



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2009
IRVINE, CALIFORNIA

Irvine Ranch Water District



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2009

Irvine Ranch Water District
Irvine, California

Board of Directors

Douglas J. Reinhart, President

Peer A. Swan, Vice President

Steven E. LaMar

Mary Aileen Matheis

John B. Withers

Paul D. Jones II, General Manager

Prepared by:

Irvine Ranch Water District

Finance Department

This page intentionally left blank.

This page intentionally left blank.



IRVINE RANCH WATER DISTRICT



December 14, 2009

The Board of Directors,
Irvine Ranch Water District:

Management of the Irvine Ranch Water District (IRWD or the District) has prepared a Comprehensive Annual Financial Report of IRWD for the fiscal year ended June 30, 2009. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, IRWD management has established a comprehensive framework of internal controls. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatement. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Mayer Hoffman McCann, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2009 were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2009 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

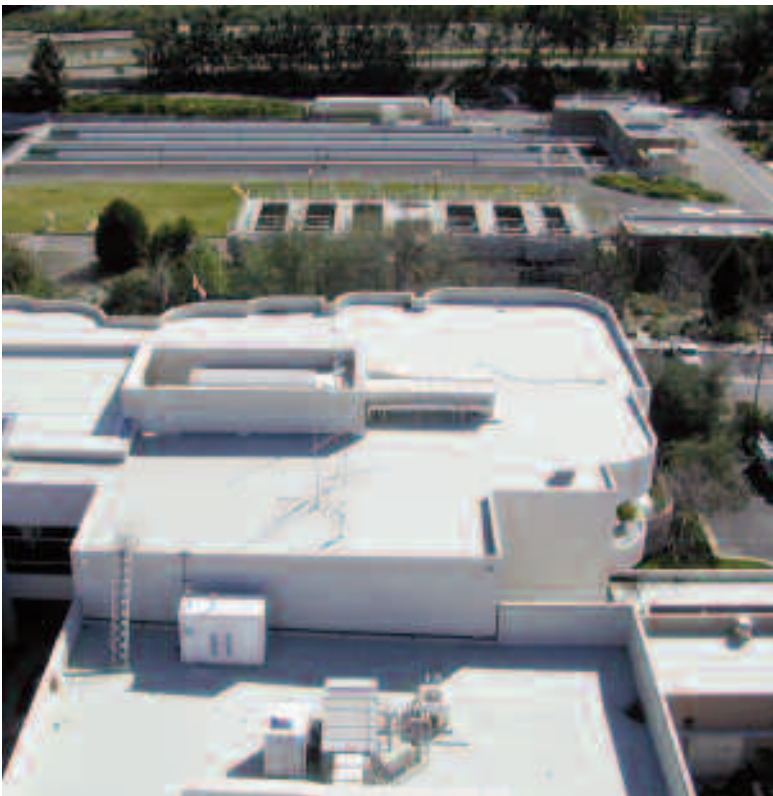
A profile of the District is presented in this Introductory Section. In the Financial Section, Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an overview and analysis of the basic financial statements. This letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it.

Profile of Irvine Ranch Water District

Overview

Irvine Ranch Water District was established in 1961 as a California Water District under the provisions of the California Water Code. As a special district, IRWD focuses on four primary services - providing potable water, collecting and treating wastewater, producing and distributing recycled and other non-potable water, and implementing urban runoff source control and treatment programs.

The District serves a 178 square mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of Orange County, including those canyon areas added to the District as part of the District's consolidation with Santiago County Water District in 2006 and the Orange Park Acres area added to the District as part of its acquisition of Orange Park Acres Mutual Water Company in 2008. Extending from the Pacific Coast to the top of the foothills, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The total estimated population served is 330,000 through approximately 96,000 water and over 91,000 sewer service connections. The number of service connections has increased by 51% over the last ten years.



The District provides its core services with efficiency and responsiveness to its customers by focusing on the following areas:

- *Operational Reliability* – having multiple sources of water supply and various wastewater treatment alternatives to ensure reliable services.
- *Organizational Strength* – having professional staff work in close collaboration with the Board of Directors to exceed the expectations of our customers.
- *Long-Term Financial Planning* – ensuring sufficient funds are available to construct, operate, and replace facilities, while maintaining stable rates now and in the future.

Our People

IRWD is an independent public agency governed by a five-member, publicly elected Board of Directors. The members of the Board each have varied professional backgrounds which, coupled with an average tenure for the Board members of approximately 20 years, has resulted in effective governance. The District has consistently been on the leading edge of new initiatives in resource management such as water recycling, urban runoff management and water conservation, and in financial management by implementing practices such as variable rate debt financing and long-term infrastructure replacement program development and funding.

The District employs 315 professional staff members who are responsible for daily operations and implementing short and long-term strategic objectives set forth by the Board.

The District actively promotes the training and education of employees to increase effectiveness and retention. The average tenure of the employees is approximately 22 years. An aggressive succession planning program at all levels of the organization has been developed to ensure long-term workforce stability.

The Board and District employees take an active role in state and regional trade associations including the Association of California Water Agencies, the California Association of Sewer Agencies, and the California Special District Association. The District actively monitors and works to influence legislation and regulatory actions potentially affecting IRWD's operations and strategic planning. The Board of Directors is frequently engaged and takes active positions on relevant pending legislation.

Our Services

The District is functionally organized into four core service areas:

Drinking or "Potable" Water System

For many years, the District received all of its drinking water from imported sources. To minimize its dependency on imported water, in 1979 the District began to develop a series of local wells known as the Dyer Road Wellfield that pump high quality groundwater from the Orange County Groundwater Basin. In addition, the District operates wells in the Lake Forest area, which is outside of the current main groundwater basin boundaries. In FY 2008-09, the largest component of the District's water supply was local groundwater, which accounted for 46% of the total supply. Groundwater typically is less expensive and more reliable because it does not have to be transported over hundreds of miles into Southern California and subsequently treated.

The District purchased 31% of its water supply in FY 2008-09 from the Metropolitan Water District, the region's wholesale water

supplier. This water is imported from the Colorado River, which is transported 242 miles through deserts and over mountain ranges to Southern California, and from the Delta, which is transported 300 miles from Northern California.

Recycled Water System

The District's philosophy is that water is too valuable to be used just once, and that by treating wastewater to provide water for irrigation and industrial purposes, the District reduces its reliance on more expensive imported water. Wastewater from the community is collected and treated to State Health Department standards at the Michelson Water Reclamation Plant and the Los Alisos Water Reclamation Plant, which have the combined capacity to produce over 20 million gallons of recycled water per day.

In FY 2008-09, recycled water accounted for approximately 23% of the District's total water supply. Approximately 80% of all business and community landscaping (parks, school grounds, golf courses, street medians, etc.) in the District's service area is irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD's ultimate goal is to have recycled water as 25% of its total water supply. This increase in recycled water supply will also provide a substantial portion of the water needed for future growth and redevelopment.

The District operates a number of wells and reservoirs that collect local water for non-potable uses, including Irvine Lake, a 25,000 acre-feet reservoir which receives stream flow (native water) coming from the Santiago Creek watershed. This water is used primarily in the foothills area of the District for agricultural and other irrigation purposes, and supplements the recycled water system during peak demand periods. In addition, the District has 3,000 acre feet of recycled water storage capacity in the San Joaquin Reservoir and is currently evaluating additional recycled water storage projects.

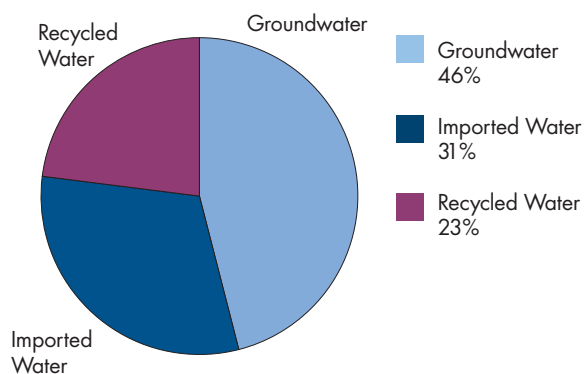
Wastewater Collection and Treatment System

The District has an extensive network of gravity sewers, force mains, wastewater lift stations, and siphons that convey wastewater to two owned treatment plants. In FY 2008-09, the District treated approximately 71% of its wastewater, while the remainder of the wastewater collected by the District is diverted to the Orange County Sanitation District treatment facilities. In the future, expansion of the District's wastewater treatment capabilities will serve the growing population within the District, as well as provide additional treatment capacity for the existing District. This expansion is discussed in more detail in the Major Initiatives section of this document.

Urban Runoff Source Control and Treatment System

IRWD is statutorily authorized to control and treat urban runoff, and conducts various projects and programs as part of an effort to protect the quality of water within the San Diego Creek watershed. In the early 1990s, the District voluntarily reconstructed wetlands at the San Joaquin Marsh and Wildlife Sanctuary where natural biological processes remove a substantial amount of the pollutant load from San Diego Creek before it reaches environmentally sensitive Upper Newport Bay. In light of this success, the District obtained special legislation allowing it to add urban runoff treatment to its services, and will finance, construct and operate a regional urban runoff treatment project known as the Natural Treatment System. The Natural Treatment System consists of 31 wetlands treatment sites located throughout the District's service area. The District has various mechanisms in place to fund the operation of this system, and is continuing to work with federal and state legislators to procure additional funding to offset capital expenditures.

Water Sources, in Acre Feet
FY 2008-09



Our Financial Plan

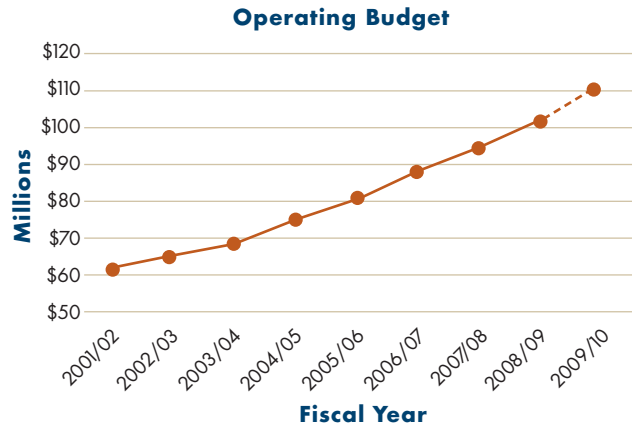
The District's operating budget for FY 2008-09 was \$101.9 million; the FY 2009-10 budget increased by 8.64% to \$110.7 million. In addition to the operating budget, the District has a capital budget based upon new and replacement infrastructure needs. A \$95.9 million capital budget for FY 2009-10 was adopted by the Board, although the many of the capital budget projects extend beyond just one fiscal year. The District's capital program includes more than 500 active and planned projects with expenditures totaling more than \$600 million over the next 20 years.

As shown by the chart below, nearly all of the District's operating revenue comes from urban uses: residential, commercial/industrial, landscape irrigation customers, while agriculture uses are very minimal.

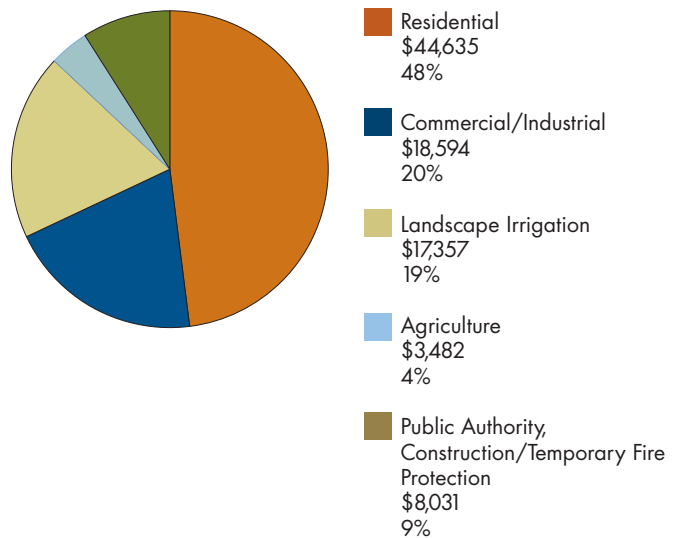
Our User Rates & Charges

To ensure equity among customers, the District separates the cost of constructing water and sewer infrastructure from the cost of daily operations and maintenance. The majority of infrastructure costs are financed with general obligation bonds, which are repaid through a combination of property taxes and connection fees. Operation and maintenance costs are funded by monthly user rates and charges.

The District allocates capital costs throughout its service area through the use of water and sewer improvement districts, for which general obligation bond authorization is obtained and used as needed to fund capital projects. Ad valorem property tax rates are set annually by the District, as are connection fees to be paid by property developers and landowners. The District's policy is to allocate the cost of infrastructure evenly between the developer/landowners and the ultimate property owners who benefit from the water and sewer infrastructure.



Customer Base: FY 2008/09
Water & Sewer Operating Revenue
 (in thousands)



Water Rates

The District's rate structure for water use is separated into a commodity charge component and a service charge component. The commodity charge reflects the melded cost of the District's water supplies while the service charges fund the remaining fixed operational expenses of the District. For FY 2008-09, the District's water service charge was \$7.50 per month for an average residential customer. This monthly service charge also includes a user enhancement component of \$0.15 per month, which is intended to fund the capital costs to upgrade the existing infrastructure.

The commodity charge is a five-tiered rate structure based on an allocation of water, that promotes conservation. A basic use allocation is established for each customer account that provides a reasonable amount of water for the customer's needs and property characteristics, giving consideration to factors such as number of occupants, type or classification of use, size of lot or irrigated area, and evapotranspiration rate for the billing period, and other consistently applied criteria. Water customers in the first two tiers pay rates that are the lowest in Orange County; approximately 85% of the District's customers keep their water usage in the first two tiers. The chart below illustrates the five-tier structure.

FY 2008-09 Residential Rate Structure – Potable Water (Commodity Charge)

Tier	Percent of Estimated Customer Need	Base Rate	Cost per ccf*
Low Volume	0 – 40%	Base Rate minus \$0.16	\$0.91
Base Rate	41 – 100%	Base Rate	\$1.07
Inefficient	101 - 150%	200% of Base Rate	\$2.14
Excessive	151 – 200%	400% of Base Rate	\$4.28
Wasteful	201% +	800% of Base Rate	\$8.56

*One ccf (100 cubic feet) = 748 gallons

Sewer Rates

The District's sewer rates are also the lowest in Orange County with a monthly service charge of \$13.80 in FY 2008-09 for a typical residential customer that covers collection, treatment and disposal of wastewater. This monthly service charge also includes a user replacement component of \$3.45 per month,

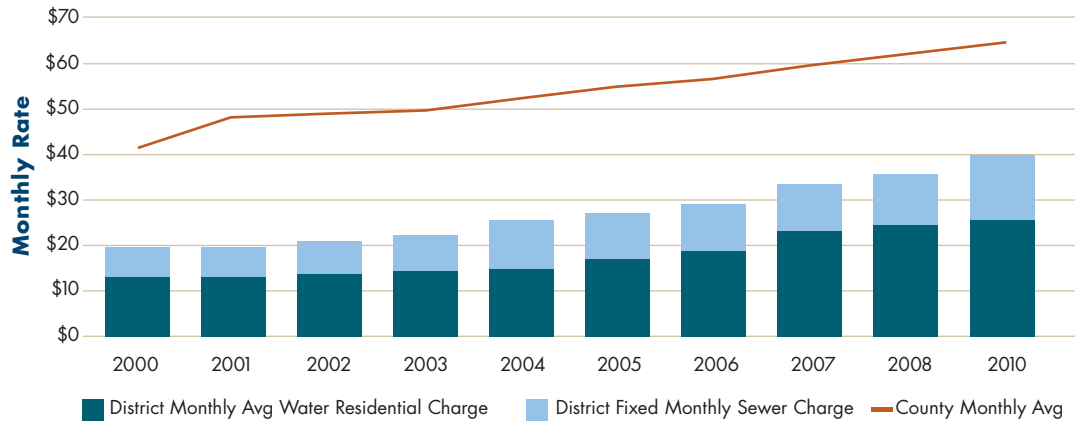
which is intended to fund the capital costs to replace and refurbish the existing system. This component is projected to grow annually. In addition, this monthly service charge includes a user enhancement component of \$0.15 per month, which is intended to fund the capital costs to upgrade the existing infrastructure.

Historic Rate Trends

The following chart reflects the annual "base rate" charge for an average customer's water and sewer service through FY 2008-09. The District raised rates in each of the last twelve

years due largely to increased costs for wholesale supplies and services for both water and sewer.

Monthly Residential Customer Charges



The District has completed five consolidations over the last twelve years -

Santa Ana Heights Mutual Water Company in 1997, Carpenter Irrigation District in 2000, Los Alisos Water District in 2001, Santiago County Water District in 2006, and most recently, Orange Park Acres Mutual Water Company in June 2008, resulting in an approximately 20% increase to the District's customer base. The District's most recent consolidation with Orange Park Acres Mutual Water Company added over 500 customers in one of Orange County's more affluent areas.

The integrated services at the District allow for reduced overhead and administrative costs and lower rates and charges to the customers of the consolidated District. When considering consolidation requests, the District looks for increased efficiencies through economies of scale and mutual benefits from combined expertise and resources.

Districts consolidating with IRWD buy-in to the District's existing infrastructure and receive the benefit of lower rates, enhanced reliability and increased services.



Factors Affecting Financial Condition

The information presented in the Financial Section is perhaps best understood in the context of the economic environment in which the District operates, which is discussed below.

Local Economy

Orange County is the second most populous county in California with over 3.1 million residents and a varied economy in which no single industry is considered dominant. With a location central to Orange County, the District's service area is the home to numerous corporate headquarters such as Taco Bell Corporation, Allergan Inc., Oakley and Broadcom Corporation. The District is also home to various educational institutions, including University of California Irvine, Concordia University, two community colleges, and other colleges and universities with satellite campuses.

During FY 2008-09, the District continued to expand its operating facilities to accommodate more than 1,497 new service connections constructed within District boundaries. Although the economic downturn has slowed the pace of new development, there remains a sizable portion of land to be developed, including the Northern Sphere of Irvine, East Orange and property from two de-commissioned military bases. Continued growth is also expected with redevelopment of commercial properties in the Irvine Business Complex.

The assessed value of land in the District's service area has more than quadrupled in the last decade from \$10.6 billion in 2000 to more than \$37.0 billion in 2009, indicating local economic strength.

