









ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2025

EL TORO WATER DISTRICT

Lake Forest, California

EL TORO WATER DISTRICT

Annual Comprehensive Financial Report
With Report on Audit By Independent
Certified Public Accountants

For the Year Ended June 30, 2025

Prepared by: El Toro Water District
Finance Department

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INTRODUCTORY SECTION

Board of Directors

Mike Gaskins *President*

Kathryn Freshley
Vice President

Kay Havens
Director

Wyatt McClean
Director

Mark Monin
Director

General Manager
Dennis P. Cafferty

El Toro Water District

"A District of Distinction"

Serving the Public - Respecting the Environment

October 14, 2025

To the Board of Directors and Citizens of The El Toro Water District

Submitted for your review and consideration is the Annual Comprehensive Financial Report (ACFR) for the El Toro Water District (the "District"), for the fiscal year ended June 30, 2025 (FY 2024-25). 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 2025 ACFR is 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, 2025. 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, 2025 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

El Toro Water District

Profile of the El Toro Water District

The El Toro Water District was formed in 1960 and serves approximately 51,800 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 2024-25

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 2024-25 fiscal year were a result of the goals and objectives established by the Board during the annual budget process and are described below:

General Accomplishments

- The District successfully recruited and transitioned an Operator position, ensuring seamless operations.
- 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 utility billing module was completed during the fiscal year 2024-25. A new bank reconciliation module was also implemented during the fiscal year 2024-25.
- 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 2024 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 fairly define potable water and recycled water usage rates and operations and maintenance charges.
- The District also continued its commitment to fiscal discipline by approving a budget for the 2025-2026 fiscal year that is balanced and includes funding for several significant capital projects.

Infrastructure Improvements

- The District completed construction on a $2.4 million new Warehouse at its Main Pressure Reducing (MPR) Station.
- The District completed design on a $10.4 million project to upgrade the Headworks and Secondary Clarifier No. 1 processes at the Water Recycling Plant (WRP).
- The District completed construction on a $1 million Grit Chamber Rehabilitation project.
- The District replaced the Turbo Blower at the WRP.
- The District rehabilitated the WRP generator radiator.
- The District expanded the tertiary disinfection system through the addition of several cloth media disks.
- The District replaced the Cherry Booster Station pumps and motors.
- The District started designing the Aliso Creek Lift Station Rehabilitation Project.
- The District purchased a new valve turning truck.

Significant Future Initiatives

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

- A significant project that will start construction in the 2025-26 fiscal year is the Headworks and Secondary Clarifier No. 1 Rehabilitation project, which will revitalize aging equipment, improve operations, and enhance seismic resiliency for critical treatment processes at the WRP.
- Additional electrical system upgrades at the Freeway Lift Station, Ocean Outfall Pump Station, Westline Lift Station, and DAF No. 1 will be implemented in the 2025-2026 fiscal year to improve safety and extend the life of this critical infrastructure.
- The District has completed its Water and Sewer Master Plan Update as well as the Pump Station and WRP Asset Management Plans. Future planning efforts include updating the District's Computerized Maintenance Management System and establishing formal asset management plans for the collection and distribution systems.

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.

Strategic Planning

In 2020 the District created a new 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: "Maintaining excellence in water, sewer, and recycled water services". This vision was intended be accomplished by fulfilling the mission of ETWD to provide its customers with safe, adequate, 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 9, 2020. During the 2024-25 fiscal year the Board and staff began planning for a new Strategic Plan cycle. A contract was issued to a planning consultant and preliminary work commenced with detailed interviews of Board members and staff. Staff anticipate presenting a draft Strategic Plan document to the Board in the second quarter of the 2025-26 fiscal year.

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

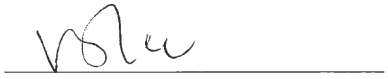
Awards and Acknowledgements

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 ACFR for the fiscal year ended June 30, 2024. 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 ACFR 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

EL TORO WATER DISTRICT
SERVING THE PUBLIC - RESPECTING THE ENVIRONMENT

List of Principal Officials

Board of Directors

Mike Gaskins, President

Kathryn Freshley, Vice President

Kay Havens, Director

Wyatt McClean, Director

Mark Monin, Director

District Management

Dennis P. Cafferty, General Manager

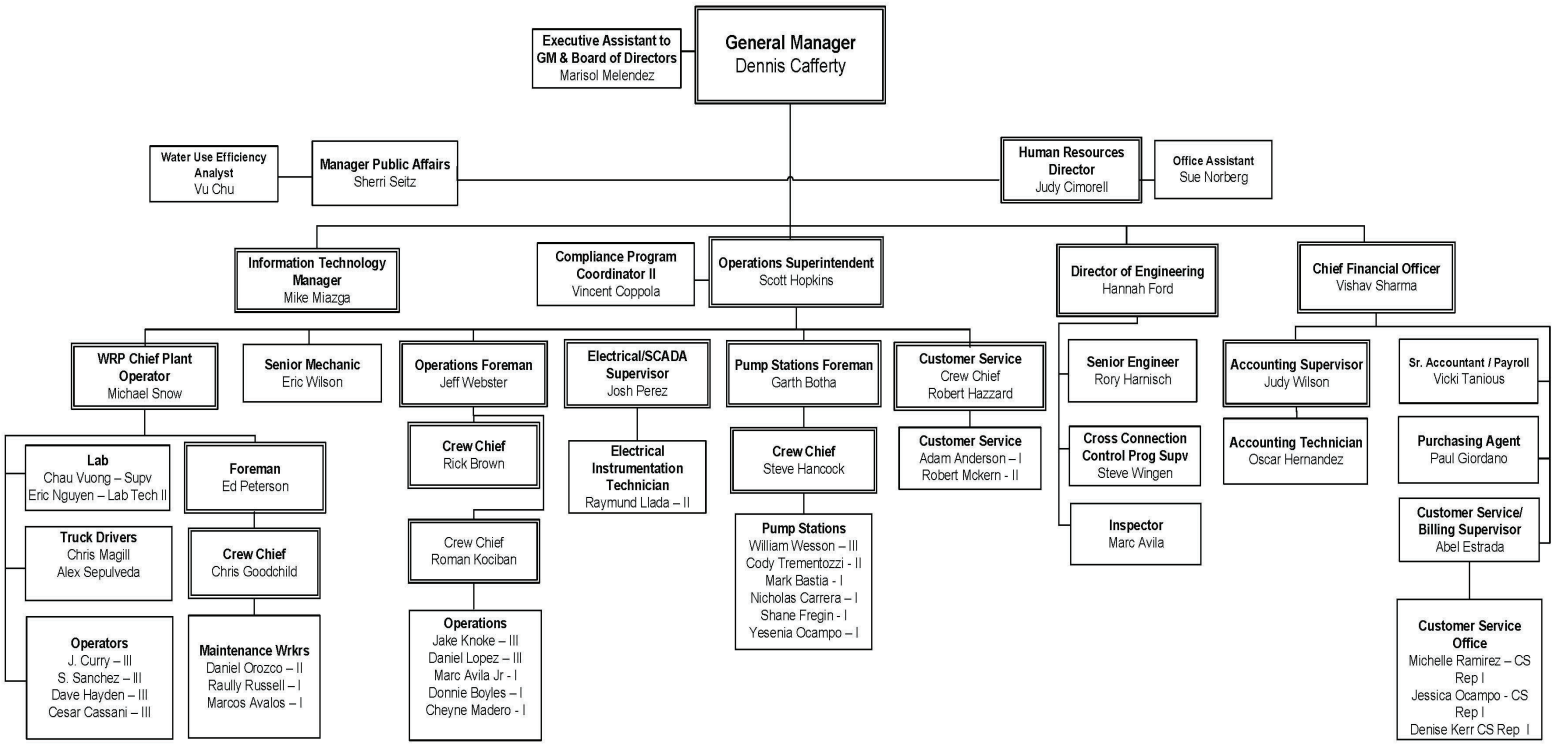
Vishav R. Sharma, Chief Financial Officer

Hannah Ford, Director of Engineering

Judy Cimorell, Director of Human Resources

Michael Miazga, Information Technology Manager

EL TORO WATER DISTRICT
2024 / 2025 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, 2024

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 (the "District"), as of and for the year ended June 30, 2025, 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, 2025, 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.

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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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.

LSL

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 14, 2025, 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 14, 2025

EL TORO WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
Financial Highlights For the Year Ended June 30, 2025

This Section of the El Toro Water District (the "District") Annual Comprehensive Financial Report (ACFR) presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2025 (FY 2025). We encourage readers to consider the information presented in this section of the ACFR in conjunction with the basic financial statements and related notes, which follow the MD&A.

Financial Highlights

- **Net Position**: The District's net position increased by $2,466,371 (3.78%), from $65,194,389 as of June 30, 2024, to $67,660,760 as of June 30, 2025. This growth was primarily driven by reimbursements from Moulton Niguel Water District (MNWD) for South Orange County Wastewater Authority (SOCWA) plant capacity charges. The District anticipates two additional annual payments from MNWD. Investment income also grew significantly.

- **Operating Revenues**: Operating revenues rose by $4,716,540 (16.45%), from $28,671,429 in FY 2024 to $33,387,969 in FY 2025. The increase reflects higher commodity supply charges, service and capital replacement charge rates, and improved water demand due to favorable weather during Winter/Spring 2024–2025. Non-operating revenues also increased by $1,531,526 (58.22%), largely from MNWD reimbursements and higher investment income.

- **Expenses**: Total operating and non-operating expenses decreased by $220,309 (0.62%), from $35,387,525 in FY 2024 to $35,167,216 in FY 2025. Operating expenses increased by $1,332,954 (4.13%) due to higher General & Administrative, Operations, and Water Supply costs. However, non-operating expenses declined by $1,553,263 (49.97%), reflecting reduced interest costs and the absence of prior-year losses on asset retirements.

- **Interest Expense**: Interest expenses related to the District's outstanding debt decreased due to scheduled principal payments on the 2022 Revenue Bonds and the Sunflower bank loan.

- **Lease**: In FY 2025, the District refined its approach to lease term estimates under GASB Statement No. 87. Instead of recognizing only the non-cancelable portion, the District now includes renewal options that are reasonably expected to be exercised. This change provides a more accurate reflection of expected lease activity and related inflows (see Note 7).

- **Capital Contributions**: Capital contributions decreased by $5,372,738 compared to FY 2024, primarily due to the completion of the R-6 Cover Liner Project, which had received outside contributions. No additional contributions from this project are expected in future years.

Required Financial Statements

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

- The Statement of Net Position depicts the District's financial position as of June 30, 2025 and includes all of the assets and liabilities of the District. The Net Position of the District is the difference between its assets plus deferred outflows of resources and its liabilities and deferred inflows of resources. The Net Position of the District is classified into three components, net investment in capital assets, restricted, and unrestricted. The Statement of Net Position can be used to evaluate the District's capital structure and assess the liquidity and financial flexibility of the District.

- The Statement of Revenues, Expenses and Changes in Net Position accounts for all of the revenues and expenses of the District during the fiscal year ended June 30, 2025. The statement measures the financial result of the District's operations during the fiscal year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges.

- The Statement of Cash Flows provides information about changes in the District's cash balance during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operating activities, non-capital and related financing activities, capital and related financing activities, and investing activities. The Statement illustrates the sources of cash, the uses of cash, and the change in the cash balance during the reporting period.

- The Notes to the Financial Statements provide additional information that is essential to achieving a full understanding of the data provided in the financial statements.

- The required supplementary information provides information about the District's progress in funding its obligation to provide Other Post-Employment Benefits to employees.

- The other supplementary information section provides additional detail about the District's revenues and expenses for FY 2024 and FY 2025.

Financial Analysis of the District

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

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

Condensed Statement of Net Position

Net Position is the primary indicator of the District's financial position. The Condensed Schedule of Net Position presented below provides an overview of the District's Net Position for fiscal years 2024 and 2025 and presents amount and percent changes in Net Position. The District's total Net Position was $67,660,760 at the end of FY 2025, an increase of $2,466,371 from the $65,194,389 at the end of FY 2024. In FY 2025, total assets and deferred outflows of resources increased by $3,138,476 (2.21%), total liabilities decreased by $1,418,034 (-2.10%) and deferred inflows of resources increased $2,090,139 or 26%, and the result of these changes was an increase of $2,466,371 in Net Position.

