at Retirement	
Actives	95% Tier 1, 90% Tier 2
Retirees	100%
Spouse Healthcare Participation at Retirement	
Spouse Currently Covered	100% Tier 1, 50% Tier 2
Spouse not Currently Covered	0%
Medical Plan Election at Retirement	Same as Currently Elected

*Update procedures were used to roll forward the Total OPEB Liability from the valuation date (June 30,2024) to the measurement date (June 30, 2025)

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, 2026, the District made payments of $380,536 for premiums and the implied subsidy was $104,861, thereby resulting in payments of $485,397.

Discount Rate

The discount rate used to measure the 2025 total OPEB liability was 5.20%. This discount rate is the Bond Buyer 20-Bond GO index.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2025:

	Discount Rate 1% Decrease (4.20%)	Current Discount Rate (5.20%)	Discount Rate 1% Increase (6.20%)
Total OPEB liability	$ 11,492,586	$ 10,226,158	$ 9,170,618

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, 2025:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB liability	$ 9,008,294	$ 10,226,158	$ 11,706,904

(a) Non-Medicare - 8.5% for 2025, Decreasing to 3.45% in 2076
Medicare (Non-Kaiser) - 7.5% for 2025, Decreasing to 3.45% in 2076
Medicare (Kaiser) - 6.25% for 2025, Decreasing to 3.45% in 2076

Change in Total OPEB liability

A summary of change in the total OPEB liability for the measurement date June 30, 2025 is as follows:

Balance at June 30, 2024 (Measurement Date)	$ 11,650,813
Changes recognized for the measurement period:	
Service cost	233,212
Interest on total OPEB liability	457,917
Changes in assumptions	(1,651,410)
Benefit payments	(464,374)
Net changes during 2024-25	(1,424,655)
Balance at June 30, 2025 (Measurement Date)	$ 10,226,158

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expenses

For the year ended June 30, 2026, OPEB contra-expense in the amount of $542,529 is included in the accompanying statement of revenues, expenses, and changes in net position. As of June 30, 2026, the District reported deferred outflows or inflows of resources related to OPEB due to the valuation of OPEB under GASB Statement No. 75 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 485,397	$ -
Differences between expected and actual experience	352,745	3,645,969
Changes in assumptions	469,810	2,621,431
Total	$ 1,307,952	$ 6,267,400

The $485,397 reported as deferred outflows of resources related to OPEB resulting from the District's payments of OPEB benefits subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for measurement period June 30, 2025 are recognized as OPEB expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2027	$ (1,350,669)
2028	(1,583,864)
2029	(1,606,846)
2030	(373,128)
2031	(220,648)
Thereafter	(309,690)
Total	$ (5,444,845)

Changes of Assumptions

The following assumption was changed from the June 30, 2024 actuarial valuation with measurement period ended June 30, 2025: the discount rate was updated from 3.93% to 5.20%.

NOTE 7 - LEASES

The District has six active leases. The leases provide for monthly payments ranging from $3,083 to $7,316, and carry interest rates that range from 3.05% to 3.927%, and will mature between January of 2037 and January of 2046. As of June 30, 2026, the total combined value of the leases receivable is $4,018,414, the total combined value of the current leases receivable is $127,628, and the combined value of the deferred inflows of resources is $3,435,073.

	Balance June 30, 2025	Deletions	Balance June 30, 2026	Due within one year
Cell Tower Lease receivable	$ 4,128,812	$ (110,398)	$ 4,018,414	$ 127,628

Fiscal Year ended June 30,	Principal Payments	Interest Payments	Total Payments
2027	$ 127,628	$ 129,895	$ 257,523
2028	139,926	125,433	265,359
2029	152,771	120,549	273,320
2030	166,298	115,222	281,520
2031	1,028,972	479,309	1,508,281
2032-2036	1,017,066	307,910	1,324,976
2037-2041	1,169,668	123,283	1,292,951
2042-2046	216,085	8,107	224,192
	$ 4,018,414	$ 1,409,708	$ 5,428,122

NOTE 8 - 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, 2026, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- 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 ($45 million), lead ($45 million), and mold ($45 million).

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

- Employee dishonesty coverage of up to $3,000,000 with a $100,000 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 $150,000,000 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 $66,612,133. Coverage for floods is up to $25,000,000, with a deductible of $100,000. Real property has a deductible of $10,000; the ACWA/JPIA is self-insured for up to $10,000,000; 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 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 workrelated 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 $100,000 per occurrence based on annual revenues.

- Fiduciary liability coverage of up to $3,000,000 with a deductible of $15,000 for claims resulting from a breach in fiduciary duty associated with its retirement pension plan.

Settled claims have not exceeded any of the coverage amounts for the last three years, and there were no reductions in the District's insurance coverage during the year ended June 30, 2026. 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.

There were no incurred but not reported claims payable as of June 30, 2026.

NOTE 9 - 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. The following material construction commitments existed at June 30, 2026:

Project Name	Organization	Contract Amount	Expenditures to Date as of June 30, 2026	Remaining Commitments
Headworks and Secondary Clarifiers No. 1	Filanc	$ 10,424,200	$ 894,740	$ 9,529,460
Moulton/El Toro Road Cathodic Protection Repair	Farwest Corrosion Control	367,000	-	367,000
R-6 Reservoir Southern Slope Stabilization	MDB	390,800	377,800	13,000
Freeway Lift Station Electrical Equipment Replacement	Baker	94,485	-	94,485
Customer Service Truck		52,144	-	52,144
Headworks and Secondary Clarifier No. 1	ROI Engineering LLC	103,433	56,601	46,832
Headworks and Secondary Clarifier No. 1	Butier Engineering, Inc.	943,904	358,091	585,813
Headworks and Secondary Clarifier No. 1	Carollo Engineers, Inc.	546,328	414,808	131,520
R-6 Reservoir Southern Slope Stabilization	Dudek	24,580	14,187	10,393
Aliso Creek Lift Station Rehabilitation - Final Design	Tetra Tech, Inc	484,000	351,315	132,685
System Wide Arc Flash and Coordination Study	Hazen and Sawyer	32,000	9,650	22,350
Impressed Current Cathodic Protection System Monitoring Program	Universal Corrosion Services	137,510	9,172	128,338

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. During the past three fiscal years, there were no settlements or judgments that exceeded insured coverage.

NOTE 10 - CHANGE IN ACCOUNTING ESTIMATE

During the fiscal year ended June 30, 2026, the District revised its methodology used to estimate depreciation for certain capital assets from the half-year convention to the zero-year convention. Management determined that the revised methodology more appropriately reflects the timing and pattern of consumption of the assets' service potential and provides a more reliable basis for estimating depreciation expense.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, this revision has been accounted for as a change in accounting estimate. Accordingly, the effect of the change has been recognized prospectively in the current year financial statements, and prior year amounts have not been restated.

The change in estimate increased current year depreciation expense and accumulated depreciation by $782,318, with a corresponding decrease in current year change in net position. The impact of the change is reflected in depreciation expense and accumulated depreciation in the accompanying financial statements.

NOTE 11 - SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through October 8, 2026, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2026, that required recognition or disclosure in these financial statements.

Required Supplementary Information

EL TORO WATER DISTRICT
Schedule of Changes in the Total OPEB Liability and Related Ratios
As of June 30, For the Last Ten Fiscal Years[1]

Fiscal Year Ended	6/30/2026	6/30/2025	6/30/2024	6/30/2023
Measurement Date	6/30/2025	6/30/2024	6/30/2023	6/30/2022
TOTAL OPEB LIABILITY				
Service cost	$ 233,212	$ 288,374	$ 288,796	$ 625,561
Interest on Total OPEB liability	457,917	414,544	395,780	442,766
Changes of assumptions	(1,651,410)	(419,300)	(160,615)	(1,818,868)
Difference between expected and actual experience	-	485,855	-	(7,913,790)
Benefit payments, including refunds of employee contributions	(464,374)	(375,293)	(317,520)	(316,743)
Net change in total OPEB liability	(1,424,655)	394,180	206,441	(8,981,074)
Total OPEB liability-beginning	11,650,813	11,256,633	11,050,192	20,031,266
Total OPEB liability-ending (a)	**$ 10,226,158**	**$ 11,650,813**	**$ 11,256,633**	**$ 11,050,192**
Covered employee payroll	$ 7,672,522	$ 7,241,806	$ 7,045,939	$ 6,743,824
Plan total OPEB liability as a percentage of covered employee payroll	133.3 %	160.9 %	159.8 %	163.9 %

Notes to Schedule:

There are no assets accumulated in a trust to pay related benefits for the OPEB plan

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From measurement date of June 30, 2019 to June 30, 2020:
- Discount rate was updated based on municipal bond rate as of the measurement date from 3.5% to 2.21%
- Mortality schedule updated from Scale MP-2018 to Scale MP-2020

From measurement date of June 30, 2020 to June 30, 2021:
- Discount rate was updated based on municipal bond rate as of the measurement date from 2.21% to 2.16%

From measurement date of June 30, 2021 to June 30, 2022:
- Discount rate was updated based on municipal bond rate as of the measurement date from 2.16% to 3.54%
- Mortality improvement scale was updated to Scale MP-2021
- CalPERS 2000-2019 Experience Study was used for demographic assumptions

From measurement date of June 30, 2022 to June 30, 2023:
- Discount rate was updated based on municipal bond rate as of the measurement date from 3.54% to 3.65%

From measurement date of June 30, 2023 to June 30, 2024:
- Discount rate was updated based on municipal bond rate as of the measurement date from 3.65% to 3.93%
- Mortality schedule updated from Scale MP-2020 to Scale MP-2021

From measurement date of June 30, 2024 to June 30, 2025:
- Discount rate was updated based on municipal bond rate as of the measurement date from 3.93% to 5.20%

[1] Fiscal year 2018 was the first year of implementation; therefore, only nine years are shown.