The State of California's financial condition impacted local governments such as cities, counties and special districts. In 1992, special districts were subjected to legislation that shifted substantial amounts of property tax revenue to the State. The State took this approach again in response to its budget crisis, taking more than \$9.6 million in local tax revenue from the District during FY 2005-06, and took a similar amount of those local tax revenues during FY 2004-05. In

response, the District chose to raise both property taxes and connection fees to offset state revenue losses which had been dedicated to annual debt service payments. The District's local tax revenue returned to normal levels in FY 2007-08. Despite some efforts by isolated state officials to divert that tax revenue away or borrow it from special districts such as IRWD, the District's local tax revenue has continued to grow, reaching \$23.7 million in FY 2007-08. The District's local tax revenue increased to \$26.3 million in FY 2008-09. In FY 2009-10, the State has exercised its suspension provision of Proposition 1A and will borrow approximately \$2 million from the District.

Financial Planning & Budgeting

Short-Term

The Board of Directors approves operating and capital budgets annually, which project major elements of the forthcoming year's operating and capital plans and allocates required funding accordingly. While the General Manager has limited discretion to transfer appropriations between activities, Board approval is required for any overall increase to or substantial changes in appropriations. Throughout the fiscal year, actual expenditures are compared to account appropriations on a monthly basis. Variances between budget estimates and actual receipts and expenditures are evaluated to regulate financial conditions and ensure the District's financial goals and objectives are being met.

The budget process is further supported by our long-term automated financial models, enabling the Board to make informed decisions on setting rates and charges that ensure the long-term stability of the District.

Long-Term

Meeting the goals of reliable, cost effective long-term water and wastewater service requires substantial planning for both capital

improvements and changing operating conditions. The District's Capital Improvement Program anticipates the need for expanded treatment facilities as well as replacement of existing facilities. The District staff identifies future infrastructure requirements in advance of needs to ensure that the necessary funding for those projects is in place.

The District regularly updates its water and wastewater master plans using computer modeling that factors in such variables as future development, construction costs, growth rates, inflation, redevelopment, and other items. The District's master plans contemplate the future demands and facility needs for water and sewer treatment systems. Diversification of the District's water supply and wastewater treatment options are major objectives of the District's master plans. Those objectives are discussed in more detail in the Major Initiatives section of this introduction.

The District has a long history of planning for the replacement of aging water and sewer infrastructure. Recognizing that infrastructure replacement is both inevitable and costly, the District established an Infrastructure Replacement Fund in 1977 to provide partial funding for replacing and refurbishing various components of the water and sewer systems as they reached the end of their useful life. The objective of the fund is to help moderate the financial impact on future user rates attributable to varying expenditures associated with replacing capital facilities.

The original funding source for the Replacement Fund was a fixed component of water and sewer rates. User rate contributions were discontinued in 1992 after providing approximately \$25 million to the Replacement Fund over a 15 year period. Since then, it has been the objective of the Replacement Fund to fund 30% of future infrastructure replacement costs. After assessing the District's long-term replacement funding needs, the Board voted to add \$2.65 to the sewer monthly fixed charge for FY 2006-07.

Real Property Investments

As a means to match its long-term responsibility to replace water and sewer facilities when they reach the end of their useful lives with long-term funding mechanisms, the District obtained legislative authority from the State to invest a portion of its capital facilities replacement fund in real property located in Orange County.

At this time, the District has an interest in four properties with a book value of \$45.4 million and a weighted average return (on original cost) for FY 2008-09 of 10.9%.

Revenues from the District's real estate investments are retained within the Replacement Fund.

The funding needs are assessed annually using our long-term financial planning models. The Board has considered and assessed an increase of the replacement/ enhancement fees to both water and sewer monthly fixed charges annually. For FY 2008-09, the user replacement/enhancement fees were \$3.75 per month. For FY 2009-10, the user replacement/enhancement fees were increased to \$4.40 per month.

In 1996, the District engaged an independent consultant to assist in developing a replacement fund model that would match projected water and sewer infrastructure replacement needs to future funding requirements. General funding goals were refined and future replacement costs were projected annually for the next 50 years. This replacement model is updated periodically, most recently during 2005. The replacement fund model was augmented in FY 2006-07 by integrating it with a broader cash flow model, which considers both capital and operating expenses. The refinement enables staff and the Board to project future user rate requirements necessary to meet both new and replacement capital needs as well as ongoing operation and maintenance costs.

The District believes its approach to infrastructure replacement and funding is among the best in the industry and illustrates the District's commitment to financial stability and protection of its customers from rate instability.

Cash Management Policies and Practices

The District is regulated by State law (primarily California Government Code Section 53600, et seq.) as to the types of fixed-income securities in which it can invest cash assets. In addition, the Board of Directors annually adopts an investment policy that is generally more restrictive than the State codes. The District's standard practice is to maintain an appropriate balance between safety, liquidity and yield of investments while meeting required expenditures. This balance must be upheld in conformance with all applicable State laws, the District's investment policy, and prudent cash management principles.

For most of FY 2008-09, the District's fixed-income investment portfolio consisted primarily of short-term securities with an average maturity of less than 12 months. These securities included U.S. government agency notes, the State-managed Local Agency Investment Fund, local government bonds, and a mutual fund of U.S. treasury securities. Starting in March 2008, the Board expanded the

Investment Policy, permitting investments in municipalities with ratings of AA or better in either auction rate securities or variable rate demand bonds. A complete discussion of the District's investments in FY 2008-09 is included in Note 2 to the Basic Financial Statements. The annual return on all of the District's cash investments in FY 2008-09 was approximately 2.50%, when real estate investments are included, the average rate of return was 4.50%. In addition, the District entered into \$280 million of fixed receiver interest rate swaps during the FY 2003-04 to better manage the fixed-income portfolio in low interest rate environments. All of the referenced fixed receiver interest rate swaps reached maturity by March 2009.

At June 30, 2009, the District's cash assets totaled approximately \$300 million. These cash balances are allocated to various restricted funds including the District's Replacement Fund, New Capital Fund, Bond Reserve, Construction, Debt Service and others.

IRWD Joint Powers Agency

In 1988, the IRWD Joint Powers Agency (JPA) issued two series of tax-exempt pool revenue bonds in a total par amount of \$900 million that could be used to provide a favorable rate of financing for California cities, counties, special districts and other local agencies in higher interest rate environments. The bond proceeds were invested in authorized securities that paid the debt service on the bonds pending the purchase of local agency bonds. Interest rates subsequently dropped and no transactions were ever originated since public agencies could borrow in the traditional markets at lower rates.

After expiration of bond call protection provisions in 1998, the JPA refunded the tax-exempt bonds through the issuance of two series of taxable refunding bonds. The investment securities pledged to the tax-exempt bonds are now pledged to the repayment of the taxable refunding bonds, and are held separately by a trustee. However, under the taxable refunding structure, the JPA was required by tax law considerations to retain beneficial ownership of approximately 3% of the principal and interest of the investment securities, and thus it receives these excess monies after the scheduled debt service payments. The excess revenues currently are about \$2.5 million annually.

The JPA refunding bonds and underlying investment securities have \$698.6 and \$810.0 million par amounts, respectively, outstanding as June, 30 2009, and the bonds and securities will mature in 2014. The District has no legal obligation to use any of its own funds to pay debt service on the JPA bonds. While the District is required to report the underlying investment securities as part of its Cash and Investments, these securities, with the exception of the District's 3% ownership interest, are pledged to debt service on the bonds and are not available for the District's use. Of the \$1.1 billion in total cash and investments reported in the District's consolidated financial statements, only \$300 million was generally available to the District as of June 30, 2009 primarily for capital needs (half of which was proceeds from the 2009 bond sale).

Debt Management Policies and Practices

The District has strived to minimize the cost of its long-term debt. In the early-1980's, the District obtained State legislation that allowed for the use of variable rate debt to help achieve this goal.

The District largely has used a combination of variable rate General Obligation (G.O.) bonds and Certificates of Participation (COPs) to fund its capital facilities. As of June 30, 2009, there were eleven outstanding general obligation bond issues with a balance of \$415.7 million and two outstanding COPs issues with a balance of \$102.3 million. The District has secured direct pay letters of credit to enhance its variable rate debt. The District's average cost of debt for FY 2008-09 was 1.41%.

Under California law, all of the G.O. bonds are secured by the District's ability to levy ad valorem property taxes in the applicable improvement districts to pay debt service. Although the District has elected to use a combination of ad valorem property taxes and other legally available funds to pay debt service, the legal authority exists to fully fund G.O. bond debt service through such ad valorem taxes. The COPs issues are secured by certain revenues of the overall District, predominantly user rates. The District is required under some of its debt covenants to collect revenues which will be at least sufficient to yield net revenues equal to 125% of senior debt service payable during the fiscal year (see note 12 to the Financial Statements).

Since all of the District's outstanding debt is in a variable rate mode, the Board of Directors has taken certain actions to manage and mitigate interest rate risk. First, the Board adopted a policy to maintain a target amount of investment assets equal to at least 75% of the variable rate debt. In addition, in FY 2003-04, the District began an interest rate swap program under which \$130 million notional amount of LIBOR-based fixed payer swaps were executed. These interest rate swaps have allowed the District to limit the risk exposure on approximately \$194 million* (or 37.4%) of its variable rate debt to about 4.01%. (*Assumes a historical ratio for tax-exempt (BMA/SIFMA) versus 1-month LIBOR of 67%.)

In FY 2007-08, the District sought and received underlying ratings on its 2008 refunding series COPs. Ratings of "AA+" from Fitch, an "Aa2" rating from Moody's and an "AAA" rating from Standard and Poor's were received and have been maintained.



Risk Management

The District utilizes a combination of self-insurance and third party liability insurance to minimize loss exposures from property, third-party liability claims and workers compensation claims. The District self-insures the first \$100,000 per occurrence for third-party liability claims and \$125,000 per occurrence for workers compensation claims. Various control

techniques used to minimize loss include, but are not limited to, routine employee safety meetings and training sessions, use of uniform language in contracts designed to limit or prevent liability exposure, and development of emergency plans, including a business continuation plan.

Major Initiatives

The District's major initiatives during FY 2008-09 included the continuing programs to secure water supplies, as well as expanding wastewater treatment capacity and diverting wastewater flows, water education programs, and the continuing implementation of the Water Conservation Program, particularly in light of imported water reductions in 2009 and potential further reductions in 2010.

Water Supply Reliability

Groundwater Program

The District's Water Resources Master Plan for a reliable water supply mix includes developing sufficient groundwater production capacity to pump to the Basin Production Percentage (BPP) set by the Orange County Water District (OCWD). Currently, the District has the ability to produce approximately 28,000 acre feet per year (AFY) of clear groundwater from the Dyer Road Well Field. IRWD also produces groundwater that requires treatment at its Deep Aquifer Treatment System (DATS) which removes organic color, and its Irvine Desalter Project (IDP) which removes salts and nitrates, for a combined total production of 13,000 AFY. Further, IRWD is looking to expand its groundwater production facilities, and is currently evaluating potential wellsites.

Irvine Desalter Project

The Irvine Desalter Project is a groundwater development project that was constructed by the District in cooperation with the Orange County Water District, the agency responsible for managing the Orange County Groundwater Basin. Construction of the well-head facilities, connecting pipelines, and treatment facilities was completed in 2006, and the facilities were brought on-line in early 2007.

The Irvine Desalter Project consists of two components. The first component, a potable water wellfield, pipelines and purification plant, treats local groundwater to remove salts and nitrates caused by the natural geology and past agricultural use. The water is treated to drinking water standards and provides a new source of local drinking water for the District's customers.



This water treatment process utilizes reverse osmosis (widely used in the bottled water industry) and disinfection. This component of the project will provide 5,100 acre-feet of drinking water per year for the next 50 years, enough for about 25,000 to 30,000 people. The District is proposing to expand this program.

The second component of the Irvine Desalter Project is treating a plume of contaminated groundwater coming from the now-closed El Toro Marine Corps Air Station. This separate treatment system removes volatile organic compounds from solvent degreasers previously used on the military base. The contaminants are removed using air stripping and activated carbon. The treated water is used in the District's recycled water system and is expected to supply 3,900 acre feet of recycled water per year. The United States Department of the Navy is compensating the District for this component of the project as part of the base closure plan. This compensation will continue until the plume of contaminated groundwater is cleaned up.

Water Banking

In addition to developing the local groundwater system, the District is diversifying its water supply portfolio by developing a water bank in Kern County, California. The purpose of developing the water bank is to improve the District's water supply reliability by capturing water during wet hydrologic periods for use during dry periods. The water bank will be an important part of the District's ability to respond to drought conditions and will provide the District the ability to reduce the cost of water delivered under such conditions.

Opportunities for groundwater banking programs in Southern California are limited. In contrast, the extensive groundwater basins in Kern County are managed to allow storage of water for outside entities. The District has entered into a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District (Rosedale) in Kern County. The District purchased high quality groundwater recharge land that overlies the regional Kern County groundwater basin. This land has been annexed into the Rosedale service area and the District and Rosedale have completed construction of 502 acres of groundwater recharge ponds on the property. The recharge ponds will allow available surface water to be percolated into the groundwater basin for later use. Groundwater wells that will be used to recover water from the water bank are currently being constructed.

Unlike other existing Kern County water banking arrangements, the District's partnership program with Rosedale has provided long-term equity ownership of water banking capacity rather than typical contract or lease arrangements employed by most other agencies.



Baker Treatment Plant

During the current fiscal year, the District is proceeding with the engineering design for the Baker Water Treatment Plant (WTP) project. The design is anticipated to be complete in June 2010 with construction anticipated to be complete in December 2011.

When constructed, the Baker WTP will treat approximately of 25 million gallons per day of raw imported water purchased from Metropolitan Water District of Southern California to drinking water standards. During emergencies and planned raw imported water outages, water from Irvine Lake can also be supplied to the plant for treatment to drinking water standards. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. Although the plant will be owned and operated by the District, partial capacity in the facility will be purchased by other water agencies located in Southern Orange County. The facility will provide an operational source of supply to the District and participating agencies and, in the event of a short-term water shortage emergency, provide regional water reliability to other neighboring Southern Orange County water agencies. The project construction cost is estimated at approximately \$52 million, with IRWD responsible for approximately 22% of the total cost.

Expanded Wastewater Treatment Options and System Reliability

IRWD is continuing its program to increase the reliability of the wastewater system by diversifying treatment options and increasing the reliability of critical sewage collections facilities. The goals of the program are to collect wastewater in the most cost effective method available, create a high quality and reliable reclaimed water supply for irrigation and industrial uses, and minimize environmental impacts and risks.

Sewage collected throughout the District is treated at three locations: the Michelson Water Reclamation Plant (MWRP), the Los Alisos Water Reclamation Plant (LAWRP), and at the Orange County Sanitation District (OCSD) facility in Fountain Valley. The District owns and operates the Michelson and Los Alisos treatment facilities, and owns capacity in the OCSD facilities based on its tributary flows.

The District is working on strategic capital facilities to optimize wastewater treatment capability, improve operational efficiencies, support planned maintenance, and minimize the impacts of unexpected emergencies. Examples of these efforts include the construction of the Harvard Avenue Trunk Sewer (HATS) diversion project which was completed during FY 2007-08. That project, which cost the District approximately \$9.6 million, is projected to save the District an average of \$4 million per year over the next five years.

To further improve operational flexibility, the construction of additional diversion structures, pipelines, and the expansion of treatment capacity will have to be completed. The two plants operated by IRWD currently have the collective capacity of 25.5 million gallons per day (mgd).

Ultimately, the planned capacity for these treatment facilities will be approximately 40.5 mgd. Expanding existing infrastructure for wastewater treatment has two primary benefits including:

- Increased recycled water production and utilization, and
- Decreased exposure to external treatment costs and operational constraints.
- Decreased dependencies on import water supplies.

Water supply and wastewater recycling studies have identified a \$125 million capital program for wastewater treatment over the next 10 years to achieve these goals. This includes the upgrades to IRWD treatment plants as mentioned above and also adding a new storage reservoir to the recycled water system to improve treatment and distribution efficiencies. It is estimated that these projects will save the District an average of \$8 million per year in capital and operating expenses over the next 30 years. In August 2009, the District awarded a three-year project to expand the Michelson Water Reclamation Plant to be completed in fiscal year 2012-13.

In addition to the projects identified above, the District is evaluating alternative approaches to handling its wastewater solids. The evaluation of the alternative approaches for handling MWRP solids, currently conveyed to Fountain Valley for treatment by OCSD, include consideration of many factors such as costs and potential community impacts. New capital facilities constructed at the MWRP to dewater and dispose of solids from this facility are estimated to cost \$100 million. Construction of solids handling facilities at the MWRP would not begin until the current expansion of the MWRP was complete.

Water Education Programs

The District provides innovative water education programs available to kindergarten through college classes in any public, private, or home school within the service area. Through a partnership with the Discovery Science Center, the District offers exceptional education programs meeting California curriculum content standards and bringing water education to life for students.

The District offers grade-specific assembly programs that focus on water science and conservation for students in kindergarten through sixth grade. A high-tech system of individual student response keypads is utilized to engage and encourage student participation during presentations. All assemblies stress the importance of conserving limited resources and preventing water pollution.

For sixth to eighth grade classes, the District offers a four week in-class series of hands-on water chemistry and environmental resources lessons concluding with a trip to the IRWD San Joaquin Marsh. With an eye toward future careers, students use chemical test kits to determine aspects of water quality; conduct simulated biological surveys related to water quality issues; experiment with water to deepen their understanding of water as a basic element and an essential resource; and explore current technologies, such as water recycling.

For the 2009-10 school year, the District is introducing a pilot high school program. This program will be designed to allow high school students to earn community service credits for presenting simple, educational and environmental science-based presentations and activities for community members visiting the San Joaquin Marsh Campus during three designated weekend education events held during the course of the school year. The education events will allow community members of all ages to learn about various water, environmental, resources and other topics. These topics will be presented through table-top presentations, short lectures, marsh

tours, and science-based crafts, led by high school students participants trained through our program with Discovery Science Center.

Additionally, the District provides customized in-class and field trip programs for our high school and college level students. The programs are built around the specific needs and interests of each individual class as developed by District staff and the classroom instructor. Topics include, but are not limited to: water treatment, sources, conservation and recycling; economics, geography, and politics of water; horticulture; and careers in the water industry.



For educators who prefer to do the teaching themselves, the District provides several options. Project WET (Water Education for Teachers) is a one-day water science and education workshop featuring comprehensive water science and education training, curriculum and activity guide, and resources. The program facilitates and promotes awareness, appreciation, knowledge, and stewardship of water resources through the dissemination of classroom-ready teaching aids and the establishment of internationally sponsored Project WET programs. Additionally, the District provides several pre-packaged curriculum programs to teachers in the District service area free of charge.