Condensed Statements of Net Position

	FY 2024	FY 2025	$ Change	% Change
Assets				
Current Assets	$ 29,256,118	$ 29,397,421	141,303	0.48 %
Restricted Assets	2,972	1,444	(1,528)	(51.41)%
Non-current Assets - Leases Receivable	168,271	4,012,747	3,844,476	2,284.69 %
Non-current Assets - Capital Assets Net	110,364,386	110,081,528	(282,858)	(0.26)%
Total Assets	139,791,747	143,493,140	3,701,393	2.65 %
Deferred Outflows of Resources:				
Deferred OPEB Outflow	2,480,241	1,917,324	(562,917)	(22.70)%
Total Deferred Outflows of Resources	2,480,241	1,917,324	(562,917)	(22.70)%
Total Assets & Deferred Outflows	$142,271,988	$145,410,464	$ 3,138,476	2.21 %
Liabilities				
Current Liabilities	$ 5,485,488	$ 6,578,328	$ 1,092,840	19.92 %
Non-current Liabilities	63,553,984	61,043,110	(2,510,874)	(3.95)%
Total Liabilities	69,039,472	67,621,438	(1,418,034)	(2.05)%
Deferred Inflows of Resources				
Deferred Amounts from OPEB	8,038,127	10,128,266	2,090,139	26.00 %
Total Deferred Inflows of Resources	8,038,127	10,128,266	2,090,139	26.00 %
Net Position				
Net Investment in Capital Assets	57,428,761	59,349,999	1,921,238	3.35 %
Restricted	-	1,444	1,444	- %
Unrestricted	7,765,628	8,309,317	543,689	7.00 %
Total Net Position	65,194,389	67,660,760	2,466,371	3.78 %
Total Liabilities, Deferred Inflows, and Net Position	$142,271,988	$145,410,464	$ 3,138,476	2.21 %

The largest portion of the District's net position $59,349,999 as of June 30, 2025 reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire the assets that remains outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending. During FY 2024 and FY 2025, the District made significant investment in capital project during the fiscal year.

At the end of FY 2024 and FY 2025, the District's Unrestricted Net Position equaled $7,765,628 and $8,310,761, respectively, an increase of $545,133 (7.02%) during FY 2025. This portion of Net Position is available to fund current and future operations. The Unrestricted Net Position is essentially that portion of Net Position that remains after the Net Investment in Capital Assets and the Restricted Net Position are subtracted from the total Net Position (Assets minus Liabilities).

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

The Statement of Revenues, Expenses and Changes in Net Position depicts how the District's net position changed during the fiscal year. Net Position increased by $2,466,371 in FY 2025, from $65,194,389 at the beginning of the year to $67,660,760 at the end of the year.

Condensed Statement of Revenues, Expenses, and Change in Net Position

			Increase/(Decrease)	
	FY 2024	FY 2025	$ Change	% Change
Revenues				
Operating Revenues	$ 28,671,429	$ 33,387,969	$ 4,716,540	16.45 %
Non-operating Revenues	2,630,572	4,162,098	1,531,526	58.22 %
Total Revenues	31,302,001	37,550,067	6,248,066	19.96 %
Expenses				
Operations Expenses	26,988,877	28,311,625	1,322,748	4.90 %
Other Operating Expenses	151,607	196,432	44,825	29.57 %
Depreciation & Amortization	5,138,831	5,104,212	(34,619)	(0.67)%
Loss On Sale/retirement Of Asset	1,489,216	-	(1,489,216)	- %
Non-operating Expenses	1,618,994	1,554,947	(64,047)	(3.96)%
Total Expenses	35,387,525	35,167,216	(220,309)	(0.62)%
Net Loss Prior To Capital Contributions	(4,085,524)	2,382,851	6,468,375	(158.32)%
Capital Contributions	5,456,258	83,520	(5,372,738)	(98.47)%
Change In Net Position	1,370,734	2,466,371	1,095,637	79.93 %
Net Position Beginning Of Year	63,823,655	65,194,389	1,370,734	2.15 %
Net Position - Ending	$ 65,194,389	$ 67,660,760	2,466,371	3.78 %

The positive change in Net Position can be attributed mainly to the reimbursement from MNWD for SOCWA plant capacity charge, and a significant increase in investment income. The Districts total operating and non-operating revenues increased by $6,248,066 or 19.96% and the operating expenses also increased by $1,322,728 or 4.90%. The overall expenses were lower by $220,309 or -0.62% as there were no losses on the retirement of assets as compared to the FY 2024. This resulted in a net gain for the fiscal year 2025 of $2,466,371 including capital contribution. Capital contributions were significantly lower than the prior year due to the completion of R-6 Cover project completed in prior year and we are not anticipating more reimbursements or contributions related to the project.

Total Revenues by Major Category:

As depicted in the table below, total revenues inclusive of capital contributions for FY 2025 increased $875,328 (2.38%) when compared to revenues received in FY 2024. Operating Revenues increased by $4,716,540 or 16.45% in FY 2025 due to increase in the service rates and the water demand as compared to FY 2024. Non-operating revenues during FY 2025 also increased by $1,531,526 (58.22%). The main reason for the increase is the reimbursement from MNWD for SOCWA plant capacity charge, and a significant increase in investment income.

Capital Contributions decreased $5,372,738 (-98.47%) as the District received fewer reimbursements during the fiscal year 2025 from partner agencies for the construction of the R-6 Cover and Liner project which completed in FY 2024.

Total Revenues by Major Category

			Increase/(Decrease)	
	FY 2024	FY 2025	$ Change	% Change
Operating Revenues				
Commodity Supply Charges	$ 9,582,143	$ 12,814,271	$ 3,232,128	33.73 %
Service Charges	14,494,752	14,862,800	368,048	2.54 %
Capital Replacement Charges	4,205,218	5,043,025	837,807	19.92 %
Reimbursement From Others	326,610	514,357	187,747	57.48 %
Miscellaneous Revenues	62,706	153,516	90,810	144.82 %
Total Operating Revenues	28,671,429	33,387,969	4,716,540	16.45 %
Nonoperating Revenues				
Property Taxes	1,246,920	1,308,540	61,620	4.94 %
Grants, Rebates, Reimbursements	16,793	24,016	7,223	43.01 %
Rental Revenue	250,686	548,958	298,272	118.98 %
Investment Income	1,101,123	1,237,335	136,212	12.37 %
Other Non-operating Income	15,050	50,225	35,175	233.72 %
Gain On Sale Of Capital Assets	-	993,024	993,024	- %
Total Non-operating Revenues	2,630,572	4,162,098	1,531,526	58.22 %
Capital Contributions	5,456,258	83,520	(5,372,738)	(98.47)%
Total Revenue	$ 36,758,259	$ 37,633,587	$ 875,328	2.38 %

Total Expense by Major Category

In FY 2025, Operating Expenses increased 4.13%, from $32,279,315 in FY 2024 to $33,612,269 in FY 2025. The increase was caused by increases in General & Administrative, Operations, and source of supply/water purchased for distribution expanse categories. These increases were offset by decreases in depreciation expense. The increases in General & Administrative and Operations were primarily caused by inflationary forces as many of the District's expenses increased in FY 2024 and FY 2025. In addition, Operations includes certain Operating Capital Expenses, that are below the District's capitalization policy limit of $25,000. The decrease in Depreciation & Amortization occurred as a result of investments in Capital Assets in FY 2025 due to some assets becoming fully depreciated in prior year. The increase in Source of Supply was caused by an increase in Water Purchases as the District's water sales increased. The increase in Other Operating Expenses was caused by changes in retiree health insurance expense and OPEB Charges.

Non-operating expenses decreased $1,553,263 or -49.97% in FY 2025 as compared to FY 2024 mainly due to retirement/sale of asset related to the disposal of old cover of the R-6 Cover and Liner project in the prior year.

Total Expenses by Major Category

			Increase/(Decrease)	
	FY 2024	FY 2025	$ Change	% Change
Operating Expenses				
General & Administrative	$ 5,165,909	$ 5,596,680	$ 430,771	8.34 %
Source Of Supply	8,732,578	9,467,386	734,808	8.41 %
Operations	13,090,390	13,247,559	157,169	1.20 %
Other Operating Expenses	151,607	196,432	44,825	29.57 %
Depreciation & Amortization	5,138,831	5,104,212	(34,619)	(0.67)%
Total Operating Expense	32,279,315	33,612,269	1,332,954	4.13 %
Non-operating Expenses				
Interest Expense	1,618,994	1,554,947	(64,047)	(3.96)%
Loss On Sale/retirement Of Asset	1,489,216	-	(1,489,216)	- %
Total Non-operating Expenses	3,108,210	1,554,947	(1,553,263)	(49.97)%
Total Expenses	$ 35,387,525	$ 35,167,216	$ (220,309)	(0.62)%

Capital Assets

The Net Investment in Capital balances were as follows:

Capital Assets

	FY 2024	FY 2025	$ Change	% Change
Capital Assets				
Non-depreciable Assets	$ 12,368,546	$ 14,483,965	$ 2,115,419	17.10 %
Depreciable Assets	194,719,662	197,311,470	2,591,808	1.33 %
Accumulated Depreciation	(96,723,822)	(101,713,907)	(4,990,085)	5.16 %
Total Capital Assets, Net	$ 110,364,386	$ 110,081,528	$ (282,858)	(0.26)%

At the end of fiscal years 2024 and 2025, the District's investment in capital assets amounted to $110,364,386 and $110,081,528 (net of accumulated depreciation), respectively. The investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process. During the year, the District added $2,115,419 worth of non-depreciable assets mainly construction-in-progress during the year. The District also added $2,591,808, net of disposals, worth of depreciable assets such as pumps, transmission and distribution and general plant assets. The accumulated depreciation was more than the assets added during the year, resulted in a lower value of the total net capital assets compared to the prior year by $282,858. Please refer to Note 3 capital assets for further information.

Debt Administration

Long-term debt balances were as follows:

Summary of Outstanding Debt

			Increase/(Decrease)	
	FY 2024	FY 2025	$ Change	% Change
Debt Payable				
Baker Water Treatment Plant	$ 6,770,673	$ 6,296,301	$ (474,372)	(7.01)%
2022 Revenue Bonds	38,420,000	36,970,000	(1,450,000)	(3.77)%
2022 Revenue Bonds - Premium	7,574,132	7,041,580	(532,552)	(7.03)%
Total long-term debt	$52,764,805	$50,307,881	$(2,456,924)	(4.66)%

The District engaged in significant debt activities in FY 2022 when the 2022 Revenue Bonds were issued in March, 2022. A portion of the proceeds were used to refinance the various State Revolving Fund (SRF) loans the District had used to complete capital improvement projects since 2010 and therefore those loans were paid off in FY 2022. Another portion of the proceeds will be used in future years to complete several significant capital improvement projects. No significant debt activities occurred in FY 2025, the District continued paying the Baker Water Treatment Plant loan and the 2022 Revenue Bonds.

At the end of FY 2025, total outstanding debt including premium on 2022 Revenue bond issue is $50,307,881. This debt includes a loan balance of $6,296,301 from Sunflower bank, related to the Baker Water Treatment Plant.

See Note 4 for further information on the long-term liabilities.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact El Toro Water District at 24251 Los Alisos Boulevard, Lake Forest, California.