EL TORO WATER DISTRICT
Schedule of Changes in the Total OPEB Liability and Related Ratios
As of June 30, For the Last Ten Fiscal Years[1]

6/30/2022	**6/30/2021**	**6/30/2020**	**6/30/2019**	**6/30/2018**
6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
$ 598,651	$ 468,321	$ 410,098	$ 267,270	$ 260,117
433,004	600,602	598,626	430,926	409,009
160,868	2,875,924	923,090	2,564,813	-
-	(1,334,563)	-	987,411	-
(311,125)	(304,295)	(292,405)	(237,713)	(228,570)
881,398	2,305,989	1,639,409	4,012,707	440,556
19,149,868	16,843,879	15,204,470	11,191,763	10,751,207
20,031,266	**19,149,868**	**16,843,879**	**15,204,470**	**11,191,763**
$ 6,174,962	$ 5,980,908	$ 5,889,881	$ 5,709,337	$ 5,696,461
324.39 %	320.18 %	285.98 %	266.31 %	196.47 %

Supplementary Information

EL TORO WATER DISTRICT
Schedule of Revenue by Category
For the Fiscal Year Ended June 30, 2026

OPERATING REVENUES		
Commodity supply charges:		
Unrestricted	$	9,946,878
Restricted - recycled water		735,286
Recycled consumption sales		2,236,945
Total commodity supply charges		12,919,109
Service charges:		
Water service charges		5,383,197
Wastewater service charges		9,845,530
Recycled service charges		523,273
Total service charges		15,752,000
Capital replacement charges:		
Water capital charges		2,582,523
Wastewater capital charges		3,413,964
Recycled capital charges		279,712
Total capital replacement charges		6,276,199
Reimbursements from others:		
Recycled water rebates		330,851
Shared facility charges		122,969
Total reimbursements from others		453,820
Capacity fees		55,611
Rental revenue		373,870
Miscellaneous revenue		232,363
Total operating revenues		**36,062,972**
NONCAPITAL SUBSIDIES		
Property taxes:		
Water system		553,288
Wastewater system		719,274
Recycled water system		110,658
Total property taxes		1,383,220
Grants, rebates, reimbursements		2,006
Total noncapital subsidies		**1,385,226**
NONOPERATING REVENUES		
Investment income		974,782
Gain on sale of asset		1,003,104
Total nonoperating revenues		**1,977,886**
Total revenue		**39,426,084**

EL TORO WATER DISTRICT
Schedule of Expenses by Category
For the Fiscal Year Ended June 30, 2026

OPERATING EXPENSES		
General & administrative:		
Administration	$	327,253
Finance and risk management		1,581,354
Human resources		543,721
Technology services		781,815
Public relations conservation		606,858
Customer service		1,166,030
Total general & administrative		5,007,031
Source of supply		10,313,269
Operations:		
Engineering		935,510
Operations support		1,379,467
Fleet services		492,559
Pumping operations		1,885,221
Transmission and distribution		2,557,151
Wastewater collections		960,174
Treatment operations		4,764,705
Total operations		12,974,787
Other operating expenses		406,109
Depreciation & amortization		6,117,941
Total operating expenses		**34,819,137**
NONOPERATING EXPENSES		
Interest expense		1,487,927
Total nonoperating expenses		**1,487,927**
Total expenses	**$**	**36,307,064**

STATISTICAL SECTION

EL TORO WATER DISTRICT
Index to Statistical Section
JUNE 30, 2026

Contents: **Pages:**

Financial Trends: these schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time 67

Revenue Capacity: these schedules contain information to help the reader assess the District's most significant local revenue source, the property taxes, water and sewer charges 70

Debt Capacity: these schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future 78

Demographic and Economic Information: these schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place 81

Operating Information: these schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides 84

Financial Trends

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

	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-Capital Subsidies					
Property Taxes	888,973	927,672	1,012,576	1,037,335	1,097,589
Grants, Rebates, Reimbursements[3]	152,710	59,653	910,351	40,917	42,826
	1,041,683	987,325	1,922,927	1,078,252	1,140,415
Non-operating revenues (expenses)					
Rental revenue	181,491	188,183	204,160	242,187	236,357
Gain (Loss) on Sale of Capital Assets[7]	-	-	-	-	-
Investment Income[1]	75,113	124,001	500,786	424,110	21,511
Interest expense[2]	(706,683)	(790,753)	(753,794)	(777,511)	(758,339)
Non-operating revenue	-	-	-	-	-
Total non-operating revenues(expenses), net	(450,079)	(478,569)	(48,848)	(111,214)	(500,471)
Income (Loss) 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[4]	1,602,958	1,602,958	2,012,004	2,270,150	2,270,150
Capital Projects[5]	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[6]	10,136,417	1,008,665	6,121,392	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) The increase in Investment Income in FY22/23 was due to higher interest rate of return on short-term LAIF and CAMP investments. The decrease in FY 21/22 was caused by Unrealized Losses in the fair value of investment holdings due to federal reserve increased the short term interest rate.
(2) The increase in Interest expense reflect a full year of interest payment vs. partial from the 2022 Revenue Bonds .
(3) The increase in FY18/19 was due to a refund from South Orange County Waste Water Authority (SOCWA). In FY22-23 R6 Reservoir Cover & Liner replacement costs reimbursement from Santa Margarita Water $7.7M, Moulton Niguel Water $$762K, San Diego. County $617K, MWDOC $231k
(4) The decrease in Restricted for Debt Service in FY 21/22 was due to the elimination of debt service reserve when 2022 Revenue bonds replaced the State loans and the funds were used for other capital expenditures.
(5) The increase in Restricted capital projects in FY 21/22 were the proceeds from the 2022 Revenue Bonds that had not yet been fully expended for capital expenses.

Source: 2017 to 2026 Audited Financial Statements

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

	2022	2023	2024	2025	2026
Changes in net position:					
Operating revenues (see Schedule 2)	$ 27,383,146	$ 26,410,680	$ 28,671,429	33,521,714	35,689,102
Operating expenses (see Schedule 3)	(30,078,960)	(31,297,713)	(32,279,315)	(33,612,269)	(34,819,137)
Operating income (loss)	(2,695,814)	(4,887,033)	(3,607,886)	(90,555)	869,965
Non-Capital Subsidies					
Property Taxes	1,121,250	1,184,149	1,246,920	1,308,540	1,383,220
Grants, Rebates, Reimbursements[3]	323,458	618,262	16,793	24,016	2,006
	1,444,708	1,802,411	1,263,713	1,332,556	1,385,226
Non-operating revenues (expenses)					
Rental revenue	227,227	234,439	250,686	548,958	373,870
Gain (Loss) on Sale of Capital Assets[7]	-	-	(1,489,216)	993,024	1,003,104
Investment Income[1]	(259,747)	795,655	1,101,123	1,237,335	974,782
Interest expense[2]	(1,072,567)	(1,723,651)	(1,618,994)	(1,554,947)	(1,487,927)
Non-operating revenue	-	19,323	15,050	-	-
Total non-operating revenues(expenses), net	(1,105,087)	(674,234)	(1,741,351)	1,224,370	863,829
Income (Loss) before capital contributions	(2,356,193)	(3,758,856)	(4,085,524)	2,466,371	3,119,020
Capital contributions	166,008	8,919,072	5,456,258	-	-
Changes in net position	$ (2,190,185)	$ 5,160,216	$ 1,370,734	2,466,371	3,119,020
Net position by component:					
Net investment in capital assets	$ 30,402,906	$ 54,968,271	57,428,761	59,349,999	58,940,456
Restricted:					
Debt Service[4]	-	-	-	-	-
Capital Projects[5]	26,797,887	-	-	-	76,555
Total restricted	26,797,887	-	-	-	76,555
Unrestricted[6]	1,462,646	8,855,384	7,765,628	8,310,761	11,762,769
Total net position	$ 58,663,439	$ 63,823,655	$ 65,194,389	67,660,760	70,779,780

(1) The increase in Investment Income in FY22/23 was due to higher interest rate of return on short-term LAIF and CAMP investments. The decrease in FY 21/22 was caused by Unrealized Losses in the fair value of investment holdings due to federal reserve increased the short term interest rate.
(2) The increase in Interest expense reflect a full year of interest payment vs. partial from the 2022 Revenue Bonds
.
(3) The increase in FY18/19 was due to a refund from South Orange County Waste Water Authority (SOCWA). In FY22-23 R6 Reservoir Cover & Liner replacement costs reimbursement from Santa Margarita Water $7.7M, Moulton Niguel Water $$762K, San Diego. County $617K, MWDOC $231k
(4) The decrease in Restricted for Debt Service in FY 21/22 was due to the elimination of debt service reserve when 2022 Revenue bonds replaced the State loans and the funds were used for other capital expenditures.
(5) The increase in Restricted capital projects in FY 21/22 were the proceeds from the 2022 Revenue Bonds that had not yet been fully expended for capital expenses.