Water Conservation Program Implementation

The District strives to be a leader in the innovation and implementation of conservation measures by promoting the most efficient use of water both on a per capita and per acre basis. IRWD led in the use of recycled water starting in the late 1960s and presently serves over 4,420 sites with more than 24,000 acre feet of recycled water annually - currently 23% of the District's total water supply. The District's allocation-based rate structure, implemented in 1991, was carefully designed to promote the efficient use of water by providing customers pricing signals related to over-use of water. This structure is recognized as a model for other agencies to emulate.

The District's Water Conservation Business Plan is a comprehensive strategy that includes not only environmental considerations, but also addresses the considerable positive financial benefits of water conservation for the District and its customers. Specifically:

- As demands for water increase, the District's unit cost of water tends to increase due to the need to purchase more of the expensive imported water.
- Conserved water is stored in reservoirs and groundwater basins for use during dry periods.
- Reduced urban runoff (typically the result of "over-watering") minimizes water quality degradation from fertilizers, pesticides and animal waste in creeks, rivers and in the ocean.
- Reducing water demands also reduces energy demands on electricity, which is needed to convey water.
- Reduced water use indoors results in reduced wastewater generation and attendant treatment costs and capital costs for additional infrastructure.

The basic tenets of the Water Conservation Business Plan include local, state and national policy development and leadership, rate structure improvements, focused customer interface, extensive education and outreach, research and technology advances, and the development of financial incentives. Staff regularly updates the Board on the effectiveness of the Plan and funding needs.

During the past fiscal year, the District provided financial incentives to residential and business customers to install water efficient devices such as high efficiency clothes washers, toilets and irrigation equipment. In FY 2008-09, 3,424 residential devices and 11,014 commercial devices were installed. Lifetime water savings associated with those devices are estimated to be about 2,300 acre-feet, or a savings of about \$1.5 million. Since program inception in 2005, over 21,000 devices have been installed with lifetime water savings for all measures estimated at 5,300 acre-feet.

The District adopted an updated Water Shortage Contingency Plan in 2009 in anticipation of potential imported water reductions. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, the District is well-positioned to be able to respond to potential imported water shortages and maintain water supply reliability to its customers for protracted periods.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Irvine Ranch Water District for its comprehensive annual financial report (CAFR) for the fiscal years ended June 30, 2004 through June 30, 2008. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

Staff would like to acknowledge the IRWD Board of Directors for their unfailing support and for maintaining the highest standards of professionalism in the management of the District's operations and finances. We would also like to thank the dedicated employees of the District for their commitment to providing high quality service to the District's customers.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all staff that assisted and contributed to the preparation of this report.

Respectfully submitted,



Paul D. Jones, II
General Manager



Deborah Cherney
Director of Finance

Irvine Ranch Water District List of Principal Officials

Board of Directors:

President and Director

Douglas J. Reinhart

Vice President and Director

Peer A. Swan

Director

Steven E. LaMar

Director

Mary Aileen Matheis

Director

John B. Withers

Executive Management:

General Manager

Paul D. Jones II

Assistant General Manager

Paul Cook

Director of Administrative Services

Tony Mossbarger

Director of Engineering and Construction

Kevin Burton

Director of Finance

Deborah Cherney

Director of Human Resources

Janet Wells

Director of Water Resources and Planning

Gregory Heiertz

Director of Public Affairs

Beth Beeman

Director of Wastewater Operations

Wayne Posey

Acting Director of Water Operations

A.T. Kilani

Director of Water Quality

John Hills

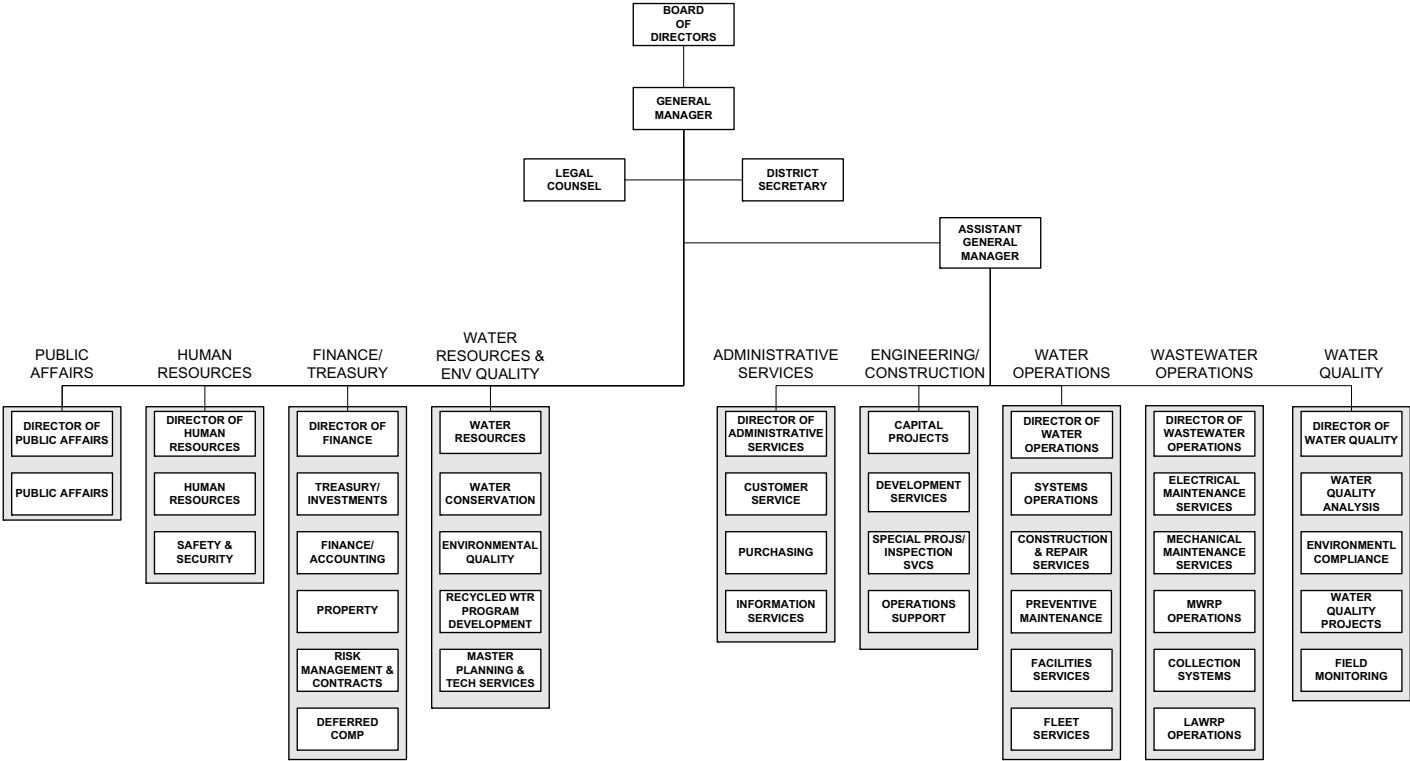
Treasurer

Robert Jacobson

Irvine Ranch Water District Organizational Chart

(By Function)

As of June 30, 2009



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Irvine Ranch Water District
California

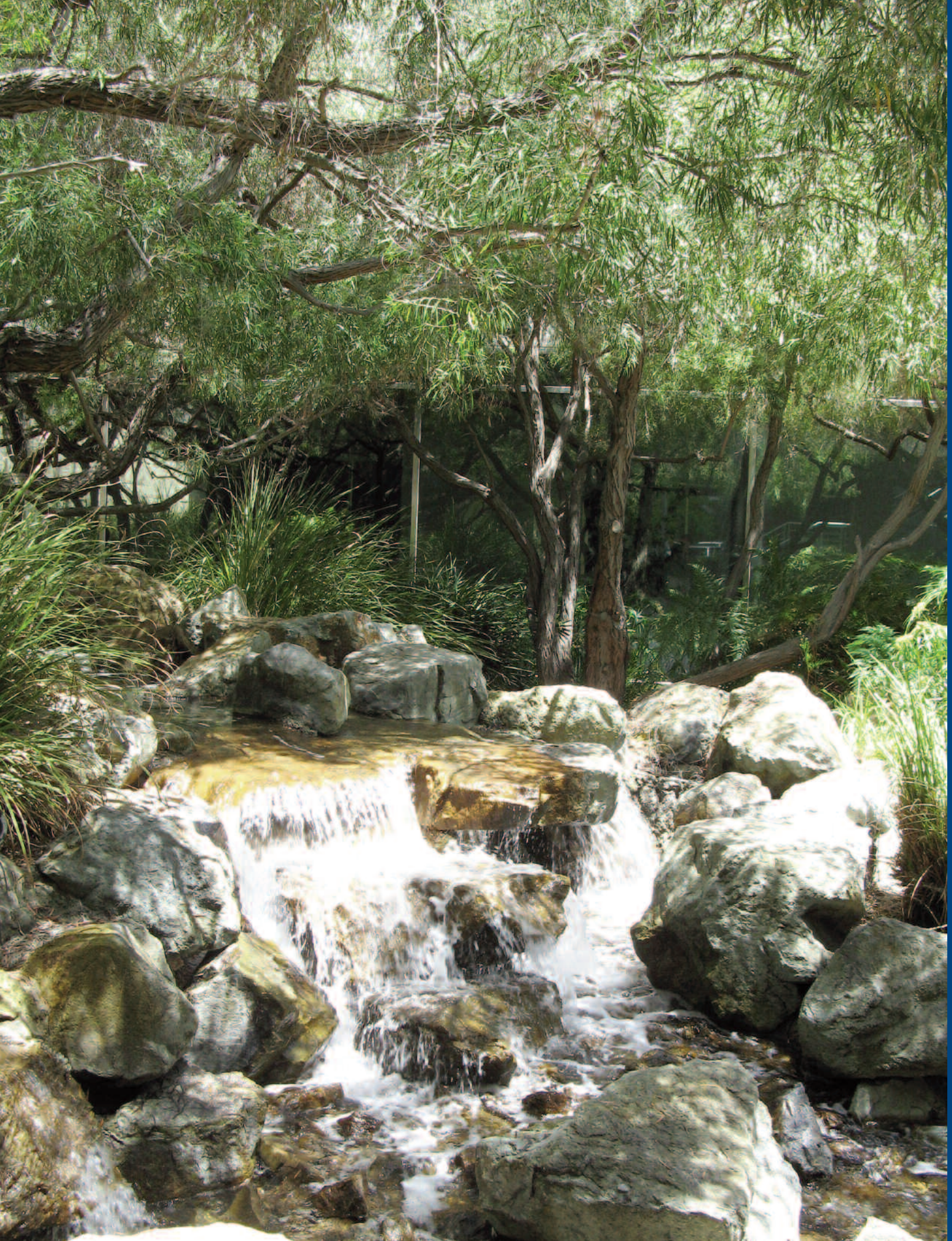
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Financial Section

Irvine Ranch Water District
Financial Statements
Fiscal Year Ended June 30, 2009



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Irvine Ranch Water District

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Irvine Ranch Water District (District) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative data has been derived from the financial statements of the District for the year ended June 30, 2008 and, in our report dated December 3, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Irvine Ranch Water District as of June 30, 2009, and the changes in financial position and cash flows of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Irvine Ranch Water District's basic financial statements. The introductory section, statistical tables and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Schedules of Net Assets have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to

Board of Directors
Irvine Ranch Water District
Page Two

the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffmann Melanin P.C.

Irvine, California
November 30, 2009

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the Irvine Ranch Water District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

Financial Highlights

- Total assets exceeded total liabilities by \$1,357.0 million (net assets). Of this amount, \$994.3 million was for invested in capital assets, net of related debt, \$294.4 million was restricted for water services and operation, and \$68.3 million was restricted for sewer services and operations.
- Total revenues including capital contribution decreased by \$17.5 million or 6.5 percent primarily due to decrease in investment income and changes in fair value of investments.
- Total expenses increased by \$5.2 million or 2.8 percent primarily due to increase in water and sewer services operating expenses.
- Capital assets increased by \$82.4 million or 6.1 percent primarily due to increase in sewer plant in service and several major capital projects. The District is continuing its aggressive capital plan, particularly in light of the current favorable bidding environment as a result of the general economic downturn.
- Total debt increased by \$103.3 million or 9.2 percent primarily due to the issuance of \$150 million of 2009 general obligation bonds, series A and B, and offsetting by principal reductions in existing indebtedness.

The District had the following major financial events in the current fiscal year:

- Cash and investments increased by \$38.9 million and debt service cash and investments increased by \$69.2 million, primarily as a result of the 2009 general obligation bond sale of \$150 million. A portion of the bond sale proceeds were used to reimburse the District for capital expenditures in the prior year;
- Inventory increased by \$3.2 million as a result of the District's election to purchase additional water supplies and store them in Irvine Lake prior to substantial rate increases going into effect;
- Real estate investments increased by \$6.3 million as a result of the District's new Waterworks research and development for lease property; and
- The District funded \$3 million in excess of its Annual Required Contribution to the California Public Employees Retirement System (CalPERS) in order to reduce its unfunded pension liability. This is recorded as a net pension asset and is discussed in detail in Note 14 to the Basic Financial Statements.

More information about the overall analysis of the District's financial position and operations is provided in the following sections.

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

The basic financial statements of the District consist of the financial statements (the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows) and notes to the financial statements. The basic financial statements are prepared using the accrual basis of accounting. This report also contains other supplementary information in addition to the basic financial statements.

The **Statement of Net Assets** identifies the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities).

The **Statement of Revenues, Expenses and Changes in Net Assets** provides information on the District's operations and can be used to determine whether the District has recovered all of its costs through its operating and non-operating revenues.

The **Statement of Cash Flows** provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities.

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

The **Other Information** includes required supplementary information and supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits and post employment benefits to its employees.

The *supplementary information* that is presented immediately following the notes to the basic financial statements includes combining schedule of net assets for water subfunds and sewer subfunds as of June 30, 2009.

Financial Analysis of the District

The following condensed schedules contain a summary of financial information that was extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this MD&A. Increases or decreases in these schedules can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. At the same time, other external factors such as changes in economic conditions, growth, and legislative mandates should also be considered as part of this assessment.

Net Assets

Net Assets is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). Net Assets represents the District's net worth including, but not limited to, capital contributions received to date and all investments in capital assets since formation. Net Assets help answer the following question: "Is the District, as a whole, better or worse off as a result of the year's activities?"

Management's Discussion and Analysis (Continued)

Condensed Statement of Net Assets as of June 30,

Table 1				
Net Assets				
(in millions)				
	2009	2008	Increase/(Decrease)	
			Amount	Percentage
Assets				
Current and other assets	\$ 287.8	231.4	56.4	24.4%
Capital assets, net	1,423.1	1,340.7 *	82.4	6.1%
Other noncurrent assets	936.3	883.4 *	52.9	6.0%
Total assets	<u>2,647.2</u>	<u>2,455.5</u>	<u>191.7</u>	<u>7.8%</u>
Liabilities				
Current and other liabilities	99.4	83.3 *	16.1	19.3%
Long-term liabilities	1,190.8	1,074.7	116.1	10.8%
Total liabilities	<u>1,290.2</u>	<u>1,158.0</u>	<u>132.2</u>	<u>11.4%</u>
Net Assets				
Invested in capital assets, net of related debt	994.3	972.3 *	22.0	2.3%
Restricted for water services	294.4	253.8	40.6	16.0%
Restricted for sewer services	68.3	71.4 *	(3.1)	-4.3%
Total net assets	<u>\$ 1,357.0</u>	<u>1,297.5</u>	<u>59.5</u>	<u>4.6%</u>

* Restated.

As shown in Table 1, the District's total assets increased \$191.7 million or 7.8 percent primarily due to:

- (a) Issuing of 2009 general obligation bonds, series A and B, in the amount of \$150 million.
- (b) Receiving cash from the South County water agencies related to the South Orange County – Irvine Ranch Water District Interconnection Projects Participation Agreement in the amount of \$12.8 million.
- (c) Purchasing of OCSD solids treatment and handling capital assets system in the amount of \$18.6 million.
- (d) Depositing with OCSD related to the District's share of OCSD budget requirements in the amount of \$11.0 million.

The District's total liabilities increased \$132.2 million or 11.4 percent primarily due to the issuance of \$150 million of 2009 general obligation bonds, series A and B, and offsetting by principal reductions in the amount of \$46.7 million in existing indebtedness.

Net assets at end of the current fiscal year increased \$59.5 million to \$1,357.0 million compared to the prior fiscal year, indicating approximately a 4.6 percent positive growth in the District's overall financial condition. Net assets consist of the portion invested in capital assets net of related debt and restricted net assets. Net assets invested in capital assets net of related debt is the difference between capital assets net of accumulated depreciation/amortization and the liabilities attributable to the acquisition, construction, or improvement of those assets. Net assets invested in capital assets net of related debt was \$994.3 million or 73.3 percent of total net assets. This was an increase of \$22.0 million or 2.3 percent from the prior fiscal year. Restricted net assets for water services were \$294.4 million or 21.7 percent of total net assets. Restrict net assets for sewer services were \$68.3 million or 5.0 percent. Those restricted net assets are externally restricted by a creditor such as through debt covenants or restricted by law or enabling legislation.