BASIC FINANCIAL STATEMENTS

EL TORO WATER DISTRICT
Statement of Net Position
June 30, 2025

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	1,401,981
Investments		20,630,141
Receivables (Net of Uncollectibles):		
Accounts Receivables		4,555,768
Accounts Receivables - Grants		186,443
Interest		59,421
Taxes		12,973
Lease		116,065
Materials and Supply Inventory		803,289
Prepaid Expenses		375,340
Water Inventory		1,256,000
Cash and Cash Equivalents, Restricted		1,444
Total Current Assets		29,398,865
Noncurrent:		
Lease Receivable		4,012,747
Capital Assets:		
Nondepreciable		14,483,965
Depreciable, Net of Accumulated Depreciation		95,597,563
Total Noncurrent Assets		114,094,275
Total Assets		**143,493,140**
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-Related Deferred Outflows of Resources		1,917,324
Total Deferred Outflows of Resources		**1,917,324**
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses		3,450,141
Accrued Salaries and Related Payables		191,358
Customer Deposits		65,653
Accrued Interest Payable		150,929
Long-Term Liabilities - Due Within One Year:		
Compensated Absences		241,796
Total Other Post Employment Benefit Liability		464,374
Bonds Payable		1,525,000
Loans Payable		489,077
Total Current Liabilities		6,578,328
Noncurrent Liabilities:		
Long-Term Liabilities - Due in More Than One Year		
Compensated Absences		1,562,867
Total Other Post Employment Benefits Liability		11,186,439
Bonds Payable		42,486,580
Loans Payable		5,807,224
Total Noncurrent Liabilities		61,043,110
Total Liabilities		**67,621,438**
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts from Leases		3,648,223
Deferred Amounts from OPEB		6,480,043
Total Deferred Inflows of Resources		**10,128,266**
NET POSITION		
Net Investment in Capital Assets		59,349,999
Restricted		1,444
Unrestricted		8,309,317
Total Net Position	**$**	**67,660,760**

EL TORO WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

OPERATING REVENUES		
Commodity Supply Charges	$	12,814,271
Service Charges		14,862,800
Capital Replacement Charges		5,043,025
Reimbursement from Others		514,357
Miscellaneous Revenue		153,516
Total Operating Revenues		**33,387,969**
OPERATING EXPENSES		
General & Administrative		5,596,680
Source of Supply		9,467,386
Operations		13,247,559
Other Operating Expense		196,432
Depreciation		5,104,212
Total Operating Expenses		**33,612,269**
Operating Income (Loss)		**(224,300)**
NONOPERATING REVENUES (EXPENSES)		
Property Taxes		1,308,540
Grants, Rebates, Reimbursements		24,016
Rental Revenue		548,958
Gain on Sale of Capital Assets		993,024
Investment Income		1,237,335
Interest Expense		(1,554,947)
Nonoperating Revenue		50,225
Total Nonoperating Revenues (Expenses)		**2,607,151**
Income (Loss) Before Capital Contributions and Transfers		**2,382,851**
Capital Contributions		
Capacity Fees		83,520
Total Capital Contributions		83,520
Change in Net Position		**2,466,371**
Net Position-beginning		65,194,389
Net Position-ending	**$**	**67,660,760**

EL TORO WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers for Water Sales and Services	$	33,270,780
Payments to Suppliers for Operations		(23,849,312)
Payments to Employees for Salaries and Wages		(5,727,768)
Net Cash Provided By (Used For) Operating Activities		**3,693,700**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Property Taxes		1,309,600
Receipts from Other Governments		408,980
Net Cash Provided By (Used For) Noncapital Financing Activities		**1,718,580**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions		157,761
Acquisition of Capital Assets, Net		(4,821,354)
Repayment of Long-Term Debt		(1,924,372)
Interest Payments		(2,093,541)
Proceeds from Sales of Assets		993,024
Net Cash Provided By (Used For) Capital and Related Financing Activities		**(7,688,482)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Receipts from Interest and Dividends		1,271,118
Lease Principal Received		105,098
Net Cash Provided By (Used For) Investing Activities		**1,376,216**
Net Increase (Decrease) In Cash and Cash Equivalents		**(899,986)**
Cash and Cash Equivalents- Beginning		22,933,552
Cash and Cash Equivalents- Ending	**$**	**22,033,566**

EL TORO WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2025

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$	(224,300)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation Expense		5,104,212
(Increase) in Accounts Receivable		(105,101)
(Increase) in Inventories		(1,364,924)
(Increase) in Prepaid Expenses		(102,447)
Decrease in Deferred Outflows - OPEB		562,917
Increase in Accounts Payable and Accrued Expenses		529,436
Increase in Accrued Salaries and Related Payables		21,975
(Decrease) in Deposits		(12,088)
Increase in Compensated Absences		111,429
Increase in Total OPEB Liability		394,180
Increase in Deferred Inflows - OPEB		(1,221,589)
Total Adjustments		3,918,000
Net Cash Provided By (Used For) Operating Activities	**$**	**3,693,700**
NONCASH CAPITAL AND FINANCING ACTIVITIES		
Amortization on Bond Discount/(Premium)	$	(532,552)

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. Basis 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 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. Operating Revenues and Expenses

Operating revenues, such as charges for services (commodity supply charges, service charges, capital replacement charges, reimbursement from others and miscellaneous revenue) result from exchange transactions associated with the principal activity of the District. 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 revenues and 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. Investments and Investment Policy

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, 2025.

J. Prepaid Items

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

K. Materials and Supplies Inventory

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

L. Property Taxes

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.
- 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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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

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

Q. Water Sales and Sewer Services

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

R. Capital Contributions

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

S. Leases

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) pronouncement was effective for and implemented for the fiscal year ended June 30, 2025:

GASB Statement No. 101, Compensated Absences

The requirements of this Statement will improve financial reporting by implementing a unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. Establishing the unified model will result in consistent application to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. This Statement will also result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

NOTE 2 - CASH AND CASH INVESTMENTS

Cash and investments

At June 30, 2025, cash and investments were classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	$	1,401,981
Investments		20,630,141
Restricted - Cash and Cash Equivalents		1,444
Total cash and investments	$	22,033,566

NOTE 2 - CASH AND CASH INVESTMENTS (CONTINUED)

At June 30, 2025, cash and investments consisted of the following:

Cash on hand	$	700
Deposits with financial institutions		1,402,725
Investments		20,630,141
Total cash and investments	$	22,033,566

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.

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
Collaterialized 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.

NOTE 2 - CASH AND CASH INVESTMENTS (CONTINUED)

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, 2025.

	Remaining Maturity (in Months)			
Investment Type	12 Months or Less	13 to 24 Months	25 to 60 Months	Total
U.S. Treasury Obligations	$ 2,591,201	$ 983,262	$ 1,506,387	$ 5,080,850
Corporate Medium-Term Notes	932,324	-	-	932,324
Asset-Backed Securities	2,748	33,178	-	35,926
LAIF	5,069,771	-	-	5,069,771
CAMP - Money Market	2,011,270	-	-	2,011,270
CAMP - Term	7,500,000	-	-	7,500,000
Total	$ 18,107,314	$ 1,016,440	$ 1,506,387	$ 20,630,141

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, 2025, for each investment type.

Investment Type	Minimum Legal Rating	Not Rated	Aaa	AA	A	BBB	Total as of June 30, 2025
U.S. Treasury Obligations	N/A	$ -	$ -	$ 5,080,850	$ -	$ -	$ 5,080,850
Corporate Medium-Term Notes	A	-	-	-	767,949	164,375	932,324
Asset-Backed Securities	AA	2,178	33,748	-	-	-	35,926
LAIF	N/A	5,069,771	-	-	-	-	5,069,771
CAMP - Money Market	N/A	2,011,270	-	-	-	-	2,011,270
CAMP - Term	N/A	-	7,500,000	-	-	-	7,500,000
Total		$ 7,083,219	$ 7,533,748	$ 5,080,850	$ 767,949	$ 164,375	$ 20,630,141

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.

NOTE 2 - CASH AND CASH INVESTMENTS (CONTINUED)

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, 2025, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Investment in State Investment Pool

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

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.

NOTE 2 - CASH AND CASH INVESTMENTS (CONTINUED)

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	$ 5,080,850	$ 5,080,850
Corporate Medium-Term Notes	932,324	932,324
Asset-Backed Securities	35,926	35,926
Total Leveled Investments	$ 6,049,100	6,049,100
LAIF*		5,069,771
CAMP - Money Market*		2,011,270
CAMP - Term*		7,500,000
Total Investments		$ 20,630,141

*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, water transmission and distribution systems, and plant facilities in the following schedules.

A summary of changes in capital assets for the year ended June 30, 2025 is as follows:

	Balance June 30, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Capital Assets, Not Being Depreciated					
Land, Mineral, and Water Rights	$ 7,451,586	$ -	$ -	$ -	$ 7,451,586
Construction in Progress	4,916,960	3,944,770	-	(1,829,351)	7,032,379
Total Capital Assets, Not Being Depreciated	12,368,546	3,944,770	-	(1,829,351)	14,483,965
Capital Assets, Being Depreciated					
Capacity Rights	342,382	-	(114,127)	-	228,255
Source of Supply	15,570,856	-	-	-	15,570,856
Pumping	26,343,776	248,777	-	91,070	26,683,623
Treatment	44,111,772	365,148	-	1,206,423	45,683,343
Transmission and Collection	92,445,468	2,050	-	496,636	92,944,154
General Plant Facilities	15,905,408	260,609	-	35,222	16,201,239
Total Capital Assets, Being Depreciated	194,719,662	876,584	(114,127)	1,829,351	197,311,470
Less Accumulated Depreciation					
Capacity Rights	(273,924)	(6,846)	114,127	-	(166,643)
Source of Supply	(9,356,030)	(297,600)	-	-	(9,653,630)
Pumping	(16,999,838)	(983,766)	-	-	(17,983,604)
Treatment	(35,602,788)	(1,383,545)	-	-	(36,986,333)
Transmission and Collection	(19,976,774)	(1,963,294)	-	-	(21,940,068)
General Plant Facilities	(14,514,468)	(469,161)	-	-	(14,983,629)
Total Accumulated Depreciation	(96,723,822)	(5,104,212)	114,127	-	(101,713,907)
Total Capital Assets, Being Depreciated, Net	97,995,840	(4,227,628)	-	1,829,351	95,597,563
Total Capital Assets, Net	$ 110,364,386	$ (282,858)	$ -	$ -	$ 110,081,528

NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at June 30, 2025:

	Balance June 30, 2024 as restated	Additions	Deletions	Balance June 30, 2025	Amount Due Within One Year	Amount Due More Than One Year
Direct Borrowings:						
Loans Payable:						
Baker Water Treatment Plant - Refinance Loan	$ 6,770,673	$ -	$ 474,372	$ 6,296,301	$ 489,077	$ 5,807,224
Total Loans Payable	6,770,673	-	474,372	6,296,301	489,077	5,807,224
Bonds Payable:						
Revenue Bonds, Series 2022A	38,420,000	-	1,450,000	36,970,000	1,525,000	35,445,000
Premium, Series 2022A	7,574,132	-	532,552	7,041,580	-	7,041,580
Total Bonds Payable	45,994,132	-	1,982,552	44,011,580	1,525,000	42,486,580
Compensated absences*	1,693,234	111,429	-	1,804,663	241,796	1,562,867
Total long-term liabilities	$ 54,458,039	$ 111,429	$ 2,456,924	$ 52,112,544	$ 2,255,873	$ 49,856,671

*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
2026	$ 489,077	$ 195,185	$ 684,262
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
2031-2035	3,030,839	390,474	3,421,313
2036	663,688	20,574	684,262
Totals	$ 6,296,301	$ 1,230,588	$ 7,526,889

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, St.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Future annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 1,525,000	$ 1,811,150	$ 3,336,150
2027	1,600,000	1,734,900	3,334,900
2028	1,680,000	1,654,900	3,334,900
2029	1,765,000	1,570,900	3,335,900
2030	1,850,000	1,482,650	3,332,650
2031-2035	7,600,000	6,189,250	13,789,250
2036-2040	4,570,000	4,666,950	9,236,950
2041-2045	5,685,000	3,554,000	9,239,000
2046-2050	7,260,000	1,982,750	9,242,750
2051-2052	3,435,000	259,750	3,694,750
Totals	$ 36,970,000	$ 24,907,200	$ 61,877,200

NOTE 5 - DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

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 the 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 $1,201,137 for the year ended June 30, 2025.

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, 2024, measurement date, the following current and former employees were covered by the benefit terms:

Inactive members currently receiving benefits	31
Active members	58
Total	89

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2024, was determined using the following actuarial assumptions:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
Actuarial Assumptions:	
Discount Rate	3.93%
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

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, 2025, the District made payments of $349,496 for premiums and the implied subsidy was $114,878, thereby resulting in payments of $464,374.