Source: 2017 to 2026 Audited Financial Statements

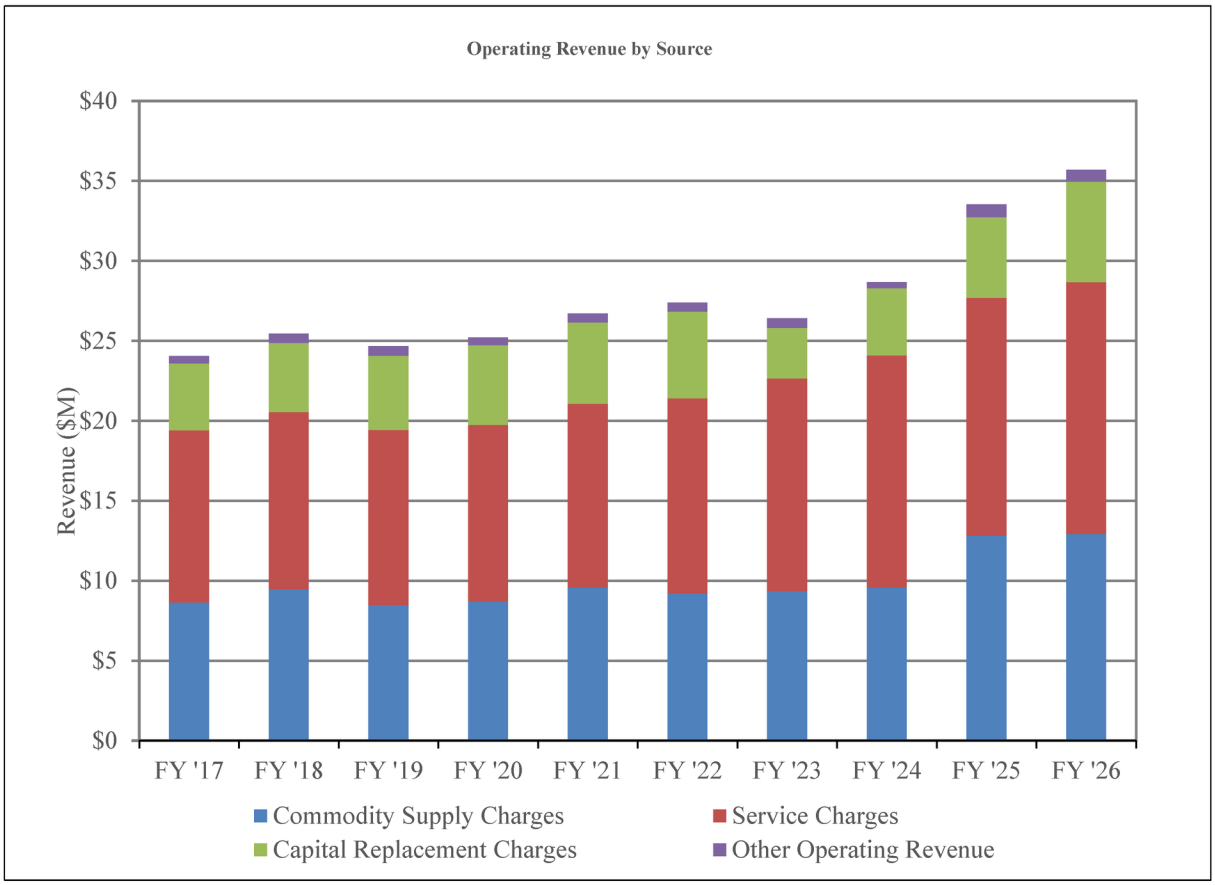
Revenue Capacity Information

ELTORO WATER DISTRICT
OPERATING REVENUE BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	Commodity Supply Charges	Service Charges	Capital Replacement Charges	Other Operating Revenue	Total Operating Revenue
2017	8,635,462	10,759,981	4,177,505	459,926	24,032,874
2018	9,459,453	11,085,710	4,325,454	574,644	25,445,261
2019	8,474,791	10,955,238	4,623,068	610,360	24,663,457
2020	8,705,986	11,044,342	4,977,611	469,391	25,197,330
2021	9,571,562	11,496,657	5,070,326	571,434	26,709,979
2022	9,212,404	12,180,223	5,430,565	559,954	27,383,146
2023	9,336,697	13,312,690	3,152,552	608,741	26,410,680
2024	9,582,143	14,494,752	4,205,218	389,316	28,671,429
2025	12,814,271	14,862,800	5,043,025	801,618	33,521,714
2026	12,919,109	15,752,000	6,276,199	741,794	35,689,102

Other Operating Revenue - by Category

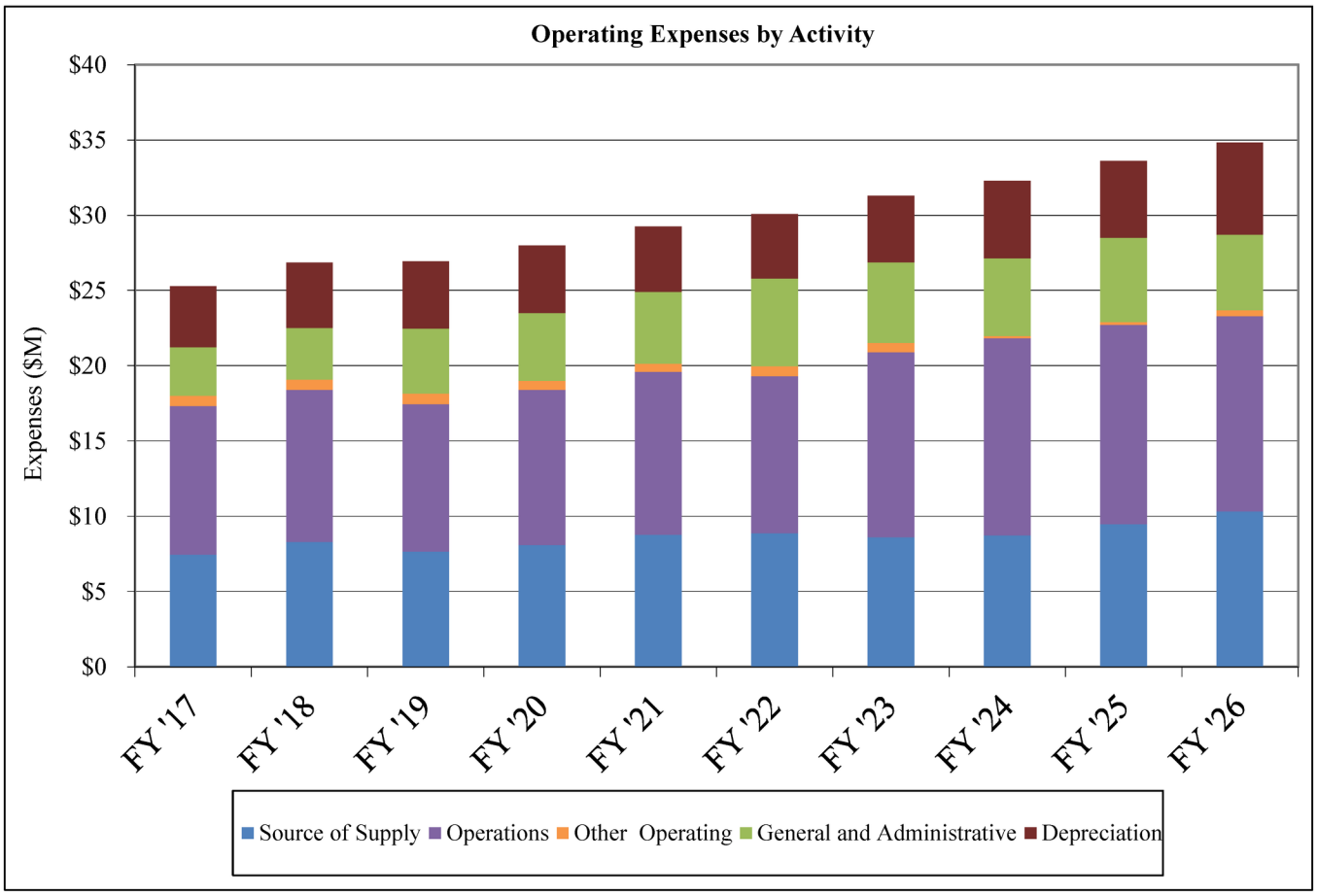
Fiscal Year	Standby Charge	Reimbursement from Others	Miscellaneous	Capacity Fee	Total Other Operating Revenues
2017	1,525	331,179	127,222		459,926
2018	418	403,445	170,781		574,644
2019	247	383,810	226,303		610,360
2020	63	328,310	141,018		469,391
2021	-	401,225	170,209		571,434
2022	-	446,564	113,390		559,954
2023	-	308,774	299,967		608,741
2024	-	326,610	62,706		389,316
2025	-	514,357	203,741	83,520	801,618
2026	-	453,820	232,363	55,611	741,794