Management's Discussion and Analysis (Continued)

Activities and Changes in Net Assets

While the Statement of Net Assets focuses on the District's financial position at June 30 of the current fiscal year, the Statement of Revenues, Expenses, and Changes in Net Assets summarizes the District's operations during the current fiscal year.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30,

Table 2
Revenues, Expenses and Changes in Net Assets
(in millions)

	2009	2008	Increase/(Decrease)	
			Amount	Percentage
Operating revenues				
Water sales and service charges	\$ 50.9	48.5	2.4	4.9%
Sewer service charges	41.2	39.8	1.4	3.5%
Total operating revenues	<u>92.1</u>	<u>88.3</u>	<u>3.8</u>	<u>4.3%</u>
Non-operating revenues				
Property taxes	36.2	34.2	2.0	5.8%
Investment income	4.4	10.6	(6.2)	-58.5%
Increase (decrease) in fair value of investments	9.8	27.0	(17.2)	-63.7%
JPA investment income	57.7	59.9	(2.2)	-3.7%
Real estate income	10.8	10.5	0.3	2.9%
Other income	9.9	11.1	(1.2)	-10.8%
Total non-operating revenues	<u>128.8</u>	<u>153.3</u>	<u>(24.5)</u>	<u>-16.0%</u>
Total revenues	<u>220.9</u>	<u>241.6</u>	<u>(20.7)</u>	<u>-8.6%</u>
Operating expenses				
Water services expenses	54.8	50.3	4.5	8.9%
Sewer services expense	36.4	34.4	2.0	5.8%
Depreciation	34.7	31.5 *	3.2	10.2%
Total operating expenses	<u>125.9</u>	<u>116.2</u>	<u>9.7</u>	<u>8.3%</u>
Non-operating expenses				
Interest expense	6.1	8.5	(2.4)	-28.2%
JPA interest expense	54.7	56.6	(1.9)	-3.4%
Real estate expense	5.7	5.1	0.6	11.8%
Other expense	1.5	2.3	(0.8)	-34.8%
Total non-operating expenses	<u>68.0</u>	<u>72.5</u>	<u>(4.5)</u>	<u>-6.2%</u>
Total expenses	<u>193.9</u>	<u>188.7</u>	<u>5.2</u>	<u>2.8%</u>
Income/(loss) before capital contributions	27.0	52.9	(25.9)	-49.0%
Capital contributions	32.5	29.3	3.2	10.9%
Change in Net Assets	59.5	82.2	(22.7)	-27.6%
Beginning Net Assets, as restated	1,297.5	1,215.3 *	82.2	6.8%
Ending Net Assets	<u><u>\$ 1,357.0</u></u>	<u><u>1,297.5</u></u>	<u><u>59.5</u></u>	<u><u>4.6%</u></u>

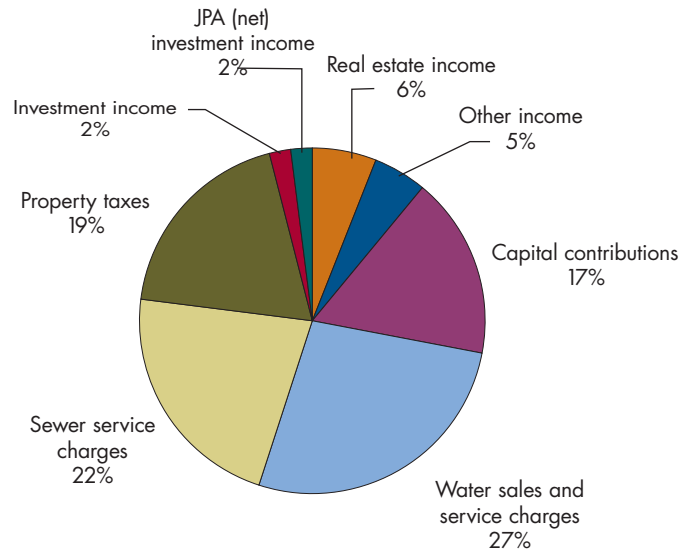
* Restated.

Management's Discussion and Analysis (Continued)

Revenue:

As shown in Table 2, operating revenues, comprising 46.4 percent of total revenues, increased by \$3.8 million or 4.3 percent. Operating revenue increases are primarily attributable to a 9.2 percent increase in water and sewer rates for the average residential customer and a 1.1 percent increase in service connections. The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2009, excluding the change in the fair market value of investments.

Sources of Revenue for Fiscal Year Ended June 30, 2009
(excluding change in fair market value of investments)



Net non-operating revenues accounted for 37.3 percent of total revenue, and decreased by \$22.6 million or 23.4 percent primarily due to:

- Decreasing in average balance of the investment portfolio by \$52.2 million or 22.1 percent from \$236.4 million of the prior fiscal year to \$184.2 million of the current fiscal year.
- Decreasing in the average rate of investments return from 4.6 percent in the prior fiscal year to 2.5 percent in the current fiscal year.
- Decreasing in the adjustments of fair value of investments relating to the JPA Bonds Issue No. 2 by \$10.1 million or 11.6 percent comparing to the prior fiscal year.
- Increasing in 1% property taxes received from the County of Orange by 1.6 million or 6.3 percent.

Capital contributions accounted for the remaining \$32.5 million or 16.4 percent of total revenues for the fiscal year ended June 30, 2009. Capital contributions increased by \$3.2 million or 10.9 percent primarily due to:

- Increasing in contributions from OCSD in the amount of \$2.8 million.
- Increasing in grants received from the federal, state, and local agencies in the amount of \$2.4 million.
- Decreasing in connection fees collected from developers in the amount of \$1.9 million which resulted from postponing developments into the future by the developers.

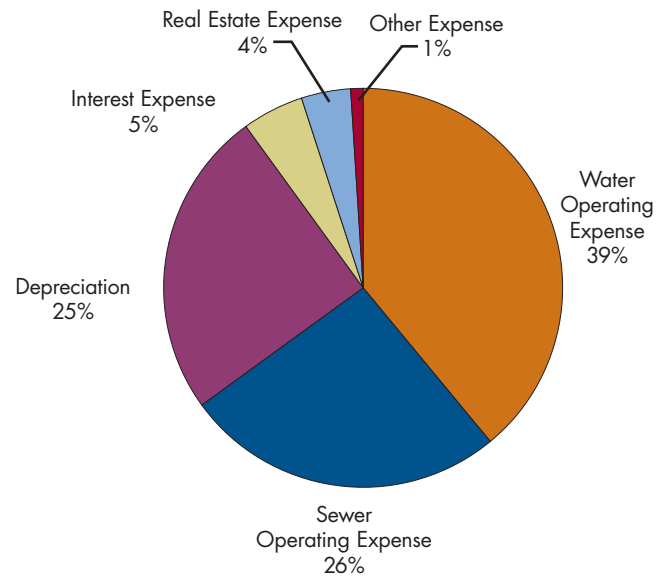
Management's Discussion and Analysis (Continued)

Expenses:

As shown in Table 2, operating expenses before depreciation comprise 72.4 percent of the total operating expenses and increased by \$6.5 million or 7.7 percent. Water expenses increased by \$4.5 million or 8.9 percent, primarily due to increases in the cost of imported water and groundwater replenishment assessments charged by external agencies. Sewer expenses increased by \$2.0 million or 5.8 percent primarily due to increases in the cost of water and in materials and supplies, such as energy and chemicals.

Combined operating and non-operating revenues before capital contributions were \$166.2 million, which was \$27.0 million more than combined operating and non-operating expenses.

Functional Expenses for Fiscal Year Ended June 30, 2009



Capital Assets

The District's investment in capital assets consisted of the following as of June 30,

**Table 3
Capital Assets, Net of Depreciation
(in millions)**

	2009	2008	Increase/(Decrease) Amount	Percentage
Waterworks in service	\$ 711.7	674.3	37.4	5.5%
Sewer plant in service	890.8	812.8 *	78.0	9.6%
Less: accumulated depreciation	(460.4)	(427.5) *	(32.9)	7.7%
Land	43.9	42.9	1.0	2.3%
Construction in progress	237.1	238.2	(1.1)	-0.5%
Total	\$ 1,423.1	1,340.7	82.4	6.1%

* Restated.

Additional information on the District's capital assets can be found in Note 5 of the Notes to the Basic Financial Statements.

Management's Discussion and Analysis (Continued)

Total projects transferred from Construction in Progress to Capital Assets during the fiscal year ended June 30, 2009 were \$117.1 million. Among the more significant projects transferred were (in millions):

MWRP 2005 Upgrades Phase I	\$12.1
HATS Sewer Diversion to MWRP	9.9
San Joaquin Reservoir Site Work-Conversion to Recycled Water	7.4
Northern Sphere Phase I	7.2
PA Zn5 Reservoir (Orchard Hills)	6.0
PA6 36" Zn4 Dw Irvine Blvd	5.9
Bake Pkwy Zone B Pipeline, LAWRO to ICD	5.8
Capacity in Orange County Sanitation District	5.2
San Joaquin Marsh Campus - New Building & Relocations	4.3
San Joaquin Reservoir Flow Control Facilities	4.0
Replace Rattlesnake/ILP Reclaim Strainers	2.3
LAWRP Influent Sewer and Flow meter	2.3
IRWD/SOC Connection - JTM/ATM Interconnections	2.2
Sediment Removal from San Diego Creek Basins 2 and 3	2.1
NTS: Urban Wetland Retrofits - El Modena	1.9
MWRP Primary Clarifier Corrosion Rehabilitation	1.5

Total unexpended construction commitments as of June 30, 2009, were \$40.4 million: \$22.0 million of this is for water facility expenditures and \$18.4 million is for sewer/reclaimed facility expenditures. A list of material construction commitments as of June 30, 2009 can be found in Note 17 of the Notes to the Basic Financial Statements.

Management's Discussion and Analysis (Continued)

Debt Administration

As shown below in Table 4, as of June 30, 2009, the District had total debt outstanding of \$1,221.6 million, which was a net increase of \$103.3 million, or 9.2 percent from the prior fiscal year. The increase was primarily due to the issuance of \$150 million of 2009 general obligation bonds, series A and B. The purpose of the new bonds is to finance certain water and sewer system improvements and related facilities of the District, to reimburse certain costs previously paid by the District, and to pay the costs of issuance. The increase in the total debt was offset by principal reductions in the amount of \$46.7 million in existing total debt.

Table 4
Outstanding Debt (including current portions)
(in millions)

	2009	2008	Increase/(Decrease)	
			Amount	Percentage
General obligation bonds	\$ 415.7	280.9	134.8	48.0%
Certificates of participation	102.3	106.9	(4.6)	-4.3%
Joint Powers Agency revenue bonds	698.6	725.0	(26.4)	-3.6%
Notes payable	5.0	5.5	(0.5)	-9.1%
Total	<u>\$ 1,221.6</u>	<u>1,118.3</u>	<u>103.3</u>	<u>9.2%</u>

The District has received the following ratings from the three major rating agencies:

Fitch Ratings:	AA+
Moody's:	Aa2
Standard and Poor's:	AAA

Additional information on the District's long-term debt can be found in Note 9 of the Notes to the Basic Financial Statements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general review of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance's Office at the Irvine Ranch Water District, 15600 Sand Canyon Avenue, Irvine, California 92618-7500.

Irvine Ranch Water District
Statement of Net Assets
June 30, 2009
(with comparative data for June 30, 2008)
(amounts expressed in thousands)

	2009	2008
ASSETS:		
Current Assets:		
Cash and investments (note 2)	\$206,201	167,268
Receivables:		
Customer accounts receivable	6,333	5,530
Interest receivable	522	788
Joint Powers Agency (JPA) interest receivable	21,346	22,117
Notes receivable, current portion	10	14
Allen-McColloch Pipeline receivable, current portion (note 8)	584	538
Other receivables	4,749	5,095
Total receivables	33,544	34,082
Other Current Assets:		
Inventories (note 4)	6,582	3,406
Prepaid items and deposits	17,213	924
JPA investment program, current portion (note 2)	24,224	25,785
Total other current assets	48,019	30,115
Total current assets	287,764	231,465
Noncurrent Assets:		
Capital Assets (note 5):		
Waterworks in service	711,757	674,356
Sewer plant in service	890,776	820,416
Subtotal	1,602,533	1,494,772
Less accumulated depreciation	(460,429)	(429,749)
Total capital assets being depreciated, net	1,142,104	1,065,023
Land	43,889	42,865
Construction in progress	237,151	238,223
Total capital assets, net	1,423,144	1,346,111
Other Noncurrent Assets:		
Debt service cash and investments and restricted cash (note 2)	94,232	24,998
Unamortized debt issuance expense	2,054	1,913
Notes receivable, net of current portion	182	192
Allen-McColloch Pipeline receivable, net (note 8)	5,696	6,281
JPA investment program, net of current portion (note 2)	785,790	799,932
Real estate investments (note 7)	45,365	39,039
Net pension asset (note 14)	3,000	-
Total other noncurrent assets	936,319	872,355
Total noncurrent assets	2,359,463	2,218,466
TOTAL ASSETS	2,647,227	2,449,931

(Continued)

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Net Assets
June 30, 2009
(with comparative data for June 30, 2008)
(amounts expressed in thousands)
(Continued)

	2009	2008
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Account payable and accrued expenses	32,725	30,245
Customer deposits and advance payments	162	315
Accrued interest:		
General obligation bonds	494	447
JPA revenue bonds	16,106	16,687
Other accrued interest payable	1,379	767
Current portion of long-term liabilities (notes 9 and 10):		
General obligation bonds	16,546	15,247
Certificates of participation	4,719	4,612
JPA revenue bonds	24,876	26,396
Notes payable	455	542
Other liabilities	1,304	1,205
Deferred revenue	604	-
Total current liabilities	99,370	96,463
Long-Term Liabilities (notes 9, 10 and 15):		
General obligation bonds, net of current portion	399,153	265,700
Certificates of participation, net of current portion	97,608	102,324
JPA revenue bonds, net of current portion	673,690	698,566
Notes payable, net of current portion	4,552	5,007
Other long term liabilities, net of current portion	2,655	2,464
Deferred revenue, net of current portion	11,796	-
Net OPEB obligation	1,357	704
Total long-term liabilities	1,190,811	1,074,765
TOTAL LIABILITIES	1,290,181	1,171,228
NET ASSETS (note 13):		
Invested in capital assets, net of related debt	994,344	977,677
Restricted for water services	294,369	253,767
Restricted for sewer services	68,333	47,259
TOTAL NET ASSETS	\$1,357,046	1,278,703

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009
(with comparative data for the Fiscal Year Ended June 30, 2008)
(amounts expressed in thousands)

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:		
Water sales and service charges	\$50,940	48,516
Sewer sales and service charges	41,157	39,811
Total operating revenues	<u>92,097</u>	<u>88,327</u>
OPERATING EXPENSES:		
Water:		
Water services	40,333	37,030
General and administrative	12,536	11,257
Customer accounts	1,940	1,999
Sewer:		
Sewer services	27,402	26,032
General and administrative	7,712	7,259
Customer accounts	1,294	1,179
Depreciation	34,699	31,595
Total operating expenses	<u>125,916</u>	<u>116,351</u>
Operating income (loss)	<u>(33,819)</u>	<u>(28,024)</u>
NONOPERATING REVENUES (EXPENSES):		
Property taxes	36,240	34,245
Investment income	4,365	10,674
Increase (decrease) in fair value of investments	9,837	26,976
JPA investment income	57,676	59,854
Real estate income	10,792	10,478
Other income	9,918	11,130
Interest expense	(6,061)	(8,515)
JPA interest expense	(54,686)	(56,616)
Real estate expense	(5,698)	(5,149)
Other expenses	(1,535)	(2,288)
Total nonoperating revenues (expenses)	<u>60,848</u>	<u>80,789</u>
Income (loss) before capital contributions	27,029	52,765
CAPITAL CONTRIBUTIONS:		
Donated facilities	18,911	18,505
Connection fees	4,535	6,411
Other	9,071	4,403
Increase (decrease) in net assets	<u>59,546</u>	<u>82,084</u>
NET ASSETS AT BEGINNING OF YEAR	1,278,703	1,195,761
OPAMWC Retained Earnings @ 6/1/08	-	858
Prior Period Adjustments (note 20)	18,797	-
NET ASSETS AT END OF YEAR	<u>\$1,357,046</u>	<u>1,278,703</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009
(with comparative data for the Fiscal Year Ended June 30, 2008)
(amounts expressed in thousands)

	2009	2008
Cash flows from operating activities:		
Cash received from customers and users	\$ 113,805	97,923
Cash paid to suppliers of goods and services	(47,896)	(52,423)
Cash paid for employee services	(39,673)	(33,579)
Net cash provided by (used for) operating activities	26,236	11,921
Cash flows from noncapital financing activities:		
Property tax receipts	36,240	34,245
Net cash provided by noncapital financing	36,240	34,245
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(103,077)	(130,199)
Proceeds from disposition of capital assets	61	-
Proceeds from issuance of long-term debt	150,400	329,842
Principal payments on long-term liabilities	(45,975)	(277,752)
Interest payments on long-term liabilities	(62,103)	(69,043)
Developer connection fees and related receipts	13,606	10,814
Net cash provided by (used for) capital and related financing activities	(47,088)	(136,338)
Cash flows from investing activities:		
Investment earnings	62,957	73,147
Investment earnings in real estate	3,608	6,006
Proceeds from sale or maturity of investments	433,039	127,346
Purchases of investments	(463,867)	(78,533)
Collections on notes receivable	563	691
Additions to notes receivable	(10)	(10)
Net cash provided by (used for) investing activities	36,290	128,647
Net increase (decrease) in cash and cash equivalents	51,678	38,475
Cash and cash equivalents at beginning of year	54,708	16,233
Cash and cash equivalents at end of year	\$ 106,386	54,708

(Continued)

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009
(with comparative data for the Fiscal Year June 30, 2008)
(amounts expressed in thousands)
(Continued)

	<u>2009</u>	<u>2008</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:		
Cash and investments	\$206,201	167,268
Debt service cash and investments	94,232	24,998
Subtotal	<u>300,433</u>	<u>192,266</u>
Less long-term government securities	(194,047)	(137,558)
Cash and cash equivalents at end of year	<u>\$106,386</u>	<u>54,708</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	\$(33,819)	(28,024)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	9,918	11,130
Other nonoperating expenses	(1,535)	(2,288)
Depreciation	34,699	31,595
(Increase) decrease in customer receivables	(802)	128
(Increase) decrease in other receivables	345	(1,637)
(Increase) decrease in inventories	(3,176)	(1,102)
(Increase) decrease in prepaid expenses and other assets	(5,289)	(4,350)
(Increase) decrease in net pension assets	(3,000)	-
Increase (decrease) in accounts payable and accrued expenses	15,632	5,717
Increase (decrease) in customer deposits and advance payments	(153)	(25)
Increase (decrease) in compensated absences	363	73
Increase (decrease) in unearned revenue	12,400	-
Increase (decrease) in net OPEB obligation	653	704
Net cash provided by (used for) operating activities	<u>\$26,236</u>	<u>11,921</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	\$18,911	18,505
Unrealized gain (loss) on investments	9,837	26,976
Total noncash investing, capital and financing activities	<u>\$28,748</u>	<u>45,481</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Irvine Ranch Water District (District) was formed in 1961 as a special district under Division 13 of the California Water Code (the Act). The District provides potable and reclaimed water service as well as sewage collection, treatment, and disposal to users within its boundaries.

The District is divided geographically into sixteen water and seventeen sewer improvement districts (IDs), as well as several planning areas (PAs) that function as informal improvement districts. Each improvement district is a sub-fund of the District and their primary purpose is to allocate costs and funding on an equitable basis for the construction of water, sewer, and reclaimed water infrastructure. Most improvement districts have authority to issue general obligation bonds to finance the construction of capital facilities that were identified and valued in a Plan of Works specific to the improvement district. Each improvement district with authority to issue general obligation bonds also has the authority to levy and collect connection fees and ad valorem taxes on the land within its legal boundaries sufficient to meet its general obligation bond indebtedness.