Discount Rate

The discount rate used to measure the 2024 total OPEB liability was 3.93%. 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, 2024:

	Discount Rate 1% Decrease (2.93%)	Current Discount Rate (3.93%)	Discount Rate 1% Increase (4.93%)
Total OPEB liability	$ 13,261,769	$ 11,650,813	$ 10,324,863

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, 2024:

	1% Decrease	Current Heathcare Trend Rate	1% Increase
Total OPEB liability	$ 10,214,359	$ 11,650,813	$ 13,417,281

(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, 2024 is as follows:

Balance at June 30, 2023 (Measurement Date)	$ 11,256,633
Changes recognized for the measurement period:	
Service cost	288,374
Interest on total OPEB liability	414,544
Differences between expected and actual experience	485,855
Changes in assumptions	(419,300)
Benefit payments	(375,293)
Net changes during 2023-24	394,180
Balance at June 30, 2024 (Measurement Date)	$ 11,650,813

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expenses

For the year ended June 30, 2025, OPEB expense in the amount of $199,882 is included in the accompanying statement of revenues, expenses, and changes in net position. As of June 30, 2025, the District reported deferred outflows or inflows of resources related to OPEB due to the initial valuation of OPEB under GASB Statement No. 75 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 464,374	$ -
Differences between expected and actual experience	419,300	4,951,239
Changes in assumptions	1,033,650	1,528,804
Total	$ 1,917,324	$ 6,480,043

The $464,374 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for measurement period June 30, 2024 are recognized as OPEB expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (1,010,494)
2027	(1,127,505)
2028	(1,360,700)
2029	(1,383,682)
2030	(149,964)
Thereafter	5,252
Total	$ (5,027,093)

Changes of Assumptions

The following assumption was changed from the June 30, 2024 actuarial valuation with measurement period ended June 30, 2024: the discount rate was updated from 3.65% to 3.93%.

NOTE 7 - LEASES

The District's leases receivable were remeasured as of July 1, 2024 to reflect a change in estimated termination dates. The District has 6 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 2048. As of June 30, 2025, the total combined value of the leases receivable is $4,128,812, the total combined value of the short-term leases receivable is $116,065, and the combined value of the deferred inflows of resources is $3,648,233.

	Balance June 30, 2024	Remeasurements	Deletions	Balance June 30, 2025	Due within one year
Cell Tower Lease receivable	$ 361,011	$ 3,872,899	$ (105,098)	$ 4,128,812	$ 116,065

Fiscal Year ended June 30,	Principal Payments	Interest Payments	Total Payments
2026	$ 116,065	$ 133,958	$ 250,023
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
2031-2035	1,028,972	479,309	1,508,281
2036-2040	1,017,066	307,910	1,324,976
2041-2045	1,169,668	123,283	1,292,951
2046-2048	210,418	8,107	218,525
	$ 4,128,812	$ 1,543,666	$ 5,672,478

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 agenciespurpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2025, the District participated in the liability and property programs of the ACWA/JPIA as follows:

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

- General and auto liability and public officials' and employees' errors and omissions: The JPIA pools for the first $5 million. The JPIA purchases additional excess coverage layers: $55 million per occurrence for general, auto, and public officials' liability, which increases the limits on the insurance coverage noted above. Additionally, there are lower limits related to terrorism ($5 million), communicable disease ($10 million), subsidence ($45 million), lead ($45 million), and mold ($45 million).

- Employee dishonesty coverage of up to $3,000,000 with a $1,000 deductible per loss, includes public employee dishonesty, forgery or alteration, and use of computer to transfer covered property coverage.

- Property loss coverage for boiler and machinery is up to $100,000,000 with a $25,000 deductible except for turbine or power generation equipment which is $50,000. Coverage for earthquakes is up to $2,500,000 in program aggregate, with a deductible of 5% of the total insurable value which is $59,922,172. Coverage for floods is up to $25,000,000, with a deductible of $100,000. Real property has a deductible of $1,000; the ACWA/JPIA is self-insured for up to $100,000; excess insurance has been purchased.

- For underground storage tank pollution liability, the District is insured for up to $3,000,000 with a $10,000 deductible; the ACWA/JPIA is self-insured for up to $500,000; excess insurance coverage has been purchased to cover losses up to $3,000,000.

- Dam failure liability coverage of up to $9,000,000 million per occurrence; the ACWA/JPIA is self-insured up to $1,000,000; excess insurance coverage has been purchased.

- Workers' compensation insurance for up to California statutory limits for all 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, 2025. 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, 2025.

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, 2025:

Project Name	Contract Amount	Expenditures to Date as of June 30, 2025	Remaining Commitments
Headworks and Secondary Clarifiers No. 1	$ 10,424,200	$ -	$ 10,424,200
New Turbo Blower	150,000	142,500	7,500
Main Office Warehouse Improvements	225,000	-	225,000

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition. During the past three fiscal years, there were no settlements or judgments that exceeded insured coverage.

NOTE 10 - SUBSEQUENT EVENTS

The City evaluated subsequent events for recognition and disclosure through October 14, 2025, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2025, that required recognition or disclosure in these financial statements.

Required Supplementary Information

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

Fiscal Year	6/30/2025	6/30/2024	6/30/2023	6/30/2022
Measurement Date	6/30/2024	6/30/2023	6/30/2022	6/30/2021
TOTAL OPEB LIABILITY				
Service cost	$ 288,374	$ 288,796	$ 625,561	$ 598,651
Interest on Total OPEB liability	414,544	395,780	442,766	433,004
Changes of assumptions	(419,300)	(160,615)	(1,818,868)	160,868
Difference between expected and actual experience	485,855	-	(7,913,790)	-
Benefit payments, including refunds of employee contributions	(375,293)	(317,520)	(316,743)	(311,125)
Net change in total OPEB liability	394,180	206,441	(8,981,074)	881,398
Total OPEB liability-beginning	11,256,633	11,050,192	20,031,266	19,149,868
Total OPEB liability-ending (a)	**$ 11,650,813**	**$ 11,256,633**	**$ 11,050,192**	**$ 20,031,266**
Covered-employee payroll	$ 7,241,806	$ 7,045,939	$ 6,743,824	$ 6,174,962
Plan net OPEB liability/(asset) as a percentage of covered-employee payroll	160.9 %	159.8 %	163.9 %	324.4 %

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

[1] Fiscal year 2018 was the first year of implementation; therefore, only eight 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]

6/30/2021	6/30/2020	6/30/2019	6/30/2018
6/30/2020	6/30/2019	6/30/2018	6/30/2017
$ 468,321	$ 410,098	$ 267,270	$ 260,117
600,602	598,626	430,926	409,009
2,875,924	923,090	2,564,813	-
(1,334,563)	-	987,411	-
(304,295)	(292,405)	(237,713)	(228,570)
2,305,989	1,639,409	4,012,707	440,556
16,843,879	15,204,470	11,191,763	10,751,207
$ 19,149,868	**$ 16,843,879**	**$ 15,204,470**	**$ 11,191,763**
$ 5,980,908	$ 5,889,881	$ 5,709,337	$ 5,696,461
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, 2025

OPERATING REVENUES		
Commodity Supply Charges:		
Unrestricted	$	9,895,388
Restricted - Recycled Water		917,312
Recycled Consumption Sales		2,001,571
Total Commodity Supply Charges		12,814,271
Service Charges:		
Water Service Charges		4,858,280
Wastewater Service Charges		9,537,346
Recycled Service Charges		467,174
Total Service Charges		14,862,800
Capital Replacement Charges:		
Water Capital Charges		2,097,194
Wastewater Capital Charges		2,721,283
Recycled Capital Charges		224,548
Total Capital Replacement Charges		5,043,025
Reimbursements from Others:		
Recycled Water Rebates		367,850
Shared Facility Charges		146,507
Total Reimbursements from Others		514,357
Miscellaneous Revenue		153,516
Total operating revenues		**33,387,969**
NONOPERATING REVENUES		
Property Taxes:		
Water System		523,416
Wastewater System		680,441
Recycled Water System		104,683
Total Property Taxes		1,308,540
Grants, Rebates, Reimbursements		24,016
Rental Revenue		548,958
Investment Income		1,237,335
Other Nonoperating Revenue		50,225
Gain on Sale of Asset		993,024
Total nonoperating revenues		**4,162,098**
Total Revenue		**37,550,067**

EL TORO WATER DISTRICT
Schedule of Expenses by Category
For the Fiscal Year Ended June 30, 2025

OPERATING EXPENSES		
General & Administrative:		
Administration	$	1,231,017
Finance and Risk Management		1,465,800
Human Resources		489,544
Technology Services		820,151
Public Relations Conservation		563,766
Customer Service		1,026,402
Total General & Administrative		5,596,680
Source of Supply		9,467,386
Operations:		
Engineering		720,058
Operations Support		1,301,780
Fleet Services		618,267
Pumping Operations		1,849,795
Transmission and Distribution		2,623,859
Wastewater Collections		880,727
Treatment Operations		5,253,073
Total Operations		13,247,559
Other Operating Expenses		196,432
Depreciation & Amortization		5,104,212
Total operating expenses		**33,612,269**
NONOPERATING EXPENSES		
Interest expense		1,554,947
Total nonoperating expenses		**1,554,947**
Total Expenses	**$**	**35,167,216**

STATISTICAL SECTION

EL TORO WATER DISTRICT
Index to Statistical Section
JUNE 30, 2025

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 59

Revenue Capacity: these schedules contain information to help the reader assess the District's most significant local revenue source, the property tax 62

Debt Capacity: these schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future 70

Demographic 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 73

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 76

Financial Trends

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

	2016	2017	2018	2019	2020
Changes in net position:					
Operating revenues (see Schedule 2)	$ 22,516,781	$ 24,032,874	$ 25,445,261	$ 24,663,457	$ 25,197,330
Operating expenses (see Schedule 3)	(23,990,984)	(25,287,726)	(26,859,040)	(26,928,835)	(27,981,030)
Operating income (loss)	(1,474,203)	(1,254,852)	(1,413,779)	(2,265,378)	(2,783,700)
Non-operating revenues (expenses)					
Property Taxes	843,301	888,973	927,672	1,012,576	1,037,335
Rental revenue	172,665	181,491	188,183	204,160	242,187
Gain (Loss) on Sale of Capital Assets(7)	-	-	-	-	-
Investment Income(1)	147,447	75,113	124,001	500,786	424,110
Interest expense(2)	(397,680)	(706,683)	(790,753)	(753,794)	(777,511)
Grants, Rebates, Reimbursements(3)	188,701	152,710	59,653	910,351	40,917
Non-operating revenue	-	-	-	-	-
Total non-operating revenues(expenses), net	954,434	591,604	508,756	1,874,079	967,038
Income (Loss) before capital contributions	(519,769)	(663,248)	(905,023)	(391,299)	(1,816,662)
Capital contributions	577,471	85,821	45,853	1,985,903	2,894
Changes in net position	$ 57,702	$ (577,427)	$ (859,170)	$ 1,594,604	$ (1,813,768)
Net position by component:					
Net investment in capital assets	$ 57,306,311	$ 57,194,565	$ 60,300,968	$ 56,355,138	$ 55,486,027
Restricted:					
Debt Service(4)	1,602,958	1,602,958	1,602,958	2,012,004	2,270,150
Capital Projects(5)	577,471	23,081	45,853	64,514	2,895
Total restricted	2,180,429	1,626,039	1,648,811	2,076,518	2,273,045
Unrestricted(6)	10,047,708	10,136,417	1,008,665	6,121,392	4,980,208
Total net position	$ 69,534,448	$ 68,957,021	$ 62,958,444	$ 64,553,048	$ 62,739,280

(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

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.

(6) In FY17/18 and FY18/19 a significant variance in Unrestricted Net Position occurred as the District implemented GASB Statement No. 75 to record OPEB liability. In FY22-23 The Districts unresricted reserves increased due to various grants/rebates/cost reimbursements it received (see 3).

(7) In FY23-24 the loss was attributed to the remaining depreciation of retired R6 Reservoir cover & liner asset.