Source: 2017 to 2026 Audited Financial Statements

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

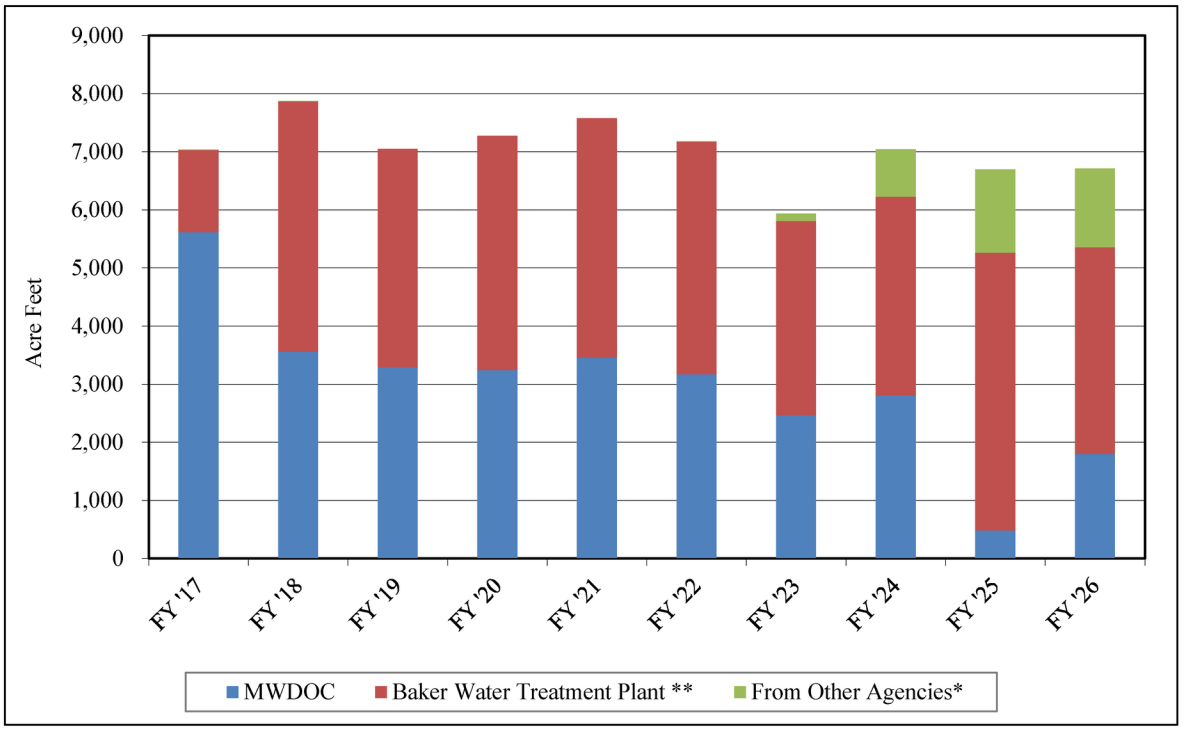
Fiscal Year	Source of Supply	Operations	Other Operating	General and Administrative	Depreciation	Total Operating Expenses
2017	7,435,534	9,877,746	694,479	3,211,224	4,068,743	25,287,726
2018	8,294,019	10,094,015	686,217	3,434,736	4,350,053	26,859,040
2019	7,650,468	9,785,781	720,714	4,305,441	4,466,431	26,928,835
2020	8,085,299	10,302,552	603,473	4,506,099	4,483,607	27,981,030
2021	8,763,806	10,827,016	533,039	4,774,869	4,345,557	29,244,287
2022	8,866,148	10,443,014	662,834	5,819,185	4,287,779	30,078,960
2023	8,593,609	12,295,263	625,767	5,363,512	4,419,562	31,297,713
2024	8,732,578	13,090,390	151,607	5,165,909	5,138,831	32,279,315
2025	9,467,386	13,247,559	196,432	5,596,680	5,104,212	33,612,269
2026	10,313,269	12,974,787	406,109	5,007,031	6,117,941	34,819,137



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
2017	5,616	1,417	1	7,034
2018	3,559	4,312	3	7,874
2019	3,297	3,754	-	7,051
2020	3,245	4,032	-	7,277
2021	3,460	4,121	-	7,581
2022	3,171	4,004	1	7,176
2023	2,471	3,338	131	5,940
2024	2,811	3,420	813	7,044
2025	487	4,779	1,434	6,700
2026	1,800	3,562	1,354	6,716



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
2017	$ 2.46	$ 2.83	$ 5.61	$ 7.18	$ 2.79
2018	$ 2.52	$ 2.91	$ 6.08	$ 7.82	$ 2.89
2019	$ 2.52	$ 2.91	$ 6.08	$ 7.82	$ 2.89
2020	$ 2.58	$ 2.97	$ 6.14	$ 7.88	$ 2.95
2021	$ 2.65	$ 3.04	$ 6.21	$ 7.95	$ 3.02
2022	$ 2.72	$ 3.11	$ 6.78	$ 8.52	$ 3.14
2023	$ 2.82	$ 3.18	$ 6.50	$ 8.35	$ 3.31
2024	$ 3.00	$ 3.37	$ 6.70	$ 8.67	$ 3.49
2025	$ 3.26	$ 3.63	$ 6.96	$ 8.93	$ 3.75
2026	$ 3.59	$ 3.98	$ 7.26	$ 9.14	$ 4.09

Monthly Water Service Charge

Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 ½" Meter	2" Meter	10" Meter
2017	$ 10.93	$ 14.58	$ 21.86	$ 40.06	$ 76.48	-
2018	$ 11.80	$ 15.82	$ 23.85	$ 43.92	$ 84.07	-
2019	$ 12.96	$ 17.37	$ 26.20	$ 48.25	$ 92.36	-
2020	$ 14.14	$ 18.99	$ 28.70	$ 52.98	$ 101.52	-
2021	$ 15.17	$ 20.33	$ 30.66	$ 56.48	$ 108.11	-
2022	$ 16.56	$ 22.24	$ 33.60	$ 62.00	$ 118.80	-
2023	$ 17.46	$ 23.62	$ 35.93	$ 66.70	$ 128.25	-
2024	$ 18.07	$ 24.72	$ 38.02	$ 71.27	$ 137.76	$ 1,360.00
2025	$ 18.77	$ 25.68	$ 39.50	$ 74.05	$ 143.13	$ 1,413.04
2026	$ 21.18	$ 28.98	$ 44.58	$ 83.57	$ 161.55	$ 1,595.00

Monthly Water Capital Replacement and Refurbishment (CR&R) Charge

Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 ½" Meter	2" Meter	10" Meter
2017	$ 4.66	$ 4.66	$ 7.78	$ 18.91	$ 47.47	-
2018	$ 4.66	$ 4.66	$ 7.78	$ 18.91	$ 47.47	-
2019	$ 4.66	$ 4.66	$ 7.78	$ 18.91	$ 47.47	-
2020	$ 4.66	$ 4.66	$ 7.78	$ 18.91	$ 47.47	-
2021	$ 4.66	$ 4.66	$ 7.78	$ 18.91	$ 47.47	-
2022	$ 4.66	$ 4.66	$ 7.78	$ 18.91	$ 47.47	-
2023	$ 5.09	$ 5.09	$ 8.50	$ 20.65	$ 51.84	-
2024	$ 5.56	$ 8.33	$ 13.88	$ 27.76	$ 55.52	640.00
2025	$ 6.95	$ 10.42	$ 17.35	$ 34.70	$ 69.40	$ 800.00
2026	$ 8.69	$ 13.02	$ 21.69	$ 43.38	$ 86.75	$ 1,000.00