Planning areas are not formal improvement districts, but are intended to become so if and when development plans are approved within that planning area and future development is expected to take place. Occasionally, planning areas encompass an already fully developed area that was annexed into the overall District, and consequently, these areas are intended to remain as planning areas. They are not included in regional cost allocations or other forms of cost allocation for new capital facilities needed to meet new or future demand. Equity considerations are addressed when these areas are consolidated into the overall District, and the funding source used to meet these equity considerations is user rates.

Connection fees and property taxes vary by improvement district based upon, among other considerations, total capital costs, ratio of developed to undeveloped land, and development densities; however, water and sewer user fees are uniform throughout the District, with the exceptions of the Los Alisos, Santiago and Orange Park Acres service areas. The Los Alisos, Santiago and Orange Park Acres areas were consolidated into the District in 2001, 2006, and 2008, respectively, and currently have separate user rate structures.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Description of the Reporting Entity

On October 13, 2008, the Board adopted resolutions for the consolidation of Improvement District 130/190 and Improvement District 230/290, formation of Planning Area 39, and annexation of PA 39 into the consolidated Improvement Districts 130 and 230.

The financial statements of the District include the financial activities of the following sub-fund improvement districts and planning areas:

Irvine Ranch Water District IDs and PAs:

100/101/199 & 200/210/211/299	Overall District Boundary (excluding new annexations)
112/212	Former El Toro Marine Base
115/215	Redevelopment Associated with Irvine Business Complex
113/213	Former Tustin Marine Base
120/121 & 220/221	Woodbridge/Irvine
130/230	Irvine Business District/Spectrum/Shady Canyon/Laguna Laurel
135/235	Los Alisos Area
140/240	Newport Coast/Newport Ridge
150/250	Tustin Ranch/Northern Sphere
151	Carpenter Irrigation Area
252	Santiago Hills
153/253	East Orange
154/155	Santiago Canyon(s)
156/256	Orange Park Acres
160/161 & 260/261	Turtle Rock
182/282	Foothill Ranch Residential
184/284	Foothill Ranch Commercial
186/189 & 286/289	Portola Hills Residential
188/288	Portola Hills Commercial

Blended Component Units – Blended component units although legally separate entities, are, in substance, part of the government’s operations since they have the same governing board as the primary government. The District has the following blended component units:

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

The Irvine Ranch Water District Water Service Corporation – In January of 1997, the District formed a 501(c) (4) corporation for the purpose of financing and acquiring water, sewer and other public improvements. The Corporation's transactions are related to participation in the Irvine Ranch Water District Water Service Company, LLC to effect the merger of the Santa Ana Heights Water Company and the issuance of the 2002 Certificates of Participation. The Corporation's bylaws mandate that the members of the District's Board of Directors shall constitute the Corporation's five-member Board of Directors. The Irvine Ranch Water District Water Service Corporation does not issue separate financial statements.

IRWD Water Service Company II, LLC (LLC II) – LLC II was created to effect the merger of the Orange Park Acres Mutual Water Company into the Irvine Ranch Water District. The merger was certified by the State of California on February 1, 2008, and became effective on June 1, 2008. The Orange Park Acres' financial data and transactions are included in Planning Area 156. The two members of the LLC II are the District and the Irvine Ranch Water District Water Service Corporation (described above). The LLC II does not issue separate financial statements.

The Irvine Ranch Water District Joint Powers Agency (JPA) – The JPA was formed pursuant to a joint powers agreement, dated December 22, 1986, and amended as of January 1, 1988, between the District and the Community Facilities District of the Irvine Ranch Water District. The agreement remains in effect until December 31, 2011 or until all bonds or other indebtedness issued has been retired. The JPA is governed by a Commission consisting of the five members of the Board of Directors of the District. The District selects the management of the JPA, is able to significantly influence operations and has full accountability for fiscal affairs. The JPA's financial data and transactions are included in Improvement Districts No. 300 and 400. The JPA does not issue separate financial statements.

Bardeen Partners, Inc. – In March of 1991, the District formed a 501(c) (4) corporation for the purpose of accounting for the financial data and transactions of the District's real estate investments, including the investments in Wood Canyon Villas, Sycamore Canyon Apartments, and Irvine Technology Center. Bardeen Partners is governed by a Board of Directors consisting of the five members of the District's Board of Directors. The District accounts for the Corporation's activities in Improvement Districts No. 801 through 804. Bardeen Partners does not issue separate financial statements.

Irvine Ranch Water District Improvement Corporation – In August of 1986, the District formed a 501(c) (4) corporation for the purpose of financing water, sewer and other public improvements. The Corporation's only transactions are related to the debt service payments on the outstanding 1986 Certificates of Participation. Five District Board of Directors are required to be the five members of the Corporation's Board of Directors. The District accounts for the Corporation's activities in several Improvement Districts. The Irvine Ranch Water District Improvement Corporation does not issue separate financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basic Financial Statements

The basic financial statements are comprised of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Cash Flows and the notes to the basic financial statements.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The District utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Internal activity has been eliminated in the accompanying financial statements.

The District applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradicts GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water and sewer operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital contributions consist of contributed capital assets, connection fees and other charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges.

Net assets of the District have been reported as restricted when their use is constrained more narrowly than the reporting unit in which they are reported as a result of state laws governing such use. When both restricted and unrestricted resources are available for use, the District uses unrestricted resources first, and then restricted resources as they are needed. For capital expenditures, legally available restricted bond proceeds are used first, and then other restricted resources, then unrestricted resources are used if needed.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(d) Property Taxes

The District is authorized under the Act to levy taxes on all taxable property (lands only) within its boundaries for the purposes of paying certain of its debt obligations, subject to certain limitations in the Act, the Revenue and Taxation Code and the California Constitution. The District also receives a portion of the County's 1% ad valorem property taxes from certain lands within its boundaries. Property tax revenue is recognized in the fiscal year in which the taxes are levied.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment – November 1 Second installment – February 1
Delinquent date:	First installment – December 10 Second installment – April 10

The assessment, levy and collection of property taxes are the responsibility of the County of Orange, and are remitted to the District periodically.

(e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less.

(f) Investments

Investments are reported in the accompanying Statement of Net Assets at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during the fiscal year are recognized as *increase (decrease) in fair value of investments* reported for that fiscal year. *Investment income* includes interest earnings.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(g) Real Estate Investments

Real estate investments consist of a wholly-owned apartment complex and two commercial office buildings. The District is also a party to a real estate limited partnership in which the District has a 50% or less ownership interest and does not exercise control. The limited partnership is accounted for using the equity method of accounting.

(h) Inventory and Prepaid Items

Inventory includes water purchased in storage and is stated at the original cost on the first in, first out basis. The consumption method is used to account for materials and supplies inventory. Inventory is recorded when purchased, and expensed at the time the inventory is consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(i) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The District capitalizes all assets with a historical cost of at least \$2,500 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Waterworks in service:	
General plant	3 to 40 years
Utility plant	10 to 100 years
Sewer plant in service:	
General plant	3 to 40 years
Utility plant	10 to 86 years

(j) Unamortized Debt Issuance Expense

Direct expenses incurred in obtaining financing are capitalized and amortized over the lives of the respective borrowings.

(k) Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits up to certain limits. Earned vacation pay to a maximum of 240 hours (or more with written approval of the General Manager) and 50% of accumulated sick leave up to a maximum of 960 hours may be paid upon termination of employment.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(k) Compensated Absences (Continued)

Sick leave hours accrue at the rate of one day per month and employees may elect to receive cash for accumulated sick leave for up to 96 hours in excess of the first 40 hours accumulated. All accumulated vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

(l) Comparative Financial Statements and Reclassifications

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

(2) Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows (in thousands):

Cash and investments	\$	206,201
Debt service cash and investments		94,232
Subtotal		300,433
JPA investment program, current portion		24,224
JPA investment program		785,790
Subtotal JPA investments*		810,014
Total cash and investments		\$1,110,447

*See note 8 for corresponding JPA long-term liabilities.

Cash and investments as of June 30, 2009 consist of the following (in thousands):

Cash on hand	\$	3
Deposits with financial institutions		(3,553)
Investments		1,113,997
Total cash and investments		\$1,110,447

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(2) Cash and Investments (Continued)

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

The following table identifies the investment types that are authorized for the District by the California Government Code, the California Water Code, and the District's investment policy, whichever is most restrictive. The table also identifies certain provisions of the California Government Code, the California Water Code, and the District's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio**</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Orange County Treasury Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Real estate investments	N/A	30%***	None

* Maximum maturity unless express authority has been granted otherwise by the Board of Directors pursuant to the California Government Code Section 53601.

** Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

*** 30% of Replacement Fund, as authorized by the California Water Code.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Except for the bonds issued by the District's Joint Powers Authority (JPA), none of the District's bond trustees hold any debt proceeds or monies that are subject to investment under the debt agreements. The table below identifies the investment types that are authorized for investments held by the JPA bond trustee, subject to certain restrictions in the debt agreements.

Authorized Investment Type

U.S. Treasury Obligations
U.S. Agency Securities
Certificates of Deposit
Banker's Acceptances
Commercial Paper
Money Market Mutual Funds
Repurchase Agreements
Investment Contracts

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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 public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>			
		<u>12 Months Or Less</u>	<u>13 to 36 Months</u>	<u>37-60 Months</u>	<u>More Than 60 Months</u>
Federal agency securities	\$ 70,211	-	70,211	-	-
Local agency bonds	98,440	73,890	-	-	24,550
Local Agency Investment Fund	135,332	135,332	-	-	-
JPA cash and investments:					
Federal agency securities	514,876	11,642	26,230	477,004	-
Investment contract	<u>295,138</u>	<u>12,582</u>	<u>28,149</u>	<u>254,407</u>	<u>-</u>
Total	<u>\$ 1,113,997</u>	<u>233,446</u>	<u>124,590</u>	<u>731,411</u>	<u>24,550</u>

In March and April 2008, the Board of Directors approved auction rate securities (ARS) and variable rate demand notes (VRDN) of California municipal issuers as authorized investments, subject to specified criteria that included such factors as ratings, maturity, redemption notices, and certain issuers. This Board-approved criteria was designed to maintain adequate safety and liquidity while achieving moderately higher yields. Purchases of ARS and VRDNs were based on the underlying credit of the issuers and their ability to restructure the transactions within a reasonable period of time. At June 30, 2009, the District's investment portfolio contained \$24.550 million of ARS with yields ranging from 0.620% to 0.778%, and \$73.890 million of VRDNs with yields ranging from 0.130% to 1.100%. A summary of the ARS and VRDNs is shown in the following table, accompanied by a general discussion of the ARS and VRDN market.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

Issuer Rating (1)	Issuer	Par Amount (in thousands)	Yield
<u>Auction Rate Securities</u>			
A1/AA+/AA-	LACO MTA	\$ 8,650	0.778%
A1/AA+/AA-	LACO MTA	13,375	0.770%
NR/AA-/AA-	Riverside Cty COPS	2,525	0.620%
		<u>24,550</u>	
<u>Variable Rate Demand Notes</u>			
Aa3/AA/AA-	Bay Area Toll Authority	10,000	0.130%
Aa2/AAA/NR	East Bay MUD	9,900	0.600%
Aa2/AAA/NR	East Bay MUD	10,000	1.000%
Aa2/AAA/NR	East Bay MUD	10,000	1.000%
Aa3/AA/AA-	Bay Area Toll Authority	10,375	0.250%
Aaa/AAA/NR	Chino Basin Fin	7,115	0.480%
Aa3/AAA/AA+	Ca Water Series C	3,200	0.680%
Aa3/AA/AA-	Bay Area Toll Authority	3,300	1.100%
Aa2/AAA/AA+	Metropolitan WD So Cal	10,000	0.750%
		<u>73,890</u>	
Total		<u>\$ 98,440</u>	

(1) Moody's/Standard & Poor's/Fitch

An ARS is a debt instrument with a long-term maturity that has the interest rate component reset through a "Dutch auction" process, which is usually conducted every 7, 28, or 35 days. Once purchased through the auction process, an owner of an ARS has the option to hold the securities at the clearing rate at each auction, to submit a bid to hold all or a portion of an existing position at or above a specified rate, or to sell the securities. Under the "hold at a specified rate" option, the owner may lose all or a portion of the position if the clearing rate is at or below their specified rate. Under the sell option, the owner may not be able to liquidate the positions if there are not enough orders to purchase the shares being sold at the auction, thus resulting in a "failed auction". Under a failed auction, the periodic interest rate is set at a rate specified in the bond documents, and this situation may continue over an extended number of auctions, thus negatively impacting the assumed liquidity of the securities. Historically, issuers of ARS often obtain insurance on the debt for scheduled principal and interest payments.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

During the year ended June 30, 2009, the municipal ARS market continued to experience a multitude of failed auctions, largely due to the rating downgrades of insurance companies in 2008. Additionally, during the year ended June 30, 2009 many ARS issues were refunded and reissued as fixed rate debt or VRDN issues, The District's purchase and ownership of ARS under the Board-approved criteria did not impact the District's liquidity position as the District had a significant amount of non-ARS investments, and many of the ARS held by the District were refunded or did not experience extended periods of failed auctions.

A VRDN is a debt instrument with a long-term maturity that has a periodic interest rate component reset by a remarketing agent, usually on a daily or weekly basis. The periodic interest rate set by the remarketing agent generally is based on current market conditions for similar short-term securities. An owner of VRDNs has the right to tender the notes at par plus accrued interest, which are resold by the remarketing or purchased by a bank that has a liquidity facility agreement with the issuer of the debt. Some issuers of VRDNs also obtain insurance on the debt for scheduled principal and interest payments. Although most issuers of VRDNs have a liquidity facility in place, there are certain circumstances, such as rating downgrades or bankruptcy of an insurer, that allow the liquidity bank to terminate its agreement immediately and without notice. The VRDNs held by the District constituted about 24.3% of its fixed income investments and did not experience any liquidity difficulties.

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 below is the minimum rating required (where applicable) by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type (in thousands).

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Between A and AA+</u>	<u>Not Rated</u>
Federal Agency Securities	\$70,211	N/A	45,125	14,986	10,100
Local agency bonds	98,440	N/A	50,215	48,225	
Local Agency Investment Fund	135,332	N/A			135,332
JPA cash and investments:					
FNMA	514,876	N/A	514,876		
Investment contract	295,138	N/A			295,138
Total	<u>\$ 1,113,997</u>		<u>610,216</u>	<u>63,211</u>	<u>440,570</u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows (in thousands):

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	\$ 524,904
AIG	Investment contract	295,138

The credit rating of AIG at June 30, 2009 is A3/A-/BBB. As a result of the financial crisis in the banking and insurance industries in late 2008, AIG received funding of approximately \$182 billion from the US Government to provide sufficient liquidity to fund its operations. The lack of liquidity and need for government intervention resulted in the downgrade in credit ratings for the parent company as reflected above. The AIG investment contract is the only investment security in the trust estate of the Taxable Refunding Bond Issue #1 issued by the Irvine Ranch Water District Joint Powers Agency in February 1998. These bonds are secured solely by the trust estate, and there is no recourse to the District for the payment of principal and interest due on the bonds.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. 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). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

(3) Swap Agreements

On September 8, 2003, the District's Board of Directors approved Resolution 2003-36, which established a policy regarding the use of interest rate swap transactions. The policy provides that interest rate swap transactions will be designed to enhance the relationship between risk and return with respect to an investment or a program of investments entered into by the District; and/or to reduce the amount or duration of payment, rate, spread, or similar risk; and/or result in a lower cost of borrowing when used in combination with bonds or other indebtedness of the District.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(3) Swap Agreements, (Continued)

Pursuant to the policy, the Board of Directors authorizes general parameters for interest rate swap transactions while the Finance and Personnel Committee structures specific transactions within the Board-authorized parameters. The Treasurer, with the concurrence of the Chairman of the Finance and Personnel Committee, is authorized to enter into interest rate swap transactions that are within all authorized parameters. The International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, including the schedule and credit support annex, is used as the form of contract with interest rate swap counterparties.

As of June 30, 2009, the District has five fixed payer swap transactions outstanding with a total notional amount of \$130 million with maturities in June 2019 and March 2029.

Current Year Active Swaps
(in thousands)

<u>Effective Date</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Base Index</u>	<u>Fixed Rate</u>
6/04/06	6/04/19	\$ 20,000	LIBOR	6.200%
6/04/06	6/04/19	20,000	LIBOR	6.200%
6/17/06	6/17/19	30,000	LIBOR	6.140%
3/10/07	3/10/29	30,000	LIBOR	5.687%
3/10/07	3/10/29	<u>30,000</u>	LIBOR	5.687%
		<u>\$130,000</u>		

The purpose of the fixed payer swap agreements is to synthetically fix a portion of the District's variable rate debt, and lock in then historically low interest rates.

The fair value of the swap agreements at June 30, 2009 is (\$29,375,670) using a zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming, for the LIBOR fixed payer swaps, that the current LIBOR forward rates implied by the LIBOR yield curves correctly anticipate future LIBOR spot interest rates. These payments are then discounted using the spot rates implied by the current yield curves for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

The ISDA agreements for the above referenced interest rate swaps include a provision that the counterparties shall be required to post collateral should the mark-to-market value of the total interest rate swap portfolio with the respective counterparty exceed a threshold of (\$15,000,000). The amount of the collateral posted shall be the amount of the mark-to-market value in excess of (\$15,000,000). As of June 30, 2009, the mark-to-market value of the total interest rate swaps with Citigroup as counterparty exceeded the threshold amount requiring posting of collateral in the amount of \$5,182,870. The funds are held in a separate trust account and earn interest at the Federal Funds Effective Rate (0.22% as of June 30, 2009).

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(4) Inventories

Inventories at June 30 consisted of the following (in thousands):

	2009	2008
Water in storage	\$5,448	2,331
Material and supplies	1,134	1,075
Total	\$6,582	3,406

Eighty-two percent of the total inventories was related to the untreated water inventory which was then stored in Irvine Lake. As of June 30, 2009, the untreated water was comprised of 13,308 acre feet of imported water and 6,871 acre feet of native water. The District intends to blend the use of these sources to meet untreated demands in fiscal year 2009-10.