Source: 2016 to 2025 ACFR

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

	2021	2022	2023	2024	2025
Changes in net position:					
Operating revenues (see Schedule 2)	$ 26,709,979	$ 27,383,146	$ 26,410,680	$ 28,671,429	33,387,969
Operating expenses (see Schedule 3)	(29,244,287)	(30,078,960)	(31,297,713)	(32,279,315)	(33,612,269)
Operating income (loss)	(2,534,308)	(2,695,814)	(4,887,033)	(3,607,886)	(224,300)
Non-operating revenues (expenses)		(1,218,753)			
Property Taxes	1,097,589	1,121,250	1,184,149	1,246,920	1,308,540
Rental revenue	236,357	227,227	234,439	250,686	548,958
Gain (Loss) on Sale of Capital Assets[7]	-	-	-	(1,489,216)	993,024
Investment Income[1]	21,511	(259,747)	795,655	1,101,123	1,237,335
Interest expense[2]	(758,339)	(1,072,567)	(1,723,651)	(1,618,994)	(1,554,947)
Grants, Rebates, Reimbursements[3]	42,826	323,458	618,262	16,793	24,016
Non-operating revenue	-	-	19,323	15,050	50,225
Total non-operating revenues(expenses), net	639,944	339,621	1,128,177	(477,638)	2,607,151
Income (Loss) before capital contributions	(1,894,364)	(2,356,193)	(3,758,856)	(4,085,524)	2,382,851
Capital contributions	8,708	166,008	8,919,072	5,456,258	83,520
Changes in net position	$ (1,885,656)	$ (2,190,185)	$ 5,160,216	$ 1,370,734	2,466,371
Net position by component:					
Net investment in capital assets	$ 56,108,404	$ 30,402,906	$ 54,968,271	57,428,761	59,349,999
Restricted:					
Debt Service[4]	2,270,150	-	-	-	-
Capital Projects[5]	2,895	26,797,887	-	-	-
Total restricted	2,273,045	26,797,887	-	-	-
Unrestricted[6]	2,472,175	1,462,646	8,855,384	7,765,628	8,310,761
Total net position	$ 60,853,624	$ 58,663,439	$ 63,823,655	$ 65,194,389	67,660,760

(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

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.

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(7) In FY23-24 the loss was attributed to the remaining depreciation of retired R6 Reservoir cover & liner asset.

Source: 2016 to 2025 ACFR

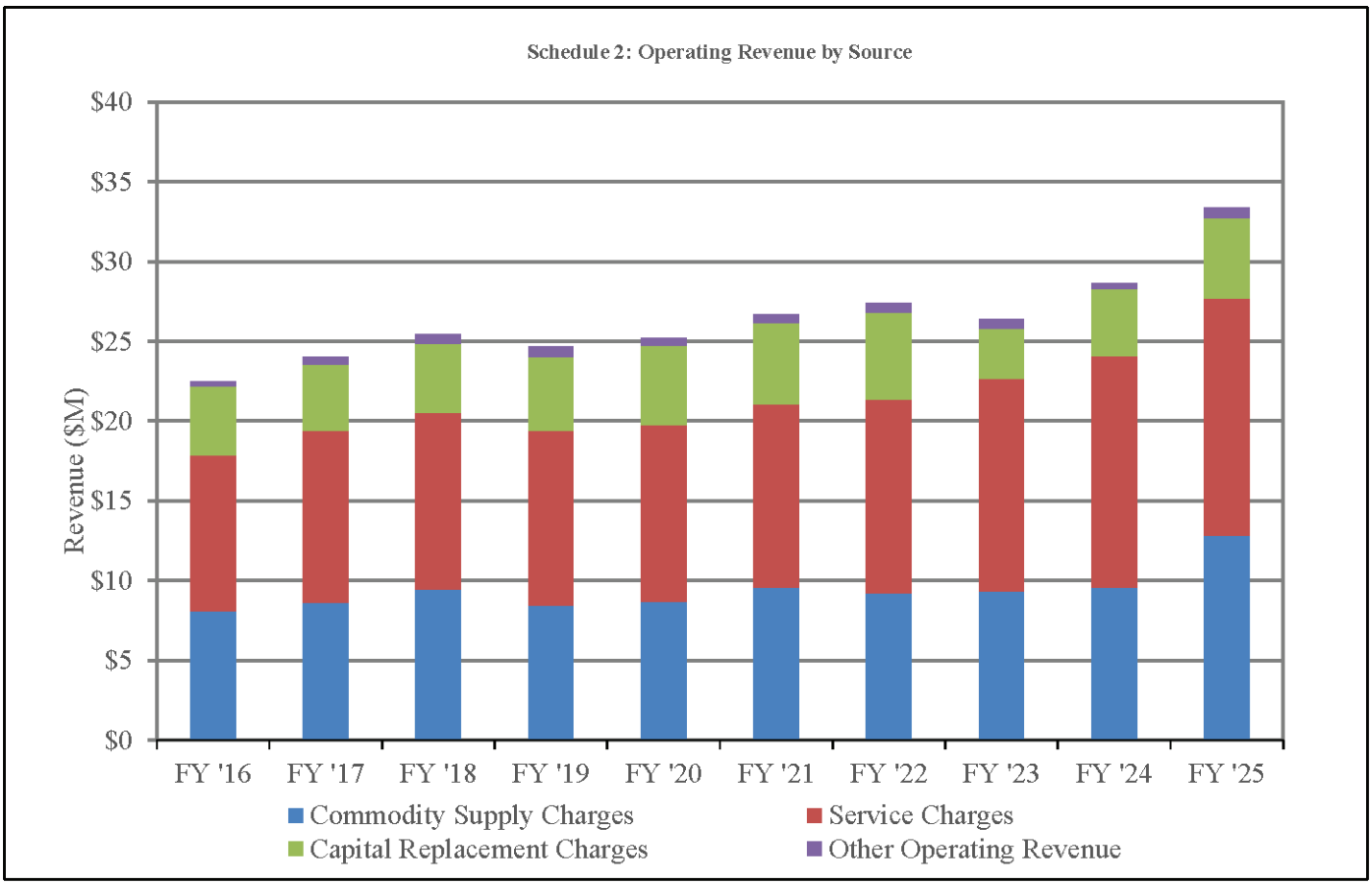
Revenue Capacity Information

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
2016	$ 8,069,726	$ 9,771,324	$ 4,381,402	$ 294,329	$ 22,516,781
2017	8,635,462	10,759,981	4,177,505	459,926	24,032,874
2018	9,459,453	11,085,710	4,325,454	574,644	25,445,261
2019	8,474,791	10,955,238	4,623,068	610,360	24,663,457
2020	8,705,986	11,044,342	4,977,611	469,391	25,197,330
2021	9,571,562	11,496,657	5,070,326	571,434	26,709,979
2022	9,212,404	12,180,223	5,430,565	559,954	27,383,146
2023	9,336,697	13,312,690	3,152,552	608,741	26,410,680
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	667,873	33,387,969

Other Operating Revenue - by Category

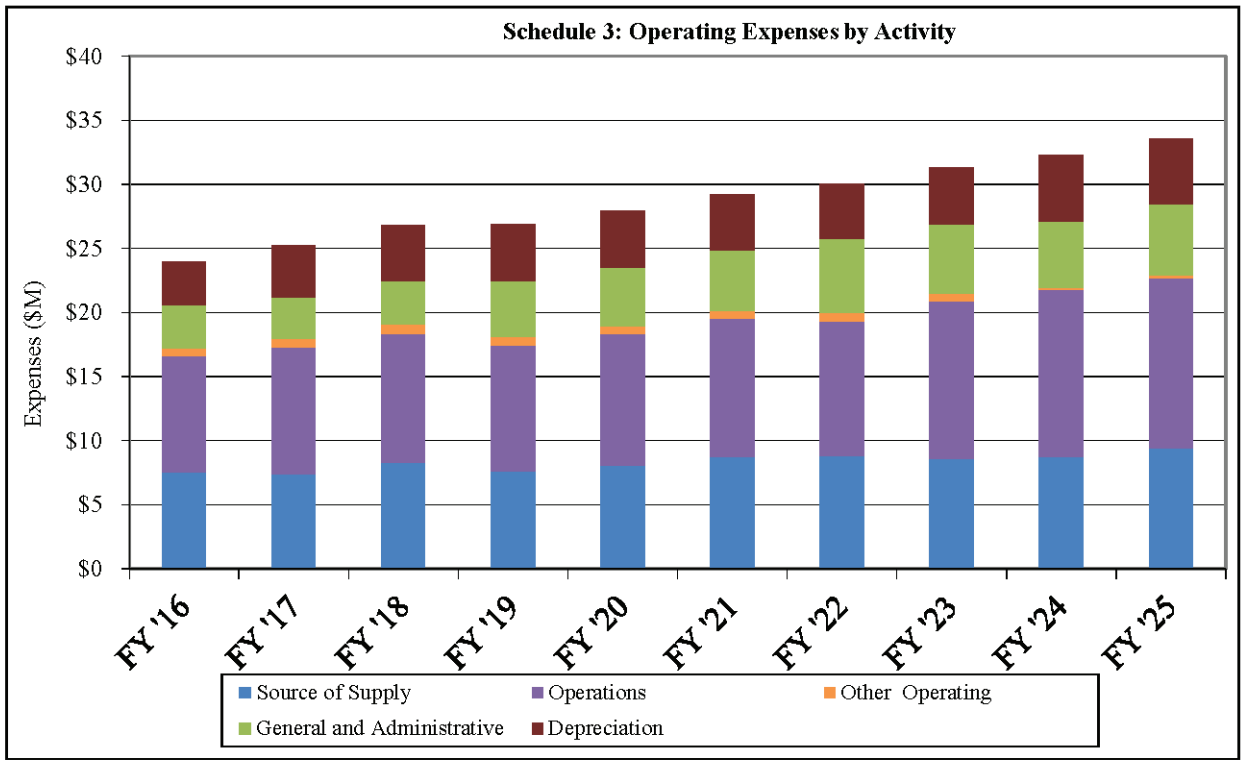
Fiscal Year	Standby Charge	Reimbursement from Others	Miscellaneous	Total Other Water Charges
2016	$ 3,292	$ 233,000	$ 58,037	$ 294,329
2017	1,525	331,179	127,222	459,926
2018	418	403,445	170,781	574,644
2019	247	383,810	226,303	610,360
2020	63	328,310	141,018	469,391
2021	-	401,225	170,209	571,434
2022	-	446,564	113,390	559,954
2023	-	308,774	299,967	608,741
2024	-	326,610	62,706	389,316
2025	-	514,357	153,516	667,873



Source: 2016 to 2025 ACFR

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

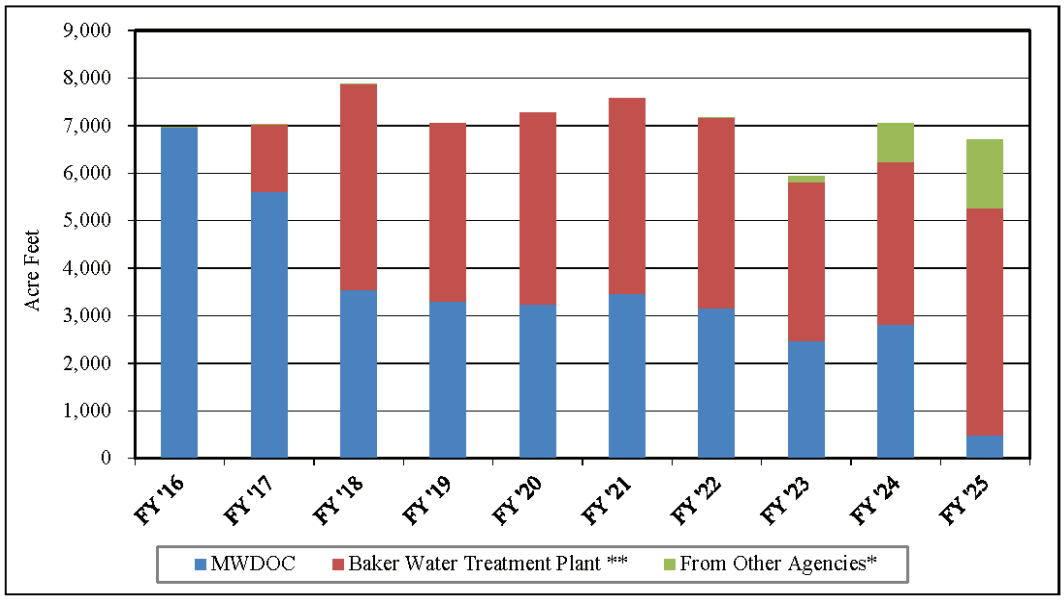
Fiscal Year	Source of Supply	Operations	Other Operating	General and Administrative	Depreciation	Total Operating Expenses
2016	$ 7,555,626	$ 9,098,822	$ 592,405	$ 3,365,722	$ 3,378,409	$ 23,990,984
2017	7,435,534	9,877,746	694,479	3,211,224	4,068,743	25,287,726
2018	8,294,019	10,094,015	686,217	3,434,736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



Source: 2016 to 2025 ACFR

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
2016	6,967	-	8	6,976
2017	5,616	1,417	1	7,034
2018	3,559	4,312	3	7,874
2019	3,297	3,754	-	7,051
2020	3,245	4,032	-	7,277
2021	3,460	4,121	-	7,581
2022	3,171	4,004	1	7,176
2023	2,471	3,338	131	5,939
2024	2,811	3,420	813	7,044
2025	487	4,779	1,434	6,700



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.