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

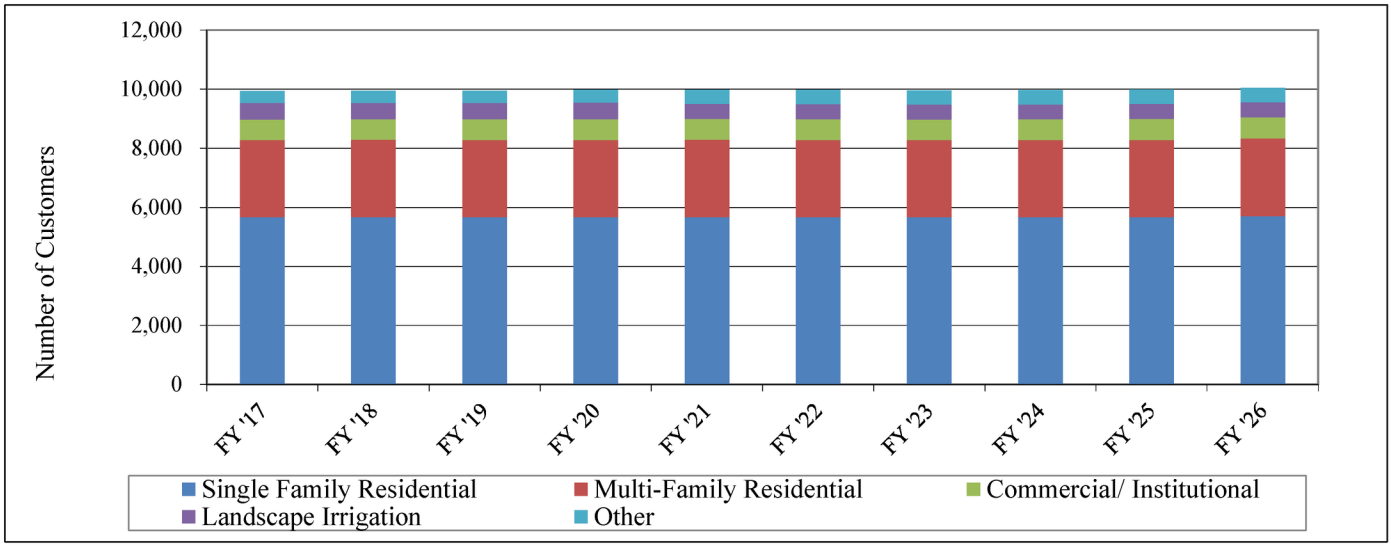
Sewer Rates by Customer Class	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Residential Rates (monthly charge per EDU)										
Single Family	$ 23.11	$ 23.63	$ 24.30	$ 24.30	$ 24.30	$ 25.76	$ 34.67	$ 37.98	$ 39.46	$ 40.80
Multi-Family Restricted	$ 18.33	$ 18.74	$ 19.28	$ 19.28	$ 19.28	$ 20.44	$ 16.47	$ 18.05	$ 18.75	$ 19.38
Multi-Family Unrestricted	$ 21.79	$ 22.28	$ 22.92	$ 22.92	$ 22.92	$ 24.30	$ 25.34	$ 27.76	$ 28.84	$ 29.82
Commercial Rates (per ccf of water used)										
Animal Kennel / Hospital	$ 3.79	$ 3.88	$ 3.99	$ 3.99	$ 3.99	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Car Wash	$ 3.77	$ 3.86	$ 3.97	$ 3.97	$ 3.97	$ 4.21	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Department / Retail Store	$ 3.79	$ 3.88	$ 3.99	$ 3.99	$ 3.99	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Dry Cleaners	$ 3.32	$ 3.40	$ 3.50	$ 3.50	$ 3.50	$ 3.71	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Golf Course / Camp / Park	$ 3.31	$ 3.39	$ 3.49	$ 3.49	$ 3.49	$ 3.70	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Health Spa	$ 3.78	$ 3.87	$ 3.98	$ 3.98	$ 3.98	$ 4.22	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Hospital / Convalescent Home	$ 3.32	$ 3.40	$ 3.50	$ 3.50	$ 3.50	$ 3.71	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Hotel	$ 5.74	$ 5.87	$ 6.04	$ 6.04	$ 6.04	$ 6.41	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Market	$ 7.53	$ 7.70	$ 7.92	$ 7.92	$ 7.92	$ 8.40	High Strength	High Strength	High Strength	High Strength
Mortuary	$ 7.50	$ 7.67	$ 7.89	$ 7.89	$ 7.89	$ 8.37	High Strength	High Strength	High Strength	High Strength
Nursery / Greenhouse	$ 3.36	$ 3.44	$ 3.54	$ 3.54	$ 3.54	$ 3.76	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Professional / Financial Office	$ 3.79	$ 3.88	$ 3.99	$ 3.99	$ 3.99	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Public Institution	$ 3.73	$ 3.82	$ 3.93	$ 3.93	$ 3.93	$ 4.17	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Repair / Service Station	$ 3.78	$ 3.87	$ 3.98	$ 3.98	$ 3.98	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Restaurant	$ 3.58	$ 3.66	$ 3.77	$ 3.77	$ 3.77	$ 4.00	Restaurant	Restaurant	Restaurant	Restaurant
Schools	$ 3.92	$ 4.01	$ 4.13	$ 4.13	$ 4.13	$ 4.38	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Theater	$ 3.79	$ 3.88	$ 3.99	$ 3.99	$ 3.99	$ 4.23	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Warehouse / Storage	$ 3.00	$ 3.07	$ 3.16	$ 3.16	$ 3.16	$ 3.35	Low Strength	Low Strength	Low Strength	Low Strength
Basic Commercial	$ 3.32	$ 3.40	$ 3.50	$ 3.50	$ 3.50	$ 3.71	Medium Strength	Medium Strength	Medium Strength	Medium Strength
Commercial (Flow Strength) *										
Low Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 4.10	$ 4.45	$ 4.62	$ 4.77
Medium Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 5.07	$ 5.54	$ 5.75	$ 5.94
High Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 9.49	$ 10.58	$ 10.99	$ 11.36
Restaurants	n/a	n/a	n/a	n/a	n/a	n/a	$ 5.07	$ 5.65	$ 5.87	$ 6.06

Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Residential Charge (Per EDU)										
Single Family	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 7.09	$ 8.87	$ 11.09	$ 13.86
Multi-Family Restricted	$ 3.91	$ 3.91	$ 3.91	$ 3.91	$ 3.91	$ 3.91	$ 3.37	$ 4.21	$ 5.27	$ 6.59
Multi-Family Unrestricted	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 5.18	$ 6.48	$ 8.11	$ 10.13
Commercial (per Meter)										
5/8" Meter	$ 4.34	$ 4.34	$ 4.34	$ 4.34	$ 4.34	$ 4.34	Flow Charge	Flow Charge	Flow Charge	Flow Charge
3/4" Meter	$ 7.34	$ 7.34	$ 7.34	$ 7.34	$ 7.34	$ 7.34	Flow Charge	Flow Charge	Flow Charge	Flow Charge
1" Meter	$ 13.55	$ 13.55	$ 13.55	$ 13.55	$ 13.55	$ 13.55	Flow Charge	Flow Charge	Flow Charge	Flow Charge
1 ½" Meter	$ 24.07	$ 24.07	$ 24.07	$ 24.07	$ 24.07	$ 24.07	Flow Charge	Flow Charge	Flow Charge	Flow Charge
2" Meter	$ 70.96	$ 70.96	$ 70.96	$ 70.96	$ 70.96	$ 70.96	Flow Charge	Flow Charge	Flow Charge	Flow Charge
Public Authority (per Meter)										
1" Meter	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	Flow Charge	Flow Charge	Flow Charge	Flow Charge
1 ½" Meter	$ 24.65	$ 24.65	$ 24.65	$ 24.65	$ 24.65	$ 24.65	Flow Charge	Flow Charge	Flow Charge	Flow Charge
2" Meter	$ 39.71	$ 39.71	$ 39.71	$ 39.71	$ 39.71	$ 39.71	Flow Charge	Flow Charge	Flow Charge	Flow Charge
Commercial (Flow Charge) *										
Low Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 0.84	$ 1.04	$ 1.30	$ 1.63
Medium Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 1.04	$ 1.29	$ 1.62	$ 2.02
High Strength	n/a	n/a	n/a	n/a	n/a	n/a	$ 1.93	$ 2.47	$ 3.09	$ 3.83
Restaurant	n/a	n/a	n/a	n/a	n/a	n/a	$ 1.05	$ 1.32	$ 1.65	$ 2.07
Public Authority	n/a	n/a	n/a	n/a	n/a	n/a	$ 1.04	$ 1.29	$ 1.62	$ 2.02

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

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

	Number of Customers by Type					
As of June 30	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Landscape Irrigation	Other	Total
2017	5,668	2,616	694	559	406	9,943
2018	5,668	2,618	700	555	407	9,948
2019	5,665	2,614	706	556	408	9,949
2020	5,667	2,615	707	554	434	9,977
2021	5,670	2,617	707	511	478	9,983
2022	5,666	2,614	705	510	482	9,977
2023	5,667	2,618	692	508	479	9,964
2024	5,665	2,616	699	507	479	9,966
2025	5,668	2,617	711	508	485	9,989
2026	5,701	2,632	715	509	489	10,046