(5) Capital Assets

Capital Asset activity for the year ended June 30, 2009 is as follows (in thousands):

	Balance at June 30, 2008*	Additions	Deletions	Balance at June 30, 2009
Capital assets, being depreciated:				
Waterworks in service:				
General plant	\$15,324	1,304	(333)	16,295
Utility plant	659,032	37,564	(1,134)	695,462
Sewer plant in service:				
General plant	15,871	1,249	(309)	16,811
Utility plant	796,895	78,472	(1,402)	873,965
Sub-total	1,487,122	118,589	(3,178)	1,602,533
Less: Accumulated depreciation:				
Waterworks in service:				
General plant	(11,167)	(978)	326	(11,819)
Utility plant	(185,674)	(14,281)	413	(199,542)
Sewer plant in service:				
General plant	(10,903)	(1,062)	308	(11,657)
Utility plant	(219,710)	(18,378)	677	(237,411)
Sub-total	(427,454)	(34,699)	1,724	(460,429)
Total capital assets, being depreciated, net	1,059,668	83,890	(1,454)	1,142,104
Capital assets, not being depreciated:				
Land	42,865	3,444	(2,420)	43,889
Construction in progress	238,223	116,047	(117,119)	237,151
Total capital assets, net	\$1,340,756	203,381	(120,993)	1,423,144

* The balance at June 30, 2008 has been restated by \$(5,355) to reflect OCSD capital assets, net of accumulated depreciation. See notes 17 and 20 for additional information.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(6) Capitalized Amounts

Net interest costs and certain administrative and general expenses relating to assets under construction are charged to construction-in-progress until the assets are ready for their intended use. Net interest costs are capitalized from the date proceeds are received from related borrowings.

The amount of administrative and general expenses and net interest costs capitalized to construction-in-progress for the year ended June 30, 2009 is as follows (in thousands):

Administrative and general expenses, capitalized	\$ 7,361
Interest expenses, capitalized*	4,924
	\$12,285
	\$12,285

** The total amount of interest cost incurred for the year ended June 30, 2009 (both the amounts expensed and the amounts capitalized) was \$65,671, including \$54,686 of interest on JPA Bonds.*

(7) Real Estate Investments

Real estate investments are as follows at June 30, 2009 (in thousands):

Wood Canyon Villas, L.P.	\$ 6,106
Sycamore Canyon Apartments (net of accumulated depreciation of \$16,351,908)	25,753
Irvine Technology Center (net of accumulated depreciation of \$682,382)	4,804
Waterworks Way Business Park	8,702
Total	\$45,365

Included in real estate investments are two apartment projects and two commercial office buildings. The District, through Bardeen Partners, Inc., an affiliated entity, is the sole limited partner in Wood Canyon Villas, L.P., a California limited partnership (Wood Canyon), and the sole owner of both Sycamore Canyon Apartments and a commercial office building (Irvine Technology Center). Separate of Bardeen Partners, Inc., the District is the sole owner of a commercial office building (Waterworks Way Business Park).

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(7) Real Estate Investments, (Continued)

Wood Canyon completed construction of a 230-unit apartment complex in May 1993. The complex is located in Orange County, California, and was 94% occupied at June 30, 2009. The Wood Canyon partnership agreement entitles the District to a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement (initially \$6,000,000). For the year ended June 30, 2009, the District earned \$542,879 as preferred return income. The District's capital contributions and preferred return are guaranteed by the principals of the general partner who have also agreed to provide an irrevocable stand-by letter of credit, up to a maximum of \$750,000, to the extent the general partner's unrecovered contribution account falls below 12.5% of the District's unrecovered contribution account.

In December 1992, the District acquired a 450-unit apartment complex (original cost, \$34,093,000) in Orange County, California known as Sycamore Canyon Apartments. The complex was 96% occupied at June 30, 2009. The Sycamore Canyon Apartments Renovation Project began in June 2005, and included the addition of a clubhouse and fitness center to the existing leasing office, construction of a central maintenance shop and interior upgrades to the apartment units. The project was completed in November 2007 for a total cost of \$9.6 million.

In July 2003, the District completed construction of a 41,000 square foot for-lease office building located in Irvine, California known as the Irvine Technology Center. Land and construction costs for the project were \$5,534,276 and the building was 72% occupied as of June 30, 2009.

In November 2008, the District completed construction of a 37,200 square foot for-lease R&D office building located in Irvine, California known as the Waterworks Way Business Park. Construction of the building was a Specific Facilities requirement of a purchase agreement for land acquired for a District water treatment facility. Land and construction costs for the project were \$8,701,840. As of June 30, 2009, the first office lease was completed representing 10% occupancy (with the tenant move in on July 1, 2009).

Net real estate income as of June 30, 2009 was as follows (in thousands):

Real estate income	\$10,792
Real estate expense	(3,782)
Depreciation	<u>(1,916)</u>
	<u><u>\$ 5,094</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(8) Allen-McColloch Pipeline

For several years prior to fiscal year 1995, the District was a part owner and participant in a 27-mile pipeline through which it has received a portion of its water capacity from Metropolitan Water District (MWD). During fiscal year 1995, the District and the other participants sold the pipeline to MWD.

In accordance with the sale agreement, the District will receive a total of \$46,209,106 over 37 years, all amounts representing the District's ownership of approximately 42% of the pipeline project. In addition to the initial cash payment, the District has received \$38,219,774 in payments under the agreement of which \$941,484 was received for the fiscal year ended June 30, 2009. The District's receivable at June 30, 2009 of \$6,281,062 has been presented net of deferred imputed interest of \$1,708,270.

The sales agreement further provides for the District to continue to have rights to the flow capacity from MWD, but MWD is not obligated to deliver an actual flow or quantity of water. The agreement also provides for MWD to forfeit ownership of the pipeline to the former owners (including the District) should it not make all required future payments.

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 is as follows (in thousands):

	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009	Due within one year	Due in more than one year
General Obligation Bonds:						
1985 Consolidated	\$ 14,300	-	(4,400)	9,900	4,700	5,200
1985 Series B	11,400	-	(5,400)	6,000	6,000	-
1988 Series A	8,500	-	(1,200)	7,300	1,300	6,000
1989 Consolidated	13,300	-	(1,900)	11,400	2,000	9,400
1991 Consolidated	10,400	-	(900)	9,500	1,000	8,500
1993 Consolidated	37,500	-	-	37,500	-	37,500
1995 Consolidated	26,500	-	(1,500)	25,000	1,600	23,400
2008A Refunding	60,215	-	-	60,215	-	60,215
2008B Refunding	100,355	-	-	100,355	-	100,355
2009A Consolidated	-	75,000	-	75,000	-	75,000
2009B Consolidated	-	75,000	-	75,000	-	75,000
Less unamortized deferred loss on refunding	(1,523)	-	52	(1,471)	(54)	(1,417)
Total general obligation bonds	280,947	150,000	(15,248)	415,699	16,546	399,153

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(9) Long-Term Liabilities (Continued)

	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009	Due within one year	Due in more than one year
JPA Revenue Bonds:						
1998 Taxable Refunding No. 1	297,610	-	(11,330)	286,280	12,200	274,080
1998 Taxable Refunding No. 2	419,065	-	(13,685)	405,380	11,295	394,085
Plus unamortized amounts	8,287	-	(1,381)	6,906	1,381	5,525
Total JPA revenue bonds	<u>724,962</u>	<u>-</u>	<u>(26,396)</u>	<u>698,566</u>	<u>24,876</u>	<u>673,690</u>
Certificates of Participation:						
1986 Certificates	38,800	-	(3,000)	35,800	3,300	32,500
2008 Refunding Certificates	68,945	-	(1,645)	67,300	1,450	65,850
Less unamortized deferred loss on refunding	<u>(809)</u>	<u>-</u>	<u>36</u>	<u>(773)</u>	<u>(31)</u>	<u>(742)</u>
Total certificates	<u>106,936</u>	<u>-</u>	<u>(4,609)</u>	<u>102,327</u>	<u>4,719</u>	<u>97,608</u>
Notes Payable	<u>5,549</u>	<u>-</u>	<u>(542)</u>	<u>5,007</u>	<u>455</u>	<u>4,552</u>
Other Long-Term Liabilities:						
Compensated absences	2,656	3,277	(2,911)	3,022	1,234	1,788
Other long-term liabilities	<u>1,013</u>	<u>400</u>	<u>(476)</u>	<u>937</u>	<u>70</u>	<u>867</u>
Total other long-term liabilities	<u>3,669</u>	<u>3,677</u>	<u>(3,387)</u>	<u>3,959</u>	<u>1,304</u>	<u>2,655</u>
Total Long Term Liabilities	\$ <u>1,122,063</u>	<u>153,677</u>	<u>(50,182)</u>	<u>1,225,558</u>	<u>47,900</u>	<u>1,177,658</u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(9) Long-Term Liabilities, (Continued)

The following schedule summarizes the major terms of outstanding long-term debt (in thousands):

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Pledged Revenue</u>	<u>Final Maturity Date</u>	<u>Principal Payment Range</u>	<u>Interest Rates</u>
General Obligation Bonds:						
1985 Consolidated	October 1, 1985	\$59,200	(1)(3)	October 1, 2010	\$1,000-5,200	Variable
1985 Series B	December 1, 1985	67,365	(1)(3)	October 1, 2009	1,300-6,000	Variable
1988 Series A	June 2, 1988	20,000	(1)(3)	November 1, 2013	300-1,400	Variable
1989 Consolidated	June 1, 1989	35,000	(1)(3)	June 1, 2015	100-2,500	Variable
1991 Consolidated	August 1, 1991	19,100	(1)(3)	August 1, 2016	400-1,400	Variable
1993 Consolidated	May 1, 1993	38,300	(1)(3)	April 1, 2033	800-2,400	Variable
1995 Consolidated	December 1, 1995	40,000	(1)(3)	January 1, 2021	800-2,600	Variable
2008A Refunding	April 1, 2008	60,215	(1)(3)	July 1, 2035	1,200-6,000	Variable
2008B Refunding	April 1, 2008	100,355	(1)(3)	May 1, 2037	2,200-5,900	Variable
2009A Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	2,500	Variable
2009B Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	2,500	Variable
JPA Revenue Bonds:						
1998 Taxable						
Refunding No. 1	February 17, 1998	374,650	(4)	March 15, 2014	70-231,345	7.705%
1998 Taxable						
Refunding No. 2	August 17, 1998	481,625	(4)	March 15, 2014	30-338,990	8.180%
Certificates of Participation:						
1986 Certificates	August 1, 1986	60,000	(5)	August 1, 2016	1,200-5,800	Variable
2008 Certificates	April 1, 2008	68,945	(2)	March 1, 2032	1,450-4,850	Variable

- (1) Ad valorem assessments or, in lieu of assessments, in the District's discretion, charges for water or sewer service
(2) Water, sewer, and reclaimed water charges and certain other revenues, as defined in the trust agreement
(3) Proceeds from the sale of property
(4) JPA investment earnings and principal amounts
(5) Available revenues

General Obligation Bonds

The General Obligation Bonds were issued to fund property, water, sewer and reclaimed water facilities.

Consolidated General Obligation Refunding Bonds, Series 2008A

On April 1, 2008, the District issued \$60,215,000 of Consolidated General Obligation Refunding Bonds, Series 2008A (the Series 2008A Bonds) to refund the outstanding \$60,000,000 aggregate principal amount of the District's Consolidated General Obligation Bonds, Series 2006 and pay the costs of issuance of the Series 2008A Bonds. The purpose of refunding the Series 2006 General Obligation Bonds was to eliminate bond insurance and take the Bonds out of auction rate mode as a result of the market dislocation that occurred in February 2008.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(9) Long-Term Liabilities, (Continued)

General Obligation Bonds (Continued)

The Series 2008A Bonds bear interest in a daily mode at a rate determined for each day and payable on the fifth business day of each month, commencing May 7, 2008; thereafter, the Series 2008A Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a VIP pricing long-term mode, a VIP pricing short-term mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2008A Bonds is 12% per annum.

Consolidated General Obligation Refunding Bonds, Series 2008B

On April 1, 2008, the District issued \$100,355,000 of Consolidated General Obligation Refunding Bonds, Series 2008B (the Series 2008B Bonds) to refund the outstanding \$100,000,000 aggregate principal amount of the District's Consolidated General Obligation Bonds, Series 2007 and pay the costs of issuance of the Series 2008B Bonds. The purpose of refunding the Series 2007 General Obligation Bonds was to eliminate bond insurance and take the Bonds out of auction rate mode as a result of the market dislocation that occurred in February 2008.

The Series 2008B Bonds bear interest in a daily mode at a rate determined for each day each month, commencing May 7, 2008; thereafter, the Series 2008B Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a VIP pricing long-term mode, a VIP pricing short-term mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2008B Bonds is 12% per annum.

Consolidated General Obligation Refunding Bonds, Series 2009A

On June 4, 2009, the District issued \$75,000,000 of Consolidated General Obligation Bonds, Series 2009A (the Series 2009A Bonds) to finance certain water and sewer system improvements and related facilities of some Improvement Districts of the District, reimburse certain costs previously paid by the District, and pay the costs of issuance.

The Series 2009A Bonds bear interest in a weekly mode at a rate determined for each week and payable on the first business day of each month, commencing July 1, 2009; thereafter, the Series 2009A Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a term rate mode, a flexible rate mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2009A Bonds is 12% per annum. The Series 2009A Bonds are subject to redemption on October 1, 2012 and each October 1 thereafter, at a redemption price equal to 100% of the principal amount of the Series 2009A Bonds to be redeemed, plus accrued and unpaid interest thereon to the date redemption. The Series 2009A Bonds are subject to mandatory and optional redemption by the District before maturity.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

9) Long-Term Liabilities, (Continued)

General Obligation Bonds (Continued)

Consolidated General Obligation Refunding Bonds, Series 2009B

On June 4, 2009, the District issued \$75,000,000 of Consolidated General Obligation Bonds, Series 2009B (the Series 2009B Bonds) to finance certain water and sewer system improvements and related facilities of some Improvement Districts of the District, reimburse certain costs previously paid by the District, and pay the costs of issuance.

The Series 2009B Bonds bear interest in a daily mode at a rate determined for each day and payable on the first business day of each month, commencing July 1, 2009; thereafter, the Series 2009B Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a term rate mode, a flexible rate mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2009B Bonds is 12% per annum. The Series 2009B Bonds are subject to redemption on October 1, 2012 and each October 1 thereafter, at a redemption price equal to 100% of the principal amount of the Series 2009B Bonds to be redeemed, plus accrued and unpaid interest thereon to the date redemption. The Series 2009B Bonds are subject to mandatory and optional redemption by the District before maturity.

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on the variable interest rates at June 30, 2009 ranging from 0.10% to 1.50%) are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$16,600	1,988	18,588
2011	15,170	1,922	17,092
2012	10,200	1,889	12,089
2013	15,500	1,803	17,303
2014	17,000	1,715	18,715
2015-2019	68,800	7,543	76,343
2020-2024	64,600	5,857	70,457
2025-2029	67,300	4,200	71,500
2030-2034	75,000	2,320	77,320
2035-2039	52,000	660	52,660
2040-2042	15,000	70	15,070
Subtotal	417,170	29,967	447,137
Less: Unamortized amounts	(1,471)	-	(1,471)
Total	<u>\$415,699</u>	<u>29,967</u>	<u>445,666</u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(9) Long-Term Liabilities, (Continued)

Joint Powers Agency Revenue Bonds

The Irvine Ranch Water District Joint Powers Agency (JPA), established as a separate entity by an agreement between the District and Community Facilities District No. 1 of the District, issued \$400,000,000 during fiscal 1988 and \$500,000,000 during fiscal year 1989 of Local Agency Pool Revenue Bonds (Revenue Bonds). Concurrent with the issuance of these Revenue Bonds, the JPA established a separate trust estate for each issue comprised of authorized investments sufficient to pay the debt service (principal and interest) on each of the respective issues of the Revenue Bonds. Principal and interest on the Revenue Bonds were secured solely by the respective separate trust estates.

In February 1998, the JPA issued \$374,650,000 of Taxable Refunding Bonds Issue #1, which were used to redeem the 1988 Revenue Bonds in March 1998. The 1998 Taxable Refunding Bonds Issue #1 are due semi-annually on March 15 and September 15 in varying amounts from \$70,000 to \$231,345,000, including accrued interest at 7.705%.

In August 1998, the JPA issued \$481,625,000 of Taxable Refunding Bonds Issue #2, which were used to redeem the 1989 Revenue Bonds in September 1998. The 1998 Taxable Refunding Bonds Issue #2 are due semi-annually on March 15 and September 15 in varying amounts from \$30,000 to \$338,990,000, including accrued interest at 8.18%.

The outstanding revenue bonds liability has been reduced by the unamortized balance of the deferred refunding charge of \$1,095,281 (\$445,862 for issue #1 and \$649,419 for issue #2). Additionally, at the time of refunding, the District negotiated a \$25,604,713 contribution from a financial institution that has been amortized over a straight-line basis over the life of the refunding bonds. At June 30, 2009, the unamortized amount is \$8,001,473 (\$2,553,675 for issue #1 and \$5,447,798 for issue #2).

At June 30, 2009, the aggregate of the JPA taxable refunding bond issues (excluding amortizations) due is as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$23,495	54,754	78,249
2011	25,365	52,852	78,217
2012	27,380	50,798	78,178
2013	29,550	48,582	78,132
2014	<u>585,870</u>	<u>46,189</u>	<u>632,059</u>
Subtotal	691,660	253,175	944,835
Plus: Unamortized amounts	<u>6,906</u>	<u>-</u>	<u>6,906</u>
Total	<u>\$698,566</u>	<u>253,175</u>	<u>951,741</u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(9) Long-Term Liabilities, (Continued)

Joint Powers Agency Revenue Bonds, (Continued)

At June 30, 2009, the cash flow of the underlying JPA investments securing the JPA taxable refunding bond issues is as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$24,224	56,447	80,671
2011	26,154	54,486	80,640
2012	28,224	52,369	80,593
2013	30,462	50,084	80,546
2014	700,950	47,618	748,568
Total	<u>\$810,014</u> *	<u>261,004</u>	<u>1,071,018</u>

* Amount includes accumulated increase in fair value of investments of \$96,960.

The future net cash flows of the JPA revenue bonds and underlying investments (excluding unamortized amounts and the fair value of investments) are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Net Cash Flow to District	<u>\$21,393</u>	<u>7,829</u>	<u>29,222</u>

Certificates of Participation

The District issued \$60,000,000 of Certificate of Participation on August 14, 1986 to fund property, water, sewer and reclaimed water facilities. The outstanding principal balance was \$35,800,000 at June 30, 2009. The Certificates bear interest at a daily variable rate that is determined each day by the remarketing agent. The average interest rate during the year ended June 30, 2009 was 1.19%.

On April 1, 2008, the District issued \$68,945,000 of Certificates of Refunding Series 2008 (the Series 2008 Certificates) to refund the outstanding principal amount of the District's Certificates of Participation Series 2002 and pay the costs of issuance of the Series 2008 Certificates. The purpose of refunding the Series 2002 Certificates of Participation was to eliminate bond insurance and take the Certificates out of auction rate mode as a result of the market dislocation that occurred in February 2008.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(9) Long-Term Liabilities, (Continued)

Certificates of Participation, (Continued)

The Series 2008 Certificates bear interest in a daily mode at a rate determined for each day and payable on the fifth business day of each month, commencing on May 7, 2008. The Series 2008 Certificates may bear interest in a daily interest rate period, a weekly interest rate period, a commercial paper interest rate period or a long-term interest rate period. The Series 2008 Certificates bear interest at a daily variable rate that is determined each day by the remarketing agent. The average interest rate during the year ended June 30, 2009 was 1.67%.