Source: 2016 to 2025 ACFR

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
2016	$ 2.46	$ 2.83	$ 5.61	$ 7.18	$ 2.79
2017	2.46	2.83	5.61	7.18	2.79
2018	2.52	2.91	6.08	7.82	2.89
2019	2.52	2.91	6.08	7.82	2.89
2020	2.58	2.97	6.14	7.88	2.95
2021	2.65	3.04	6.21	7.95	3.02
2022	2.72	3.11	6.78	8.52	3.14
2023	2.82	3.18	6.50	8.35	3.31
2024	3.00	3.37	6.70	8.67	3.49
2025	3.26	3.63	6.96	8.93	3.75

Monthly Water Service Charge

Fiscal Year	5/8" Meter	3/4" Meter	1" Meter	1 ½" Meter	2" Meter	10" Meter
2016	$ 9.98	$ 13.31	$ 19.95	$ 36.56	$ 69.81	$ -
2017	10.93	14.58	21.86	40.06	76.48	-
2018	11.80	15.82	23.85	43.92	84.07	-
2019	12.96	17.37	26.20	48.25	92.36	-
2020	14.14	18.99	28.70	52.98	101.52	-
2021	15.17	20.33	30.66	56.48	108.11	-
2022	16.56	22.24	33.60	62.00	118.80	-
2023	17.46	23.62	35.93	66.70	128.25	-
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

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

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/

Source: 2016 to 2025 ACFR

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

Sewer Rates by Customer Class	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Residential Rates (monthy charge per EDU)										
Single Family	$ 22.02	$ 23.11	$ 23.63	$ 24.30	$ 24.30	$ 24.30	$ 25.76	$ 34.67	$ 37.98	$ 39.46
Multi-Family Restricted	17.46	18.33	18.74	19.28	19.28	19.28	20.44	16.47	18.05	18.75
Multi-Family Unrestricted	20.76	21.79	22.28	22.92	22.92	22.92	24.30	25.34	27.76	28.84
Commercial Rates (per ccf of water used)										
Animal Kennel / Hospital	3.61	3.79	3.88	3.99	3.99	3.99	4.23	Medium Strength	Medium Strength	Medium Strength
Car Wash	3.59	3.77	3.86	3.97	3.97	3.97	4.21	Medium Strength	Medium Strength	Medium Strength
Department / Retail Store	3.61	3.79	3.88	3.99	3.99	3.99	4.23	Medium Strength	Medium Strength	Medium Strength
Dry Cleaners	3.16	3.32	3.40	3.50	3.50	3.50	3.71	Medium Strength	Medium Strength	Medium Strength
Golf Course / Camp / Park	3.15	3.31	3.39	3.49	3.49	3.49	3.70	Medium Strength	Medium Strength	Medium Strength
Health Spa	3.60	3.78	3.87	3.98	3.98	3.98	4.22	Medium Strength	Medium Strength	Medium Strength
Hospital / Convalescent Home	3.16	3.32	3.40	3.50	3.50	3.50	3.71	Medium Strength	Medium Strength	Medium Strength
Hotel	5.47	5.74	5.87	6.04	6.04	6.04	6.41	Medium Strength	Medium Strength	Medium Strength
Market	7.17	7.53	7.70	7.92	7.92	7.92	8.40	Medium Strength	Medium Strength	Medium Strength
Mortuary	7.14	7.50	7.67	7.89	7.89	7.89	8.37	High Strength	High Strength	High Strength
Nursery / Greenhouse	3.20	3.36	3.44	3.54	3.54	3.54	3.76	Medium Strength	Medium Strength	High Strength
Professional / Financial Office	3.61	3.79	3.88	3.99	3.99	3.99	4.23	Medium Strength	Medium Strength	Medium Strength
Public Institution	3.55	3.73	3.82	3.93	3.93	3.93	4.17	Medium Strength	Medium Strength	Medium Strength
Repair / Service Station	3.60	3.78	3.87	3.98	3.98	3.98	4.23	Medium Strength	Medium Strength	Medium Strength
Restaurant	3.41	3.58	3.66	3.77	3.77	3.77	4.00	Restaurant	Restaurant	Restaurant
Schools	3.73	3.92	4.01	4.13	4.13	4.13	4.38	Medium Strength	Medium Strength	Medium Strength
Theater	3.61	3.79	3.88	3.99	3.99	3.99	4.23	Medium Strength	Medium Strength	Medium Strength
Warehouse / Storage	2.85	3.00	3.07	3.16	3.16	3.16	3.35	Low Strength	Low Strength	Low Strength
Basic Commercial	3.16	3.32	3.40	3.50	3.50	3.50	3.71	Medium Strength	Medium Strength	Medium Strength
Commercial (Flow Strength) *										
Low Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$ 4.10	$ 4.45	$ 5.75
Medium Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.07	5.54	5.75
High Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.49	10.58	10.99
Restaurants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.07	5.65	5.75

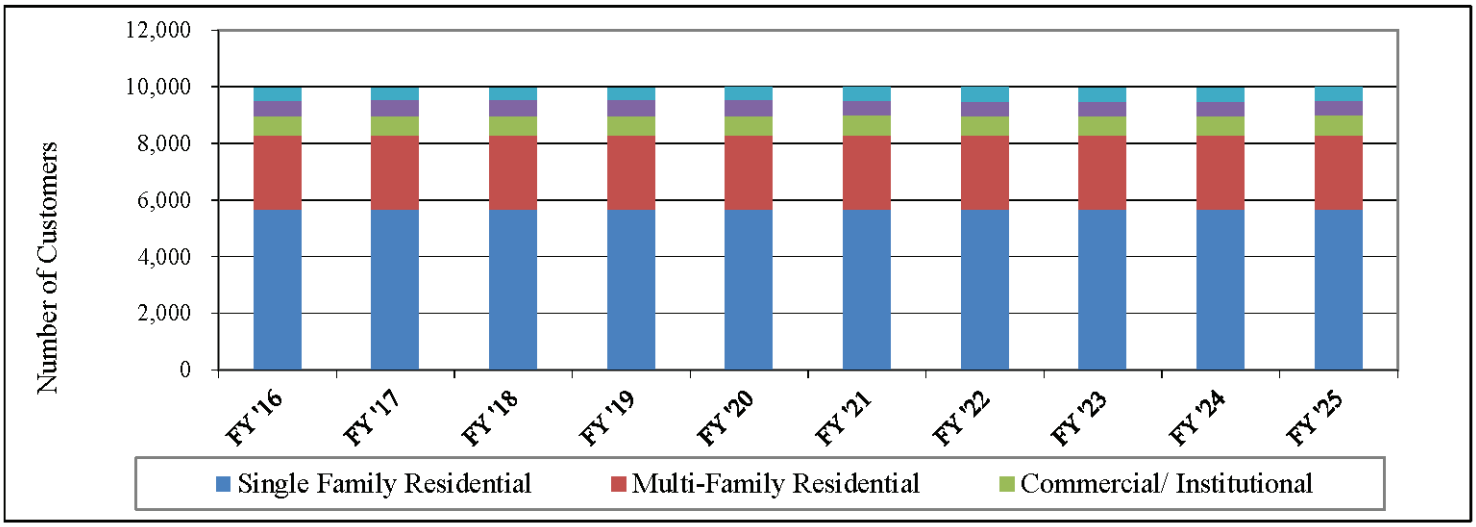
Monthly Sewer Capital Replacement and Refurbishment (CR&R) Charge	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Residential Charge (Per EDU)										
Single Family	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 4.93	$ 7.09	$ 8.87	$ 11.09
Multi-Family Restricted	3.95	3.91	3.91	3.91	3.91	3.91	3.91	3.37	4.21	5.27
Multi-Family Unrestricted	4.69	4.65	4.65	4.65	4.65	4.65	4.65	5.18	6.48	8.11
Commercial (per Meter)										
5/8" Meter	4.34	4.34	4.34	4.34	4.34	4.34	4.34	Flow Charge	Flow Charge	Flow Charge
3/4" Meter	7.34	7.34	7.34	7.34	7.34	7.34	7.34	Flow Charge	Flow Charge	Flow Charge
1" Meter	13.55	13.55	13.55	13.55	13.55	13.55	13.55	Flow Charge	Flow Charge	Flow Charge
1 ½" Meter	24.07	24.07	24.07	24.07	24.07	24.07	24.07	Flow Charge	Flow Charge	Flow Charge
2" Meter	70.96	70.96	70.96	70.96	70.96	70.96	70.96	Flow Charge	Flow Charge	Flow Charge
Public Authority (per Meter)										
1" Meter	4.93	4.93	4.93	4.93	4.93	4.93	4.93	Flow Charge	Flow Charge	Flow Charge
1 ½" Meter	24.65	24.65	24.65	24.65	24.65	24.65	24.65	Flow Charge	Flow Charge	Flow Charge
2" Meter	39.71	39.71	39.71	39.71	39.71	39.71	39.71	Flow Charge	Flow Charge	Flow Charge
Commercial (Flow Charge) *										
Low Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$ 0.84	$ 1.04	$ 1.30
Medium Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.04	1.29	1.62
High Strength	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.93	2.47	3.09
Restaurant	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.05	1.32	1.65
Public Authority	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.04	1.29	1.62

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

Source: 2016 to 2025 ACFR

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
2016	5,667	2,612	709	526	439	9,953
2017	5,668	2,616	694	559	406	9,943
2018	5,668	2,618	700	555	407	9,948
2019	5,665	2,614	706	556	408	9,949
2020	5,667	2,615	707	554	434	9,977
2021	5,670	2,617	707	511	478	9,983
2022	5,666	2,614	705	510	482	9,977
2023	5,667	2,618	692	508	479	9,964
2024	5,665	2,616	699	507	479	9,966
2025	5,668	2,617	711	508	485	9,989



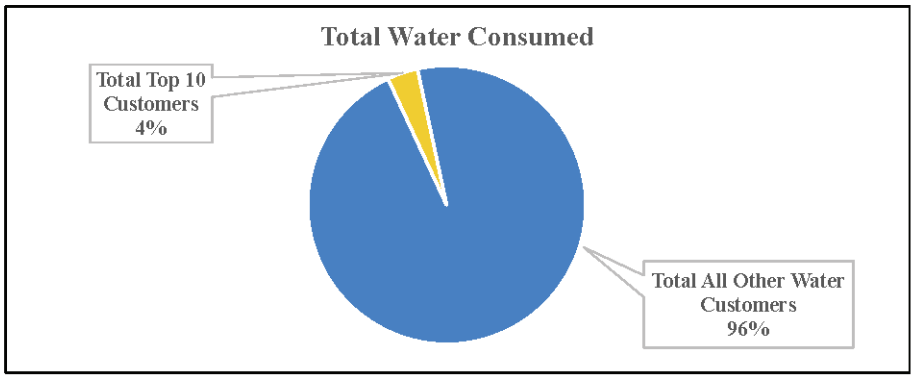
**The District is completely built out and has had 8,950 sewer connections for the past 10 years.*