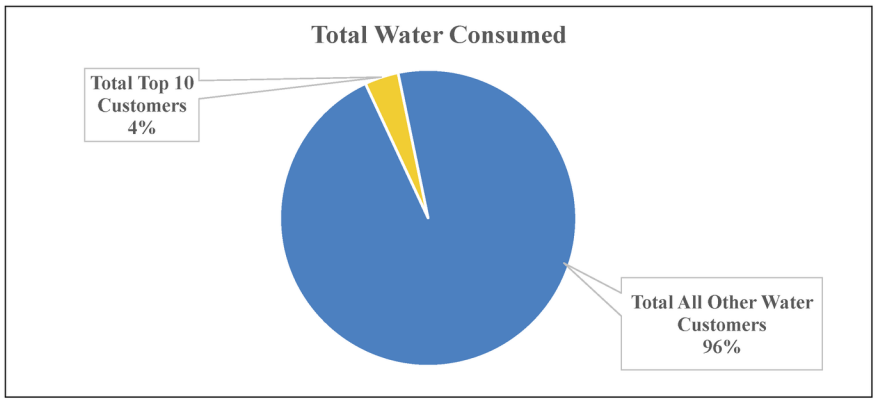


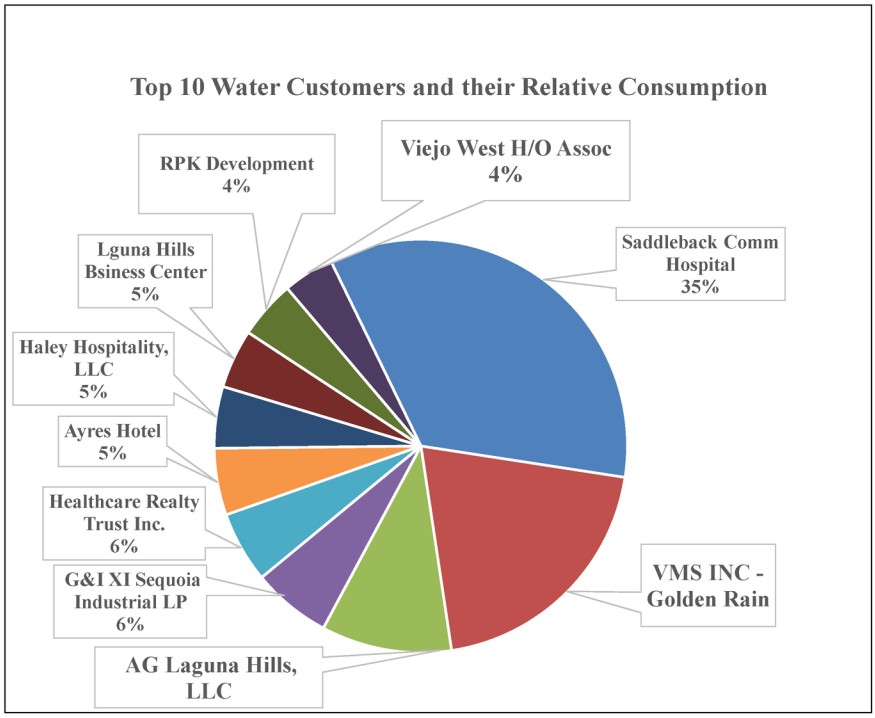
**The District is completely built out and has had 8,950 sewer connections for the past 10 years.*

EL TORO WATER DISTRICT
TOP TEN WATER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

	FY 2017			FY 2026	
Customer	**Annual Usage (HCF)**	**Percent of Total**	**Customer**	**Annual Usage (HCF)**	**Percent of Total**
Saddleback Comm Hospital	58,524	1.89%	Saddleback Comm Hospital	42,725	1.27%
Five Managers Inc.	20,067	0.65%	VMS INC - Golden Rain	24,906	0.74%
The Wellington	14,853	0.48%	AG Laguna Hills, LLC	12,553	0.37%
Country Villa Laguna Hillls	11,161	0.36%	G&I XI Sequoia Industrial LP	7,647	0.23%
MGP Fund X Laguna Hills, Llc	10,022	0.32%	Healthcare Realty Trust Inc.	6,862	0.20%
Vms, Inc - Golden Rain	9,888	0.32%	Ayres Hotel	6,452	0.19%
Laguna Hills Lodge	6,030	0.20%	Haley Hospitality, LLC	5,959	0.18%
City of Laguna Hills	6,021	0.19%	Lguna Hills Bsiness Center	5,667	0.17%
BJ' Restaurant and Brew House Site #438	5,779	0.19%	RPK Development	5,616	0.17%
Moulton Parkway Res Assoc #2	5,203	0.17%	Viejo West H/O Assoc	4,901	0.15%
Total Top 10 Customers	147,548	4.78%	Total Top 10 Customers	123,288	3.68%
Total All Other Water Customers	2,940,901	95.22%	Total All Other Water Customers	3,227,896	96.32%
Total Water Consumed	3,088,449	100.00%	Total Water Consumed	3,351,184	100.00%

HCF = 100 cubic feet

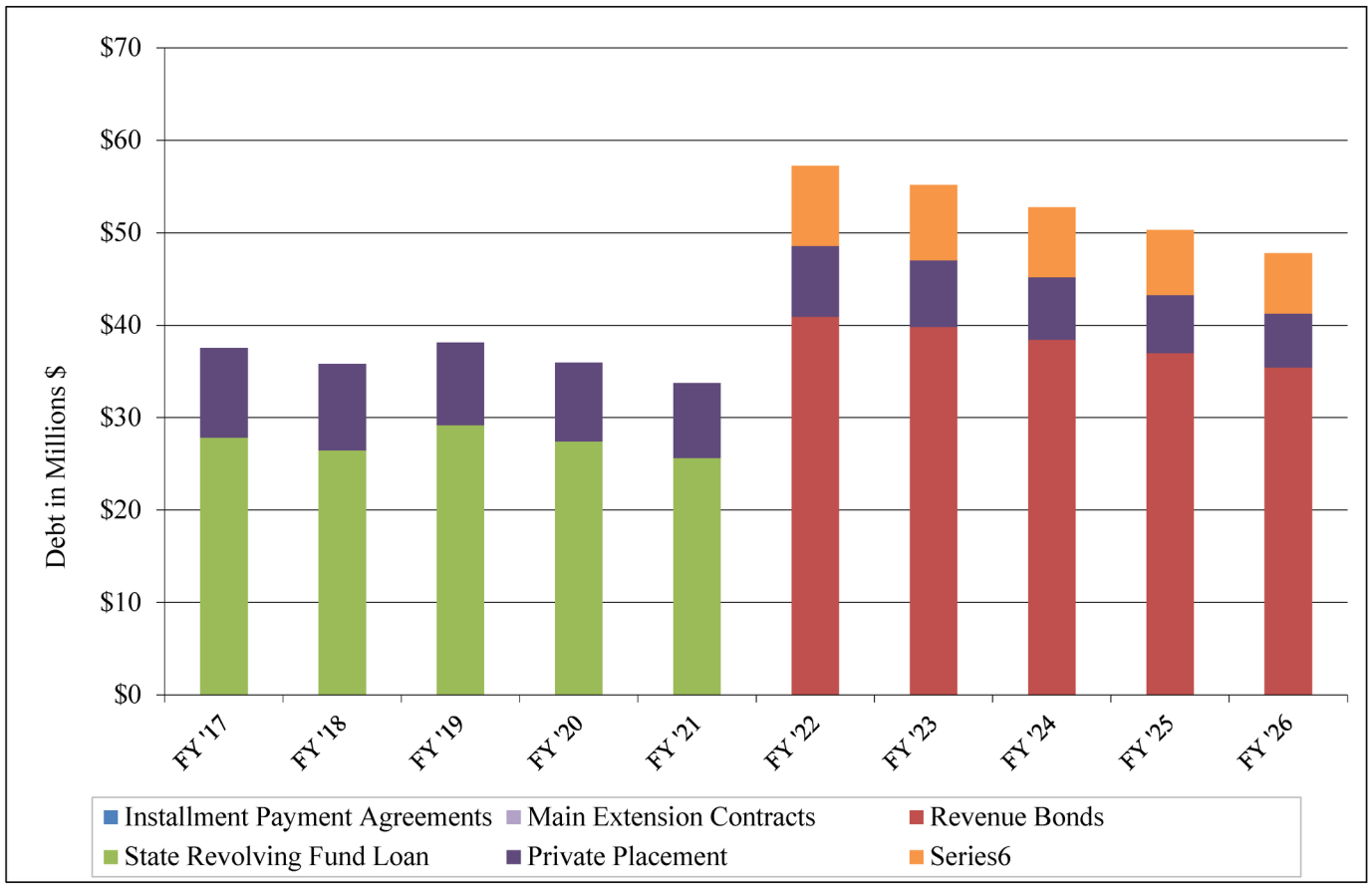




Debt Capacity Information

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

Fiscal Year	Revenue Bonds	Premium Series 2022A	Installment Payment Agreements	State Revolving Fund Loan	Main Extension Contracts	Private Placement	Total Debt	Total Debt per Capita	Total Debt as % of Personal Income	
2017	-	-	-	27,827,408	6,180	9,715,035	37,548,623	722	1.10%	
2018	-	-	-	26,470,867	6,180	9,331,939	35,808,986	691	1.00%	
2019	-	-	-	29,175,315	6,180	8,936,967	38,118,462	740	1.03%	
2020	-	-	-	27,415,579	6,180	8,529,750	35,951,509	690	0.92%	
2021	-	-	-	25,637,656	6,180	8,109,910	33,753,746	651	0.80%	
2022	40,905,000	8,648,018	-	-	6,180	7,677,055	57,236,253	1,111	1.33%	
2023	39,800,000	8,126,192	-	-	6,180	7,230,781	55,163,153	1,095	1.23%	
2024	38,420,000	7,574,132	-	-	-	6,770,673	52,764,805	1,053	1.12%	(1)
2025	36,970,000	7,041,580	-	-	-	6,296,301	50,307,881	1,005	1.07%	(1)
2026	35,445,000	6,529,525	-	-	-	5,807,224	47,781,749	895	0.95%	(1)