The annual debt service requirements for the Certificates of Participation, including principal and interest payments (based on the variable interest rates at June 30, 2009 ranging from 0.20% to 1.15%), are as follows (in thousands):

The annual debt service requirements for Certificates of Participation, including principal and interest payments (based on the variable interest rates at fiscal year ended June 30, 2008 ranging from 2.44% to 2.90%), are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$4,750	778	5,528
2011	5,150	733	5,883
2012	5,500	685	6,185
2013	6,000	633	6,633
2014	6,500	577	7,077
2015-2019	27,450	2,139	29,589
2020-2024	14,750	1,567	16,317
2025-2029	19,100	846	19,946
2030-2032	<u>13,900</u>	<u>106</u>	<u>14,006</u>
Subtotal	103,100	8,064	111,164
Less: Unamortized amounts	<u>(773)</u>	<u>-</u>	<u>(773)</u>
Total	<u>\$102,327</u>	<u>8,064</u>	<u>110,391</u>

Notes Payable

The District has three loans from the State of California to fund reclaimed water projects. The balance of the 1988 loan was \$0 at June 30, 2009. The 1988 loan is payable annually with interest at 4.01%. The balance on the 1990 loan was \$248,125 at June 30, 2009. The annual interest rate is 3.50%. The balance on the 2000 loan was \$2,135,599 at June 30, 2009. The annual interest rate is 0.00%, however, the loan agreement required the District to prepay the interest of \$647,000, which will be amortized over the life of the loan. The loan is payable annually in fixed installments of \$194,146 through 2020.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(9) Long-Term Liabilities, (Continued)

Notes Payable, (Continued)

The District also assumed two loans as a result of its consolidation with the Santiago County Water District. The original loan amount of the first loan was \$1,940,500. The loan is payable semi-annually with interest at 5.85%. The loan matures in September 2020. The balance of the loan at June 30, 2009 was \$1,510,000. The original loan amount of the second loan was \$1,300,000. The loan is payable semi-annually with interest at 2.32%. The loan matures in July 2025. The balance of the loan at June 30, 2009 was \$1,113,530.

Amounts required to amortize notes payable at June 30, 2009 are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$455	154	609
2011	429	143	572
2012	326	135	461
2013	331	129	460
2014	338	123	461
2015-2019	1,790	514	2,304
2020-2024	1,219	123	1,342
2025-2026	119	3	122
Total	<u>\$5,007</u>	<u>1,324</u>	<u>6,331</u>

(10) Deferred Revenue

On November 10, 2008, the Board approved the South Orange County – Irvine Ranch Water District Interconnection Projects Participation Agreement (Agreement). The Agreement was made and effective on November 14, 2008 between the District, City of San Clemente (CSC), Laguna Beach County Water District (LBCWD), Moulton Niguel Water District (MNWD), Santa Margarita Water District (SMWD), South Coast Water District (SCWD), Municipal Water District of Orange County (MWDOC), and Orange County Water District (OCWD).

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(10) Deferred Revenue, (Continued)

The purpose of the Agreement is allowing the South County water agencies (CSC, LBCWD, MNWD, SMWD, and SCWD) to buy capacity in the District system and reimburse the District for various new intertie facilities which would ensure that up to 30cfs of water supply is available in an emergency. The highlights of the Agreement include the following:

- Utilizing and paying for a flow reservation in existing the facilities of the District, specifically the Dyer Road Wellfield (DRWF) and transmission mains which do not require construction of any new wells or pipelines.
- Reimbursing the District for past upsizing costs.
- Constructing a new intertie pump station between the existing District system and the Joint Regional Transmission Main (JTM), the Aufdenkamp Transmission Main (ATM) and Allen McColloch Pipeline (AMP).
- District making a firm commitment of emergency water supply until 2030.
- District not exceeding its current net annual pumping quantities resulting in no net impact on the groundwater basin.

As of June 30, 2009, the total cost of the agreement was paid in full by each party of the South County water agencies and recorded as deferred revenue in the basic financial statements. Deferred revenue will be amortized over 20 years, the term of the Agreement.

	Balance June 30, 2009 (in thousands)
South County Water Agencies	
City of Clemente	\$1,311
Laguna Beach County Water District	562
Moulton Niguel Water District	7,214
Santa Margarita Water District	3,279
South Coast Water District	437
Subtotal	12,803
Less: Amortization amounts	(403)
Total	12,400
Deferred revenue, current portion	604
Deferred revenue, net of current portion	\$11,796

(11) Letters of Credit

The District has letters of credit securing the payment of principal and interest on General Obligation Bonds and Certificates of Participation. The letters of credit are issued in favor of the trustees and enable the trustees to make drawings against the letters of credit for payment of principal and interest amounts.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(11) Letters of Credit (Continued)

The terms of the letters of credit are summarized as follows (in thousands):

<u>Letter of Credit</u>	<u>Trustee</u>	<u>Amount</u>	<u>Expiration Date</u>
Landesbank Hessen-Thuringen:			
1985 Consolidated	Bank of New York Mellon	\$10,152	October 1, 2010
1985 Series B	Bank of New York Mellon	6,152	October 1, 2009
1988 Series A	Bank of New York Mellon	7,456	November 15, 2013
Landesbank Baden-Wuerttemberg:			
1986 Certificates of Participation	Bank of New York Mellon	36,371	December 29, 2015
1989 Consolidated	Bank of New York Mellon	11,549	June 1, 2015
1991 Consolidated	Bank of New York Mellon	9,624	December 29, 2015
2008 Certificates of Participation	Deutsche Bank	68,140	April 24, 2011
2008 Series A Consolidated	Bank of New York Mellon	61,105	April 22, 2011
2008 Series B Consolidated	Deutsche Bank	101,839	April 22, 2011
Bank of America:			
1993 Consolidated	Bank of New York Mellon	37,987	May 1, 2011
2009 Series B Consolidated	U.S. Bank	75,838	June 3, 2011
State Street Bank & Trust Co.:			
1995 Consolidated	Bank of New York Mellon	25,353	May 2, 2011
U.S. Bank:			
2009 Series A Consolidated	U.S. Bank	75,838	June 3, 2011

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(12) Rate Covenants

The District is required by certain debt documents to collect revenues which will be at least sufficient to yield net revenues equal to 125% of debt service payable during the fiscal year. The following demonstrates the District's compliance with the rate covenants for the year ended June 30, 2009 (in thousands).

Net revenues:

Revenues:	
Water sales and service charges	\$ 50,940
Sewer services charges	41,157
Connection fees	4,535
Other income	9,918
Residual real estate income	5,094
Investment income	4,365
Residual JPA income	2,990
	<u>118,999</u>
Operating and maintenance expenses:	
Water:	
Water services	40,157
General and administrative	12,536
Customer accounts	1,940
Sewer:	
Sewer services	27,402
General and administrative	7,712
Customer accounts	1,294
Other expenses	1,535
	<u>92,752</u>
Net revenues	<u>\$ 26,247</u>
Debt service on parity obligations:	
2008 COP principal and interest	\$ 2,798
2000 State loan	227
Debt service	<u>\$ 3,025</u>
Debt ratio	<u>868%</u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(13) Net Assets

Net assets at June 30, 2009 consisted of the following (in thousands):

Invested in capital assets, net of related debt:	
Property, plant and equipment, net	\$ 1,423,144
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(415,698)
Certificates of participation	(102,327)
Notes payable	(5,007)
Add back unspent portion of debt applicable to bond proceeds	94,232
Total invested in capital assets, net of related debt	994,344
Restricted net assets:	
Restricted for water services	294,369
Restricted for sewer services	68,333
Total restricted net assets	362,702
Total net assets	\$1,357,046

(14) Defined Benefit Pension Plan (PERS)

The District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Benefit provisions and all other requirements are established by State statute and the District's Board of Directors. Starting July 1, 2008, participants are required to contribute 8% of their annual covered salary. The District makes 7% of the contributions required of District employees on their behalf and for their account. The District employees make 1% of the contribution. In addition, the District is required to contribute at an actuarially determined rate applied to annual covered payroll. The District's contribution rate for the indicated period is 11.390%. In order to calculate the dollar value of the annual required contribution for inclusion in financial statements prepared as of June 30, 2009, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2008 to June 30, 2009.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(14) Defined Benefit Pension Plan (PERS), (Continued)

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO) (negative or positive). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006.

A summary of principal assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30, 2006
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	24 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(14) Defined Benefit Pension Plan (PERS), (Continued)

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

Required Supplementary Information (in thousands)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/05	\$ 85,214	\$ 72,996	\$ 12,218	85.7%	\$ 19,237	63.5%
6/30/06	96,470	81,299	15,171	84.3%	20,862	72.7%
6/30/07	110,713	90,675	20,038	81.9%	22,262	90.0%

Information for the June 30, 2008 valuation date was not available for inclusion in the financial statements.

On June 8, 2009, the Board approved a \$3 million payment to PERS to reduce the overall unfunded liability. The payment was wired to PERS on June 23, 2009. This additional contribution in the amount of \$3 million creates a pension asset (a negative NPO). The District's annual pension cost and net pension asset, computed in accordance with GASB 27, for the year ended June 30, 2009, were as follows (in thousands):

Annual required contribution	\$ 3,353
Interest on beginning pension asset	-
Adjustment to annual required contribution	-
Annual pension cost	3,353
Contribution made	6,353
Increase (Decrease) in pension asset	3,000
Net pension asset, beginning of year	-
Net pension asset, end of year	<u>\$3,000</u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(14) Defined Benefit Pension Plan (PERS), (Continued)

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension asset for the fiscal year ended June 30, 2009 and the two preceding years were as follows:

Three-Year Trend Information

Annual Pension Cost (Employer Contribution) (in thousands)

Fiscal Year	Employee Contribution (District Paid)	Employer Contribution	Total Employee Contribution (District Paid) and Employer Contribution	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/07	\$ 1,502	\$ 2,227	\$ 3,729	\$ 2,227	100.0%	\$ -
6/30/08	1,584	2,477	4,061	2,477	100.0%	-
6/30/09	1,661	6,353	8,014	3,353	189.5%	3,000

In October 2008, the District received from PERS an actuarial report that contained information concerning the employer contribution rate for the 2009-10 fiscal year. This information is summarized below. The rate is greater than the contribution rate for the 2008-09 fiscal year which is reflected in the accompanying financial statements.

	Fiscal Year <u>2009-10</u>	Fiscal Year <u>2008-09</u>
Normal cost	7.264%	6.510%
Amortization of net actuarial liability (surplus)	<u>6.324%</u>	<u>4.880%</u>
	<u>13.588%</u>	<u>11.390%</u>

(15) Other Post Employment Benefits

During the year ended June 30, 2008, the District implemented GASB Statement No. 45 ***Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*** which changed the accounting and financial reporting used by local government employers for postemployment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(15) Other Post Employment Benefits, (Continued)

The District has three other post employment benefits (OPEB) plans:

- a. PEMHCA: The District provides an agent multiple-employer defined benefit health-care plan to retirees through the California Public Employee Retirement System (CalPERS) under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. The CalPERS Board of Administration administers the health benefits program and determines the benefits design, including any co-pays and deductibles, providers, and premiums. Employees are eligible for this lifetime benefit if they retire from the District and are eligible to begin drawing a PERS pension. Participation in PEMHCA is financed in part by the District through a contribution of \$101.00 per month per employee and participating retiree. The contribution rate is scheduled to be indexed with medical inflation (CPI) for years thereafter. In addition, the District pays PEMHCA 0.44% of the premium to cover the administrative fees for each retiree participating in the program. During the fiscal year ended June 30, 2009, the District contributed \$44,271 on behalf of retirees participating in this benefit.
- b. Retiree Health Costs Reimbursement Plan: The District administers a single-employer defined benefit healthcare plan which provides medical benefits to covered employees and their eligible dependents. The establishment or amendment of benefit provisions is determined by the District. Employees are eligible for this benefit if they retire from the District on or after age 55 with at least 10 years of service. The duration of the benefit is based on employees' years of service as follows: 36 months of benefits for employees with 10-14 years of service; 48 months of benefits for employees with 15-19 years of service; and 60 months of benefits for employees with at least 20 years of service. The District reimburses retirees for eligible healthcare costs of up to \$300 per month (for retirees with at least 10 years of service at the District), increasing by \$20 per month for each additional year of service, to a maximum of \$600 per month after 25 years of service. During the fiscal year ended June 30, 2009, the District contributed \$141,280 on behalf of retirees participating in this benefit.
- c. Retiree Death Benefit Only Plan: The District administers a single-employer defined benefit plan. On August 11, 2008, the Board of the District approved the termination and the cashing out of current life insurance policies on the retiree death benefit only plan with Pacific Life and contract with Principal Financial Group for active and retiree coverage. The Board's action to the plan was effective December 31, 2008. The plan's benefits were reduced to \$10,000 and self-insured beginning at age 70 for current retirees and eliminated altogether after age 70 for future retirees (reduced to \$10,000 after age 70 for Board members). Eligibility provisions were changed to match the Retiree Health Costs Reimbursement Plan, and the funding mechanism for the pre-age 70 death benefits was changed from split dollar to term insurance. Employees hired on or before December 31, 2008 are eligible for term life insurance with a face amount equal to 100% of their final annual salary at the time of retirement. Employees hired after December 31, 2008 will not be eligible for this plan. Due to the significant changes to the plan, a new actuarial valuation was performed and completed effective January 1, 2009. During the fiscal year ended June 30, 2009, the District contributed \$6,703 on behalf of retirees participating in this benefit.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(15) Other Post Employment Benefits, (Continued)

Membership of the plan consisted of the following at January 1, 2009, the date of the latest actuarial valuation:

	<u>PEMHCA</u>	<u>Retiree Health Costs Reimbursement</u>	<u>Retiree Death Benefit Only</u>
Retirees and beneficiaries receiving benefits	34	25	67
Terminated plan members entitled to but not yet receiving benefits	-	-	-
Active plan members	<u>309</u>	<u>309</u>	<u>309</u>
Total	<u><u>343</u></u>	<u><u>334</u></u>	<u><u>376</u></u>

The District reports the financial activity of the three plans in its basic financial statements. No separate benefit plan report is issued.

Annual OPEB Cost and Net OPEB Obligation

The required contributions for the District's various other post employment benefits are based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually the District's Board of Directors.

The District's annual OPEB expense is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) as a level dollar open period not to exceed 30 years.

A new actuarial valuation was completed and effective January 1, 2009 in order to reflect a significant plan amendment to the District's retiree death benefit only plan. Because of the mid-year plan amendment, and the resulting change in valuation date (from July 1 to January 1), the annual required contribution (ARC) has been calculated as \$855,213, the sum of 6/12ths of the ARC from the July 1, 2007 valuation and 6/12ths of the ARC from the January 1, 2009 valuation. The adjustments to the ARC for the fiscal year ended June 30, 2009 were on a blended discount rate of 5.125% for the fiscal year (6 months at 5.25% and 6 months at 5.0% to reflect the mid-year change in discount rate), leading to an annual OPEB cost of \$844,840 for the fiscal year ended June 30, 2009.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(15) Other Post Employment Benefits, (Continued)

Annual OPEB Cost and Net OPEB Obligation, (Continued)

The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2009, the amount actually contributed for each OPEB benefit, and the changes in the District's net OPEB obligation:

	PEMHCA	Retiree		Total
		Health Costs Reimbursement	Retiree Death Benefit Only	
Annual OPEB cost (expense):				
Annual required contribution	\$241,939	273,432	339,842	855,213
Interest on net OPEB obligation	10,383	6,235	19,469	36,087
Adjustment to annual required contribution	<u>(13,368)</u>	<u>(8,027)</u>	<u>(25,065)</u>	<u>(46,460)</u>
Annual OPEB cost (expense)	238,954	271,640	334,246	844,840
Contribution made	<u>(44,271)</u>	<u>(141,280)</u>	<u>(6,703)</u>	<u>(192,254)</u>
Increase in net OPEB obligation	194,683	130,360	327,543	652,586
Net OPEB obligation, beginning of year	202,600	121,655	379,886	704,141
Net OPEB obligation, end of year	<u>\$397,283</u>	<u>252,015</u>	<u>707,429</u>	<u>1,356,727</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the fiscal year ended June 30, 2009 and the two preceding years were as follows:

Schedule of Employer Contributions

<u>Plan</u>	<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
PEMHCA	6/30/07	N/A	N/A	N/A
	6/30/08	\$239,825	15.52%	\$202,600
	6/30/09	238,954	18.53%	397,283
Retiree Health Costs Reimbursement	6/30/07	N/A	N/A	N/A
	6/30/08	\$266,135	54.29%	\$121,655
	6/30/09	271,640	52.01%	252,015
Retiree Death Benefit Only	6/30/07	N/A	N/A	N/A
	6/30/08	\$647,073	41.29%	\$379,886
	6/30/09	334,246	2.01%	707,429
Total - All Plans	6/30/07	N/A	N/A	N/A
	6/30/08	\$1,153,033	38.93%	\$704,141
	6/30/09	844,840	22.76%	1,356,727

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(15) Other Post Employment Benefits, (Continued)

Funded Status and Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about employee turnover, retirement, mortality, and economic assumptions regarding healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Required Supplementary Information (in thousands)

<u>Plans</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ([(b-a)/c]</u>
PEMHCA	7/1/07	\$ -	\$2,025	\$2,025	0.00%	\$22,636	8.9%
	1/1/09	-	2,140	2,140	0.00%	23,733	9.0%
Retiree Health Costs Reimbur- sement Plan	7/1/07	-	2,191	2,191	0.00%	22,636	9.7%
	1/1/09	-	2,357	2,357	0.00%	23,733	9.9%
Retiree Death Benefit Only Plan	7/1/07	-	5,891	5,891	0.00%	22,636	26.0%
	1/1/09	-	402	402	0.00%	23,733	1.7%

Actuarial Methods and Assumptions

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Projections of benefits are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation date and the pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(15) Other Post Employment Benefits, (Continued)

Actuarial Methods and Assumptions, (Continued)

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 5.0% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements of 1% per year to an ultimate rate of 5% after the third year. Both rates included a 5.0% inflation assumption. The UAAL is being amortized as a level dollar open period over 30 years. It is assumed the District's payroll will increase 3% per year.