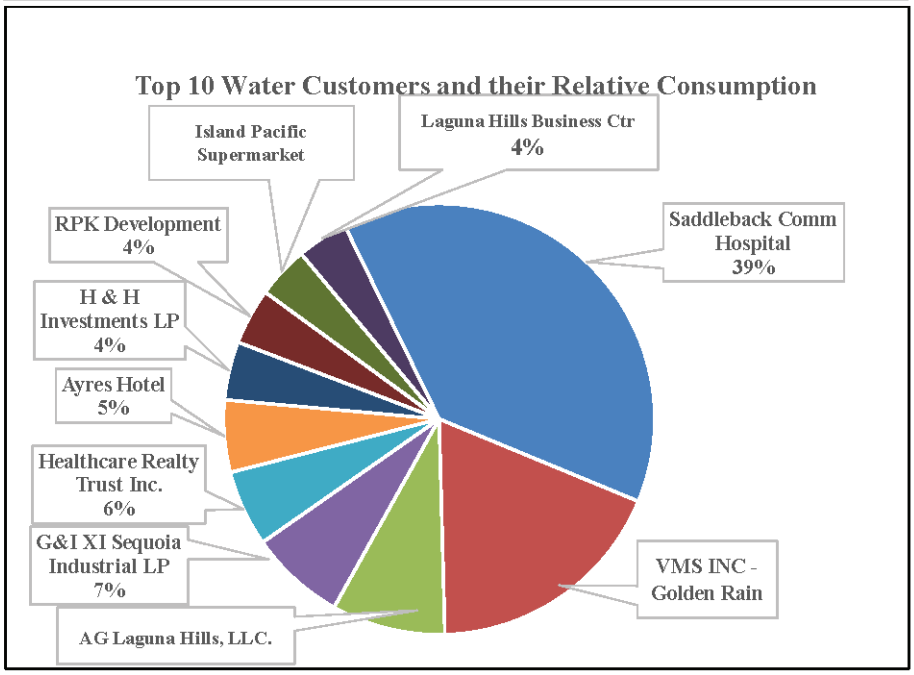
Source: 2016 to 2025 ACFR

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

	FY 2015			FY 2025	
Customer	**Annual Usage (HCF)**	**Percent of Total**	**Customer**	**Annual Usage (HCF)**	**Percent of Total**
Saddleback Comm Hospital	53,420	1.45%	Saddleback Comm Hospital	46,488	1.37%
Country Villa Laguna Hills	12,561	0.34%	VMS INC - Golden Rain	22,174	0.65%
VMS INC - Golden Rain	11,613	0.31%	AG Laguna Hills, LLC.	10,308	0.30%
MGP Fund X Laguna Hills, LLC	11,076	0.30%	G&I XI Sequoia Industrial LP	8,703	0.26%
PS Business Parks	10,861	0.29%	Healthcare Realty Trust Inc.	6,918	0.20%
Laguna Hills Business Center	6,721	0.18%	Ayres Hotel	6,533	0.19%
Ayres Hotel	5,835	0.16%	Laguna Hills Business Center	5,287	0.16%
RPK Development	5,576	0.15%	Island Pacific Supermarket	5,116	0.15%
Paul Ostro	4,840	0.13%	RPK Development	4,701	0.14%
BJ' Restaurant and Brew House Site #438	4,755	0.13%	H & H Investments LP	4,654	0.14%
Total Top 10 Customers	127,258	3.45%	Total Top 10 Customers	120,882	3.56%
Total All Other Water Customers	3,560,940	96.55%	Total All Other Water Customers	3,270,988	96.44%
Total Water Consumed	3,688,198	100.00%	Total Water Consumed	3,391,870	100.00%

HCF = 100 cubic feet



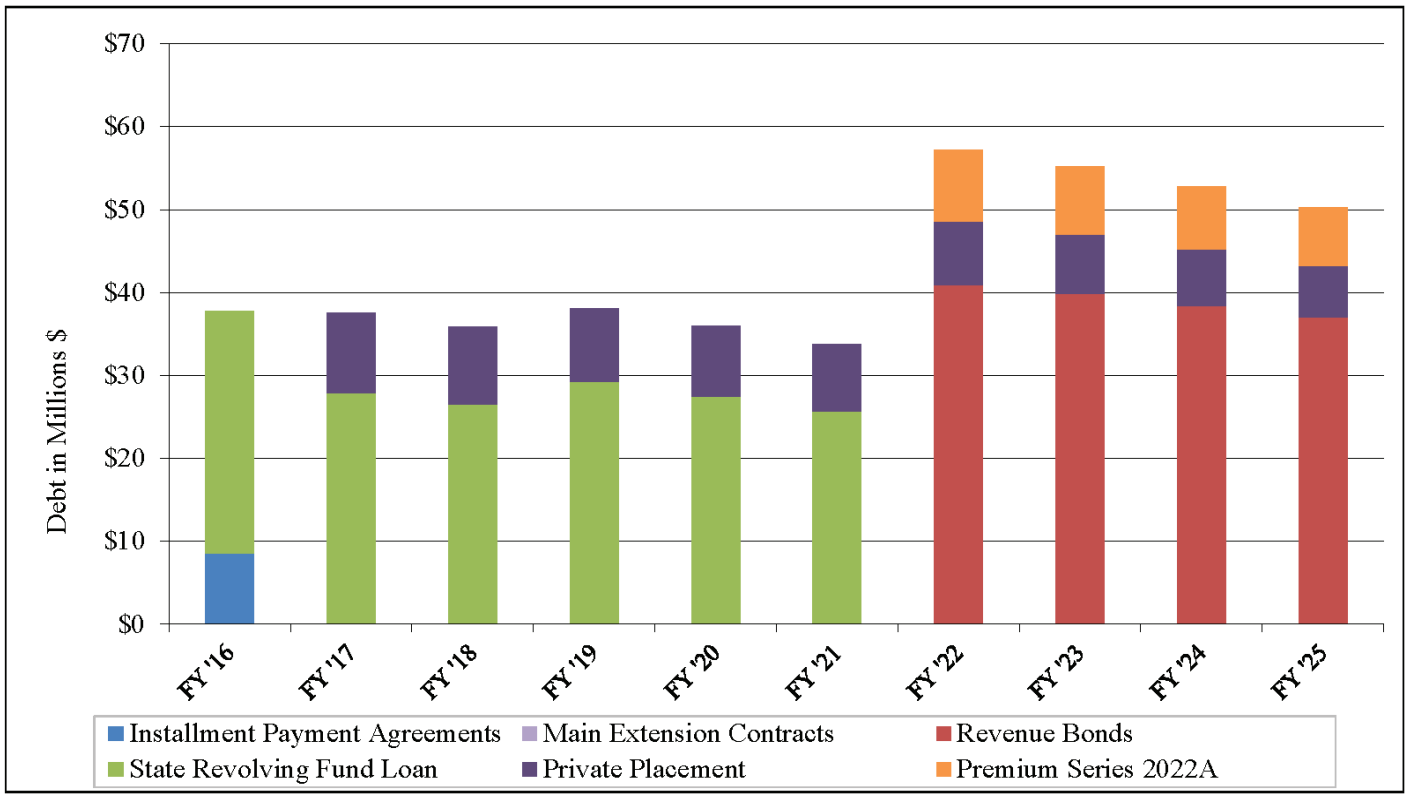


Source: 2016 to 2025 ACFR

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	
2016	$ -	$ -	$ 8,562,088	$ 29,159,616	$ 6,180	$ -	$ 37,727,884	$ 735	1.17%	
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	1,084	1.22%	
2024	38,420,000	7,574,132	-	-	-	6,770,673	52,764,805	1,043	1.17%	(1)
2025	36,970,000	7,041,580	-	-	-	6,296,301	50,307,881	566	0.64%	(1)



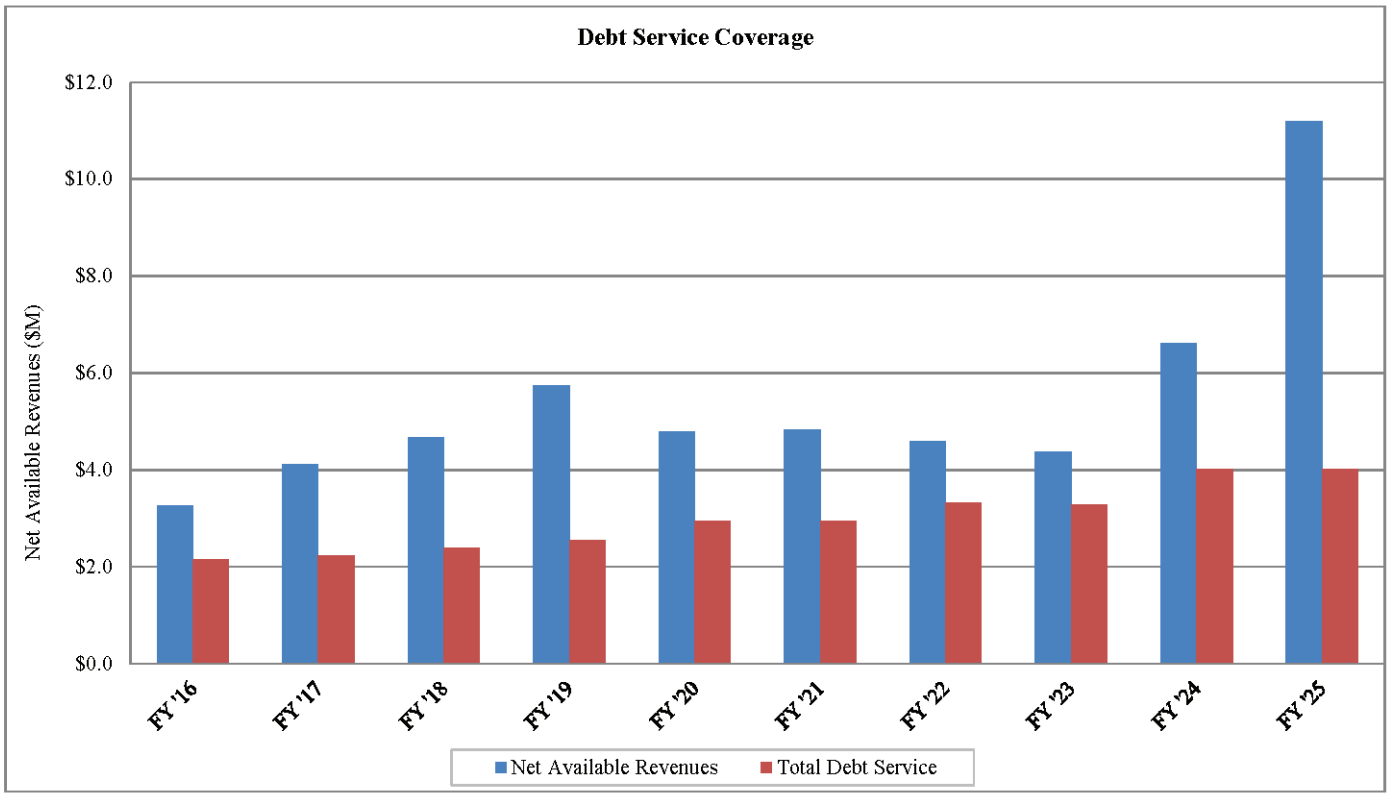
Notes:

(1) Personal Income data is not available for 2024 & 2025 at the time this report is published.