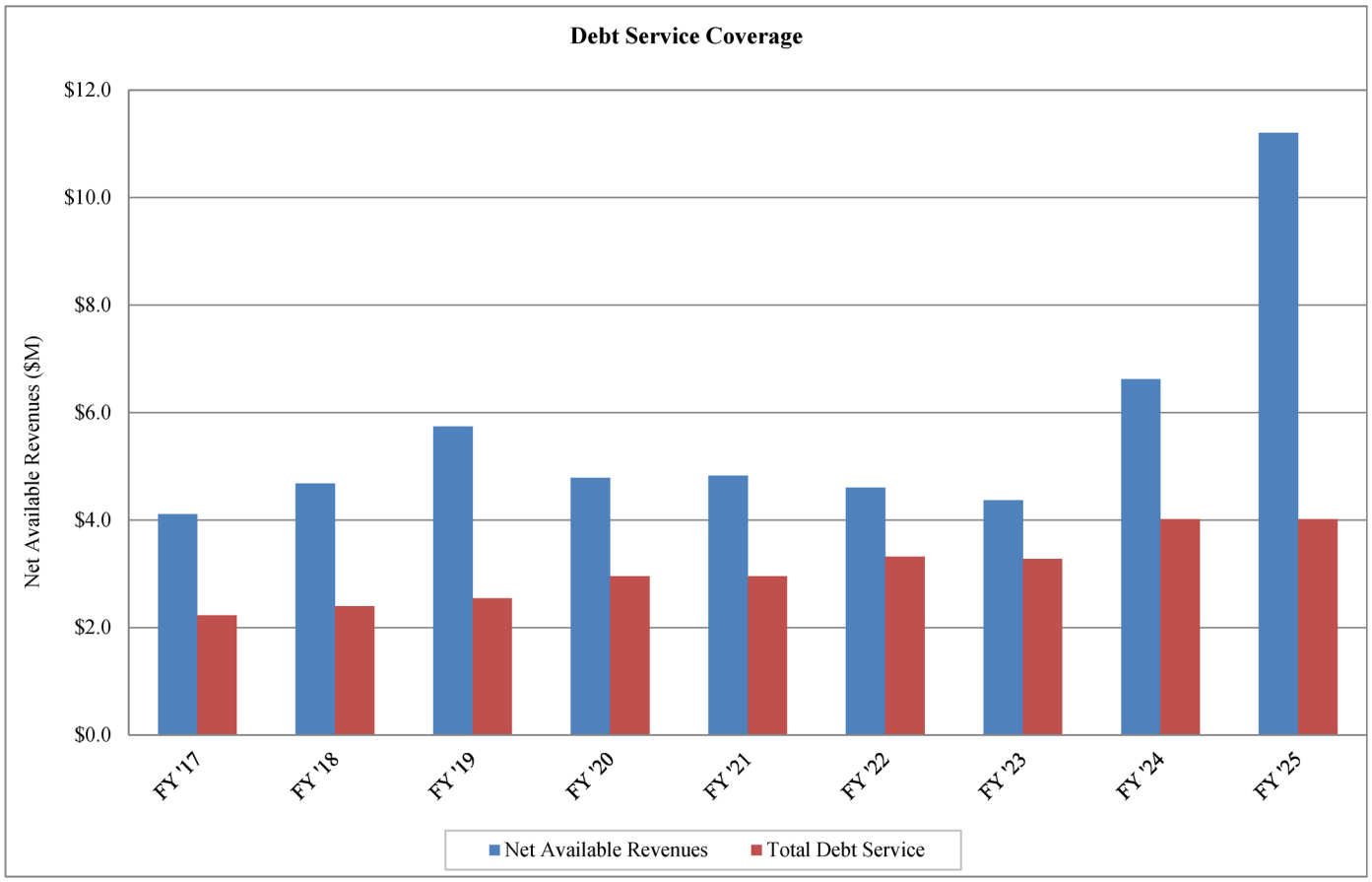


Notes:

(1) Personal Income data is not available for 2025 & 2026 at the time this report is published.

EL TORO WATER DISTRICT
DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS

	Net Revenue			Debt Service			
Fiscal Year	Total Revenues	Operating Expenses [1]	Net Available Revenues	Principal	Interest	Total Debt Service	Coverage Ratio
2017	25,331,161	21,218,983	4,112,178	1,532,173	691,970	2,224,143	1.85
2018	26,744,770	22,068,431	4,676,339	1,739,638	655,145	2,394,783	1.95
2019	27,291,330	21,549,152	5,742,178	1,776,305	769,061	2,545,366	2.26
2020	26,941,879	22,155,520	4,786,359	2,166,953	787,460	2,954,413	1.62
2021	28,108,262	23,283,264	4,824,998	2,197,763	756,649	2,954,412	1.63
2022	28,795,334	24,195,620	4,599,714	2,242,878	1,072,567	3,315,445	1.39
2023	29,262,508	24,893,841	4,368,667	1,551,274	1,723,651	3,274,925	1.33
2024	31,302,001	24,678,636	6,623,365	1,840,108	2,176,714	4,016,822	1.65
2025	37,550,071	26,349,061	11,201,010	1,924,372	2,093,541	4,017,913	2.79
2026	39,426,084	27,310,627	12,115,457	2,014,077	2,006,336	4,020,413	3.01

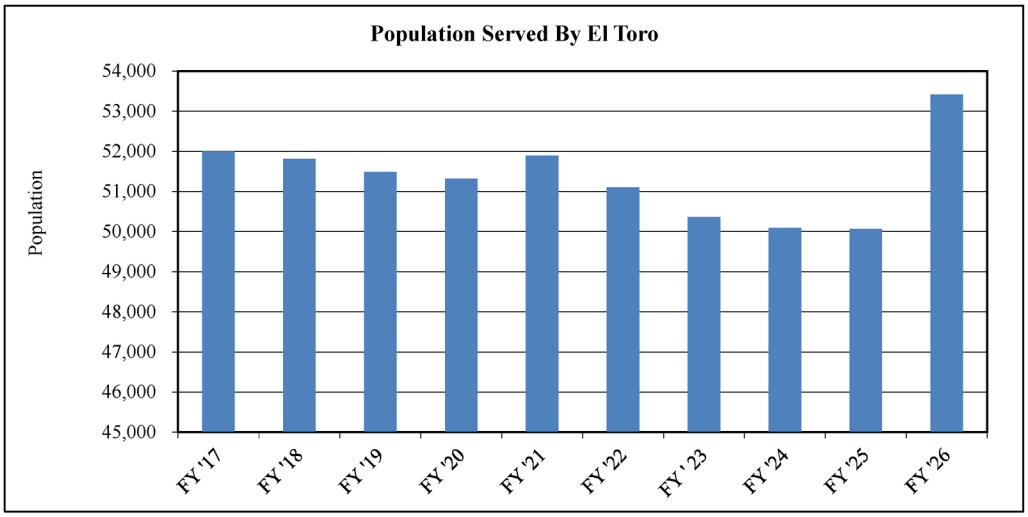


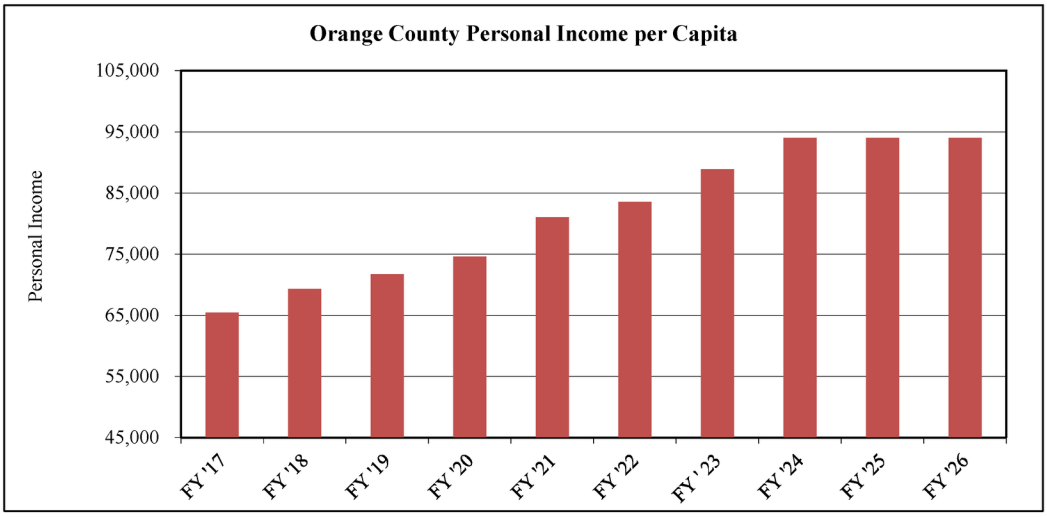
Notes:
(1) Operating expenses less depreciation and amortization, interests, OPEB accounting charges, and non-capitalized expenditures below $25,000 threshold.