Source: 2016 to 2015 ACFR

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
2016	$ 23,868,895	$ 20,612,575	$ 3,256,320	$ 1,697,913	$ 459,070	$ 2,156,983	1.51
2017	25,331,161	21,218,983	4,112,178	1,532,173	691,970	2,224,143	1.85
2018	26,744,770	22,068,431	4,676,339	1,739,638	655,145	2,394,783	1.95
2019	27,291,330	21,549,152	5,742,178	1,776,305	769,061	2,545,366	2.26
2020	26,941,879	22,155,520	4,786,359	2,166,953	787,460	2,954,413	1.62
2021	28,108,262	23,283,264	4,824,998	2,197,763	756,649	2,954,412	1.63
2022	28,795,334	24,195,620	4,599,714	2,242,878	1,072,567	3,315,445	1.39
2023	29,262,508	24,893,841	4,368,667	1,551,274	1,723,651	3,274,925	1.33
2024	31,302,001	24,678,636	6,623,365	1,840,108	2,176,714	4,016,822	1.65
2025	37,550,067	26,349,061	11,201,006	1,924,372	2,093,541	4,017,913	2.79



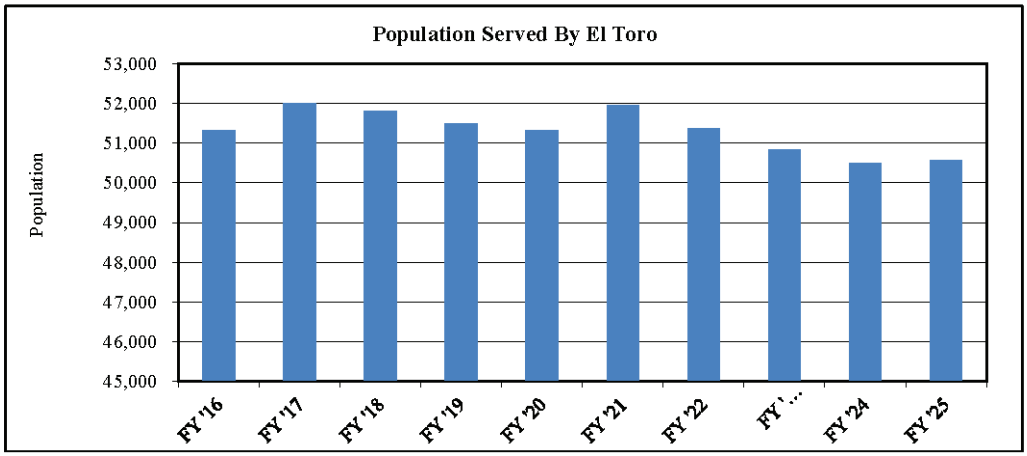
Notes:
(1) Operating expenses less depreciation and amortization, interests, OPEB accounting charges, and non-capitalized expenditures below $25,000 threshold.

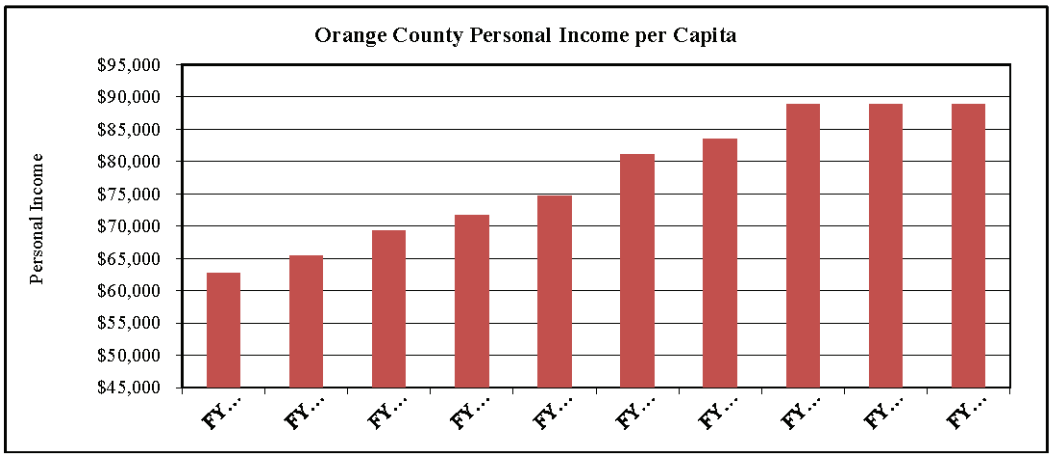
Source: 2016 to 2025 ACFR

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	Unemployment Rate at 6/30
2016	51,318	$ 199,441,555	$ 62,763	4.3%
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	51,949	256,700,438	81,034	6.4%
2022	51,375	263,290,135	83,553	2.9%
2023	50,833	278,760,587	88,897	3.7%
2024[3]	50,505	278,760,587	88,897	4.0%
2025[3]	50,561	278,760,587	88,897	4.5%





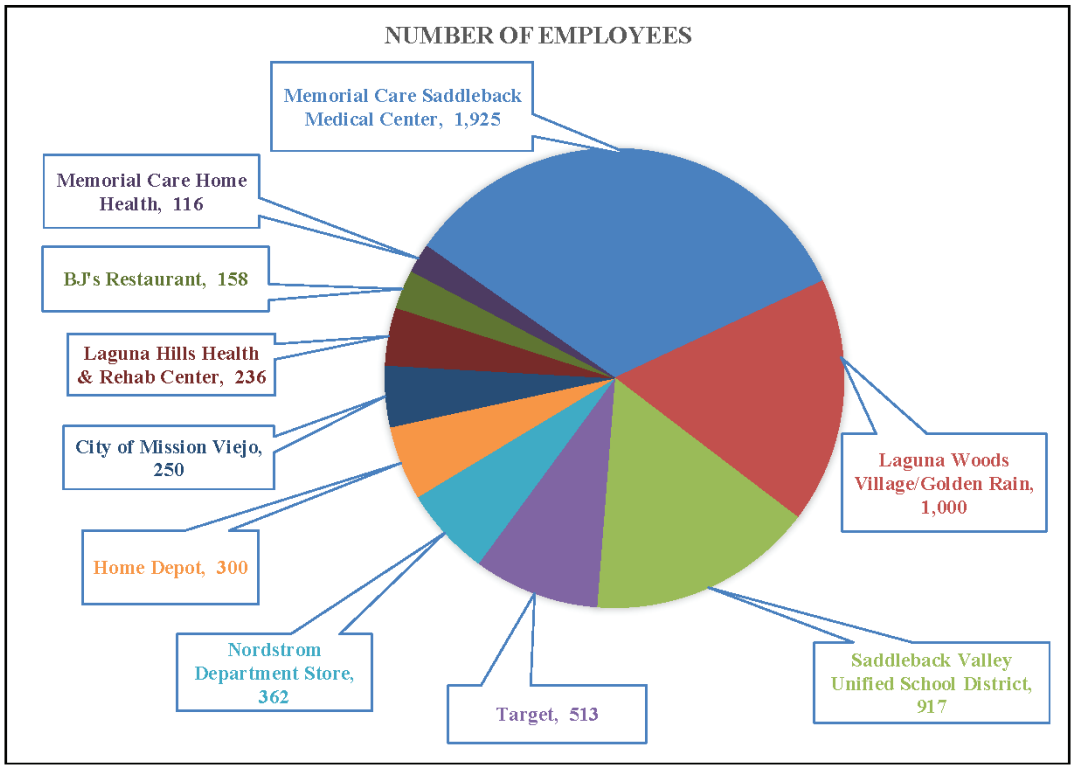
Source: State of California, Employment Development Department, http://www.edd.ca.gov
Source: Municipal Water District of Orange County (MWDOC)
1 The district population data is estimated by the Center for Demographic Research (CDR) at California State University Fullerton.
2 Data from the Bureau of Economic Analysis, http://www.bea.gov
3 The income data for 2024 & 2025 was not available at the time this report was published

Source: 2016 to 2025 ACFR

EL TORO WATER DISTRICT
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR

Employer	Number of Employees at 06/30/25	Percent of Total
Memorial Care Saddleback Medical Center	1,925	33.32%
Laguna Woods Village/Golden Rain	1,000	17.31%
Saddleback Valley Unified School District	917	15.87%
Target	513	8.88%
Nordstrom Department Store	362	6.27%
Home Depot	300	5.19%
City of Mission Viejo	250	4.33%
Laguna Hills Health & Rehab Center	236	4.09%
BJ's Restaurant	158	2.73%
Memorial Care Home Health	116	2.01%
Total Principal Employers	5,777	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 2024 ACFRs for the service area cities listed. Nine years prior information comparision is not available since the district started filing for the ACFR from fiscal year end 2016.

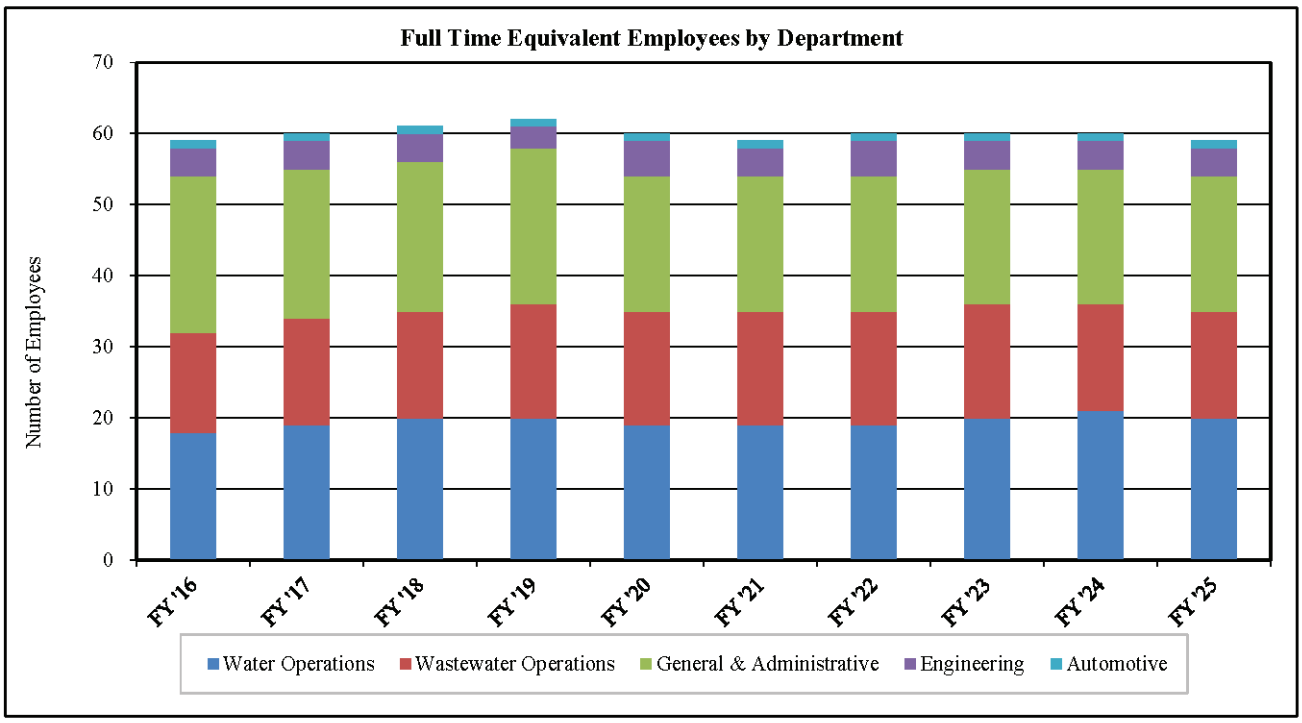


Source: 2016 to 2025 ACFR

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
2016	18	14	22	4	1	59
2017	19	15	21	4	1	60
2018	20	15	21	4	1	61
2019	20	16	22	3	1	62
2020	19	16	19	5	1	60
2021	19	16	19	4	1	59
2022	19	16	19	5	1	60
2023	20	16	19	4	1	60
2024	21	15	19	4	1	60
2025	20	15	19	4	1	59



Source: 2016 to 2025 ACFR

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

	Water System			
Fiscal Year	Miles of Water Mains	Service Connections	Annual Potable Import (MG)	Average Daily Potable Import (MGD)
2016	170	9,953	2,273	6.23
2017	170	9,943	2,292	6.28
2018	170	9,948	2,566	7.03
2019	170	9,949	2,298	6.29
2020	170	9,977	2,371	6.50
2021	170	9,983	2,470	6.77
2022	170	9,977	2,338	6.41
2023	170	9,964	1,935	5.30
2024	170	9,966	2,295	6.29
2025	170	9,989	2,183	5.98

	Sewer System			
Fiscal Year	Miles of Sewers Lines	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2016	114	9,953	1,096	3.00
2017	114	9,943	1,146	3.14
2018	114	9,948	1,105	3.03
2019	114	9,949	1,122	3.07
2020	114	9,977	1,140	3.12
2021	114	9,983	1,057	2.90
2022	114	9,977	1,169	3.20
2023	114	9,964	1,273	3.49
2024	114	9,966	1,276	3.50
2025	114	9,989	1,394	3.82

	Recycled Water			
Fiscal Year	Miles of Recycled Pipe	Service Connections	Annual Production (MG)	Daily Production (MGD)
2016	19	138 (1)	338	0.93
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

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.

Source: 2016 to 2025 ACFR