Demographic and Economic Information

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 $)	Orange County Personal Income [2] per Capita	Orange County Unemployment Rate at 6/30
2017	52,001	208,653,019	65,400	3.8%
2018	51,812	220,684,684	69,268	3.3%
2019	51,489	227,732,561	71,711	3.0%
2020	51,322	236,303,451	74,618	13.3%
2021	51,895	256,700,438	81,034	6.4%
2022	51,107	263,290,135	83,553	2.9%
2023	50,365	278,760,587	88,897	3.7%
2024	50,094	298,128,817	94,034	4.0%
2025[(3)]	50,066	298,128,817	94,034	4.5%
2026[(3)]	53,415	298,128,817	94,034	4.1%





Source: State of California, Employment Development Department, http://www.edd.ca.gov
Source: Municipal Water District of Orange County (MWDOC)
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 2025 & 2026 was not available at the time this report was published

EL TORO WATER DISTRICT
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO

Employer	Number of Employees at 06/30/26	Percent of Principal Employers
Memorial Care Saddleback Medical Center	1,841	30.44%
Laguna Woods Village/Golden Rain	1,000	16.54%
Saddleback Valley Unified School District	1,412	23.35%
Target	408	6.75%
Nordstrom Department Store	330	5.46%
Home Depot	225	3.72%
City of Mission Viejo	299	4.94%
Laguna Hills Health & Rehab Center	251	4.15%
BJ's Restaurant	156	2.58%
Villa Valencia Healthcare Center	125	2.07%
Total Principal Employers	6,047	100.00%

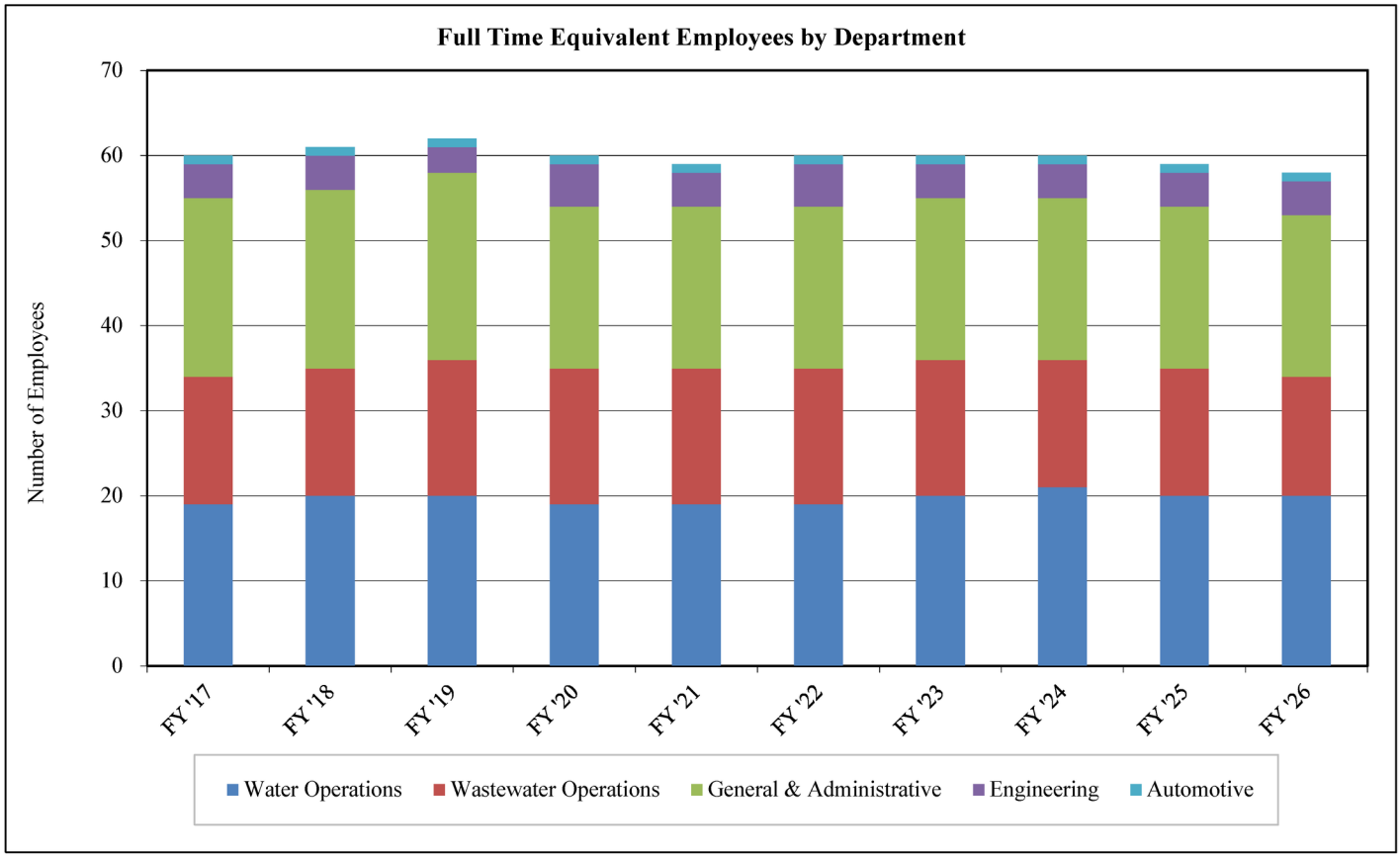
Employer	Number of Employees at 06/30/17	Percent of Principal Employers
Saddleback Memorial Medical Center	1,707	38.33%
Saddleback Valley Unified School District	1,200	26.94%
Home Depot	307	6.89%
Target	300	6.74%
City of Mission Viejo	269	6.04%
BJ's Restaurant	150	3.37%
JC Penney	145	3.26%
Allied Business School	128	2.87%
Ashley Crown Systems Inc	128	2.87%
Macy's	120	2.69%
Total Principal Employers	4,454	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 2025 ACFRs for the service area cities listed.

Operating Information

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
2017	19	15	21	4	1	60
2018	20	15	21	4	1	61
2019	20	16	22	3	1	62
2020	19	16	19	5	1	60
2021	19	16	19	4	1	59
2022	19	16	19	5	1	60
2023	20	16	19	4	1	60
2024	21	15	19	4	1	60
2025	20	15	19	4	1	59
2026	20	14	19	4	1	58



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

	Water System			
Fiscal Year	Miles of Water Mains	Service Connections	Annual Potable Import (MG)	Average Daily Potable Import (MGD)
2017	170	9,943	2,292	6.28
2018	170	9,948	2,566	7.03
2019	170	9,949	2,298	6.29
2020	170	9,977	2,371	6.50
2021	170	9,983	2,470	6.77
2022	170	9,977	2,338	6.41
2023	170	9,964	1,935	5.30
2024	170	9,966	2,295	6.29
2025	170	9,989	2,183	5.98
2026	170	10,046	2,188	6.00

	Sewer System			
Fiscal Year	Miles of Sewers Lines	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2017	114	9,943	1,146	3.14
2018	114	9,948	1,105	3.03
2019	114	9,949	1,122	3.07
2020	114	9,977	1,140	3.12
2021	114	9,983	1,057	2.90
2022	114	9,977	1,169	3.20
2023	114	9,964	1,273	3.49
2024	114	9,966	1,276	3.50
2025	114	9,989	1,394	3.82
2026	114	10,046	1,186	3.25

	Recycled Water			
Fiscal Year	Miles of Recycled Pipe	Service Connections	Annual Production (MG)	Daily Production (MGD)
2017	19	210 (1)	462	1.27
2018	19	210	502	1.38
2019	26 (2)	210	419	1.15
2020	26	229	447	1.23
2021	26	275	584	1.60
2022	26	276	575	1.57
2023	26	276	385	1.05
2024	26	276	405	1.11
2025	26	277	527	1.44
2026	26	277	527	1.44

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.