(16) Deferred Compensation Plans

Retirement for Part Time Employees

The District provides pension benefits for all of its part-time employees through a defined contribution plan, in lieu of providing social security benefits. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the District's Section 457 plan. All part-time and seasonal employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan. For the year ended June 30, 2009, the District's payroll covered by the plan was \$837,672. The District made no employee contributions. The employees contributed \$62,825 (7.5% of current covered payroll) for the year ended June 30, 2009.

Deferred Compensation

All regular, full-time District employees are eligible to participate in the District's deferred compensation program pursuant to Section 457 of the Internal Revenue Code (Plan) whereby they can voluntarily contribute a portion of their earnings into a tax-deferred fund administered by the District and invested through a third party provider. Pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), effective January 1, 2002, employees may contribute the lesser of 100% of includible compensation or the maximum dollar amount allowable under Internal Revenue Code Section 457 in effect for the year. The dollar amount currently in effect for calendar year 2009 is \$16,000. After 2008, the limit is being indexed to inflation in \$500 increments.

Effective January 1, 2009, for employees with one year or more of services, the District provides 100% matching up to an annual maximum of 3% of the employee's base salary after one year of service. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During the year ended June 30, 2009, the District contributed \$320,259 to employee accounts under the 401(a) plan.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(16) Deferred Compensation Plans (Continued)

Effective July 1, 2008, employees with two years or more of service are entitled to an additional annual contribution by the District based on 3% of base salary. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During the year ended June 30, 2009, the District contributed \$649,766 to employee accounts under the 401(a) plan.

The assets in both plans are held in trust for the exclusive benefit of the participants and their beneficiaries, and are therefore not reported in the financial statements of the District.

(17) Commitments and Contingencies

Orange County Sanitation District (OCSD)

The District, with OCSD, negotiated an agreement as of July 1, 1985, as amended. The District agreed to annually fund payment of the District's proportionate share of OCSD's joint capital outlay revolving fund (CORF) budget requirements and certain capital improvements, calculated on an annual flow basis using the four highest months of actual flows, during the term of the agreement. The capital assets associated with this agreement are co-owned by the two agencies and provide an operational benefit to both agencies. The District's CORF payments to OCSD for the year ended June 30, 2009 totaled \$12,995,046. The District's share of the jointly funded CORF and capital improvements is included in capital assets in the District's basic financial statements. An annual reconciliation of fiscal year 2009 OCSD operations and maintenance and CORF charges to the District will be performed in fiscal year 2010 which may determine additional amounts payable to or receivable from OCSD.

During this fiscal year the District and OCSD engaged an independent audit firm to perform agreed upon procedures to determine the District's actual cash and investment balances being held OCSD as of June 30, 2008. The auditor determined that \$24,151,766 of District cash and investments was held by OCSD at June 30, 2008 comprised of a \$5,354,805 overcharge for capital improvements net of accumulated depreciation and \$18,796,961 of other prior period overcharges and interest earnings. As of June 30, 2009 \$11,000,000 is being held by OCSD to meet District's share of OCSD budget requirements and is recorded as deposits in the District's basic financial statements. The remaining balance has been applied by OCSD in payment of fourth quarter fiscal year 2009 CORF and acquisition of the District's share of co-ownership in solids handling capital improvements which are included in capital assets in the District's basic financial statements.

Legal Actions

The District is a defendant in various legal actions arising out of the conduct of the District's operations. Management believes that, based on current knowledge, the outcome of these matters will not have a material adverse effect on the District's financial position.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(17) Commitments and Contingencies (Continued)

Commitments

The following material construction commitments existed at June 30, 2009 (in thousands):

<u>Project Name</u>	<u>Cumulative Expenditures as of June 30, 2009</u>	<u>Remaining Commitments</u>
MWRP Expansion Phase II	\$ 7,267	\$ 4,141
PA1 Portola Pkwy 30" DW Pipeline - SR133 to Culver	387	4,056
IRWD/SOC Connection - ZN 1-3 Booster Pump Station	582	3,654
Strand Ranch Facilities and Monitoring Program	3,369	3,144
MWRP Expansion Phase II	3,845	3,095
Barranca 54", 12" DW Pipeline Relocation	312	2,350
MWRP & LAWRP Energy Efficiency & Master Plan	617	1,590
OCSD CORF 08/09	14,882	1,232
Barranca 16" RW Relocation - Vestar	154	1,107

(18) 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; and natural disasters for which the District carries commercial insurance.

Property, Boiler and Machinery insurance is provided through the District's participation in the Public Entity Property Insurance Program administered by Alliant Insurance Services, Inc.. Property insurance includes flood insurance but does not include earthquake insurance. General and excess liability coverage and workers compensation insurance is provided through participation in the California State Association of Counties Excess Insurance Authority via the California Public Entity Insurance Authority. Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Indian Harbor Insurance Company.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$100,000. Settlements have not exceeded coverages for each of the past three fiscal years.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

(19) Subsequent Events

State of California Borrowing Under Proposition 1A

In July 2009, the State of California passed its budget for Fiscal Year 2009-10, which includes activating provisions under Proposition 1A to borrow up to 8% of local governments' share of one percent property taxes. The District expects that the State will borrow approximately \$2.1 million of its expected property tax revenue in FY 2009-10, with such funds expected to be repaid over three years at a rate of up to 6%. The District uses property tax funds for its capital programs and debt service.

Michelson Water Reclamation Plant Expansion

In August 2009, the District awarded a contract totaling approximately \$87 million for the Michelson Water Reclamation Plant expansion project. This is the single largest project in the history of the District. Original engineer's estimates exceed \$115 million, but the current economic environment drove a substantially more favorable bidding environment for a large construction project. A more complete discussion of the project is contained in the Introduction-Major Initiatives section of this Comprehensive Annual Financial Report.

(20) Restatement of Net Assets

During the fiscal year ended June 30, 2009, the District and OCSD engaged an independent audit firm to perform agreed upon procedures to determine the District's actual cash and investment balances being held OCSD as of June 30, 2008. The auditor determined that \$24,151,766 of District cash and investments was held by OCSD at June 30, 2008 comprised of a \$5,354,805 overcharge over a multi-year period for capital improvements net of accumulated depreciation and \$18,796,961 of other prior period overcharges and interest earnings. Therefore, the amount of net assets at the beginning of the fiscal year was restated to reflect the adjustments as follows (in thousands):

Net assets at beginning of year	<u>\$ 1,278,703</u>
Prior period adjustments:	
Capital assets, net	(5,355)
Cash deposits with OCSD	<u>24,152</u>
Total prior period adjustments	<u>18,797</u>
Net assets at end of year	<u><u>\$ 1,297,500</u></u>

This page intentionally left blank.

Supplementary Information

Irvine Ranch Water District
Combining Schedule of Net Assets - Water Subfunds
June 30, 2009
(in thousands)

	100/101/ 199	112	113	115	120	121	130	135
ASSETS								
Current Assets:								
Cash and investments	\$36,663	-	2,286	-	5,195	2,234	21,559	10,944
Receivables:								
Customer accounts receivable	-	-	58	-	36	303	294	496
Interest receivable	110	-	8	-	16	11	59	30
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-	-	-
Notes receivable, current portion	-	-	-	-	-	-	-	-
Allen-McColloch Pipeline receivable, current portion	-	-	-	-	-	81	59	110
Other receivables	2,049	55	68	90	-	199	155	250
Total receivables	2,159	55	134	90	52	594	567	886
Other Current Assets:								
Inventories	1,197	-	-	-	-	-	-	-
Prepaid items and deposits	601	-	-	-	-	-	-	-
JPA investment program, current portion	-	-	-	-	-	-	-	-
Total other current assets	1,798	-	-	-	-	-	-	-
Total current assets	40,620	55	2,420	90	5,247	2,828	22,126	11,830
Noncurrent Assets:								
Capital Assets:								
Waterworks in service	111,116	3,413	6,302	34	19,415	61,832	62,879	75,806
Less accumulated depreciation	(49,813)	(275)	(406)	-	(10,038)	(15,690)	(15,414)	(33,897)
Total capital assets being depreciated, net	61,303	3,138	5,896	34	9,377	46,142	47,465	41,909
Land	2,837	191	243	168	246	1,551	1,651	1,466
Construction in progress	30,558	1,182	6,098	536	3	4,558	3,643	3,156
Total capital assets, net	94,698	4,511	12,237	738	9,626	52,251	52,759	46,531
Other Noncurrent Assets:								
Debt service cash and investments	3,194	1,617	3,001	-	234	2,397	4,704	-
Unamortized debt issuance expense	64	15	25	-	2	36	39	8
Notes receivable, net of current portion	-	-	-	-	-	-	-	-
Allen-McColloch Pipeline receivable, net of current portion	-	-	-	-	-	793	579	1,057
JPA investment program, net of current portion	-	-	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-	-	-
Net Pension Asset	3,000	-	-	-	-	-	-	-
Total other noncurrent assets	6,258	1,632	3,026	-	236	3,226	5,322	1,065
Interdistrict receivable	52,567	-	2	-	-	149	-	246
Total noncurrent assets	153,523	6,143	15,265	738	9,862	55,626	58,081	47,842
TOTAL ASSETS	194,143	6,198	17,685	828	15,109	58,454	80,207	59,672

140	150	151/153/ 154/155	156	160/161	182/184	186/ 188/89	300	800-805	Total Water
12,018	52,763	4,721	2,771	7,736	-	1,546	-	-	160,436
231	714	57	92	323	196	60	-	-	2,860
27	138	12	8	32	3	6	-	-	460
-	-	-	-	-	-	-	10,673	-	10,673
-	-	-	-	-	-	-	-	-	-
19	164	70	-	52	21	8	-	-	584
53	502	(1)	-	104	79	643	-	-	4,246
330	1,518	138	100	511	299	717	10,673	-	18,823
-	5,385	-	-	-	-	-	-	-	6,582
-	73	-	-	-	-	-	-	-	674
-	-	-	-	-	-	-	12,112	-	12,112
-	5,385	73	-	-	-	-	12,112	-	19,368
12,348	59,666	4,932	2,871	8,247	299	2,263	22,785	-	198,627
49,993	193,147	10,860	597	62,004	36,608	17,751	-	-	711,757
(13,102)	(40,666)	(2,804)	(523)	(15,192)	(9,687)	(3,854)	-	-	(211,361)
36,891	152,481	8,056	74	46,812	26,921	13,897	-	-	500,396
475	5,130	255	1	1,328	546	218	-	-	16,306
1,600	39,357	1,338	942	2,424	2,423	507	-	-	98,325
38,966	196,968	9,649	1,017	50,564	29,890	14,622	-	-	615,027
1,015	17,214	-	-	5,118	534	714	-	-	39,742
110	366	-	-	52	38	93	-	-	848
-	-	-	-	-	-	-	-	-	-
186	1,610	674	-	508	210	79	-	-	5,696
-	-	-	-	-	-	-	392,895	-	392,895
-	-	-	-	-	-	-	-	45,365	45,365
-	-	-	-	-	-	-	-	-	3,000
1,311	19,190	674	-	5,678	782	886	392,895	45,365	487,546
-	357	-	-	-	-	-	-	-	53,321
40,277	216,515	10,323	1,017	56,242	30,672	15,508	392,895	45,365	1,155,894
52,625	276,181	15,255	3,888	64,489	30,971	17,771	415,680	45,365	1,354,521

(Continued)

Irvine Ranch Water District
Combining Schedule of Net Assets - Water Subfunds
June 30, 2009
(Continued)

	100/101/ 199	112	113	115	120	121	130	135
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Account payable and accrued expenses	9,493	50	63	78	-	179	139	927
Customer deposits and advance payments	162	-	-	-	-	-	-	-
Accrued interest:								
General obligation bonds	-	-	16	-	-	1	1	7
JPA revenue bonds	-	-	-	-	-	-	-	-
Other accrued interest payable	7	-	-	-	-	-	1	-
Current portion of long-term liabilities:								
General obligation bonds	-	-	-	-	354	906	590	-
Certificates of participation	884	-	-	-	16	23	85	-
JPA revenue bonds	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-
Other long-term liabilities	1,275	-	-	-	-	-	-	-
Unearned revenue	-	13	18	12	-	53	41	72
Total current liabilities	11,821	63	97	90	370	1,162	857	1,006
Long-Term Liabilities:								
General obligation bonds, net of current portion	-	2,745	9,466	-	-	5,874	5,834	4,940
Certificates of Participation, net of current portion	8,708	-	-	-	155	229	835	-
JPA revenue bonds, net of current portion	-	-	-	-	-	-	-	-
Notes payable, net of current portion	-	-	-	-	-	-	-	-
Other long-term liabilities, net of current portion	1,796	-	-	-	-	-	-	-
Unearned revenue, net of current portion	-	255	354	229	-	1,042	792	1,404
Net OPEB obligation	1,357	-	-	-	-	-	-	-
Total long-term liabilities	11,861	3,000	9,820	229	155	7,145	7,461	6,344
Interdistrict payable	744	3,006	-	167	-	-	-	-
TOTAL LIABILITIES	24,426	6,069	9,917	486	525	8,307	8,318	7,350
NET ASSETS								
Change in net assets	3,041	163	1,247	342	(111)	1,193	2,005	(645)
Net assets at beginning of year	166,676	(34)	6,521	-	14,695	48,954	69,884	52,967
NET ASSETS AT END OF YEAR	\$169,717	129	7,768	342	14,584	50,147	71,889	52,322

140	150	151/153/ 154/155	156	160/161	182/184	186/ 188/89	300	800-805	Total Water
57	519	62	30	97	70	23	-	38	11,825
-	-	-	-	-	-	-	-	-	162
15	176	-	-	3	3	3	-	-	225
-	-	-	-	-	-	-	8,053	-	8,053
6	35	39	-	23	-	-	-	-	111
1,311	1,617	-	-	1,008	500	523	-	-	6,809
100	523	-	-	320	-	-	-	-	1,951
-	-	-	-	-	-	-	12,438	-	12,438
-	-	121	-	-	-	-	-	-	121
-	-	-	29	-	-	-	-	-	1,304
14	320	7	-	27	21	6	-	-	604
<u>1,503</u>	<u>3,190</u>	<u>229</u>	<u>59</u>	<u>1,478</u>	<u>594</u>	<u>555</u>	<u>20,491</u>	<u>38</u>	<u>43,603</u>
13,162	107,801	-	-	4,796	5,553	3,643	-	-	163,814
3,754	20,606	-	-	13,399	-	-	-	-	47,686
-	-	-	-	-	-	-	336,845	-	336,845
-	-	2,502	-	-	-	-	-	-	2,502
-	-	549	164	-	-	-	-	-	2,509
280	6,240	151	-	532	401	116	-	-	11,796
-	-	-	-	-	-	-	-	-	1,357
<u>17,196</u>	<u>134,647</u>	<u>3,202</u>	<u>164</u>	<u>18,727</u>	<u>5,954</u>	<u>3,759</u>	<u>336,845</u>	<u>-</u>	<u>566,509</u>
-	4	422	2,862	-	257	-	-	10,688	18,150
<u>18,699</u>	<u>137,841</u>	<u>3,853</u>	<u>3,085</u>	<u>20,205</u>	<u>6,805</u>	<u>4,314</u>	<u>357,336</u>	<u>10,726</u>	<u>628,262</u>
4,559	2,920	578	559	1,631	(375)	432	5,251	(1,670)	21,120
29,367	135,420	10,824	244	42,653	24,541	13,025	53,093	36,309	705,139
<u>33,926</u>	<u>138,340</u>	<u>11,402</u>	<u>803</u>	<u>44,284</u>	<u>24,166</u>	<u>13,457</u>	<u>58,344</u>	<u>34,639</u>	<u>726,259</u>

Irvine Ranch Water District
Combining Schedule of Net Assets - Sewer Subfunds
June 30, 2009
(in thousands)

	200/210/ 211/299	212	213	215	220	221
ASSETS						
Current Assets:						
Cash and investments	\$4,844	-	5,203	-	6,990	14,065
Receivables:						
Customer accounts receivable	916	-	80	-	113	526
Interest receivable	-	-	5	-	7	13
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-
Notes receivable, current portion	10	-	-	-	-	-
Allen-McColloch Pipeline receivable, current portion	-	-	-	-	-	-
Other receivables	165	4	266	-	-	17
Total receivables	<u>1,091</u>	<u>4</u>	<u>351</u>	<u>-</u>	<u>120</u>	<u>556</u>
Other Current Assets:						
Inventories	-	-	-	-	-	-
Prepaid items and deposits	16,193	32	27	-	-	74
JPA investment program, current portion	-	-	-	-	-	-
Total other current assets	<u>16,193</u>	<u>32</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>74</u>
Total current assets	<u>22,128</u>	<u>36</u>	<u>5,581</u>	<u>-</u>	<u>7,110</u>	<u>14,695</u>
Noncurrent Assets:						
Capital Assets:						
Waterworks in service	174,728	11,008	18,147	330	42,280	84,806
Less accumulated depreciation	(48,796)	(1,022)	(1,015)	-	(21,021)	(23,887)
Total capital assets being depreciated, net	<u>125,932</u>	<u>9,986</u>	<u>17,132</u>	<u>330</u>	<u>21,259</u>	<u>60,919</u>
Land	18,535	212	141	-	-	1,478
Construction in progress	25,083	4,114	8,592	65	-	11,366
Total capital assets, net	<u>169,550</u>	<u>14,312</u>	<u>25,865</u>	<u>395</u>	<u>21,259</u>	<u>73,763</u>
Other Noncurrent Assets:						
Debt service cash and investments	3,194	2,458	4,249	-	-	5,557
Unamortized debt issuance expense	70	40	60	-	3	100
Notes receivable, net of current portion	182	-	-	-	-	-
Allen-McColloch Pipeline receivable, net of current portion	-	-	-	-	-	-
JPA investment program, net of current portion	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-
Net Pension Asset	-	-	-	-	-	-
Total other noncurrent assets	<u>3,446</u>	<u>2,498</u>	<u>4,309</u>	<u>-</u>	<u>3</u>	<u>5,657</u>
Interdistrict receivable	<u>15,952</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>44</u>	<u>26</u>
Total noncurrent assets	<u>188,948</u>	<u>16,810</u>	<u>30,188</u>	<u>395</u>	<u>21,306</u>	<u>79,446</u>
TOTAL ASSETS	<u>211,076</u>	<u>16,846</u>	<u>35,769</u>	<u>395</u>	<u>28,416</u>	<u>94,141</u>

230	235	240	250	252/253	256	260/261	282 /284	286/288/ 289	400	Total Sewer
3,630	-	4,809	-	-	-	2,127	4,097	-	-	45,765
266	334	188	618	-	-	329	79	24	-	3,473
6	-	5	7	-	-	11	8	-	-	62
-	-	-	-	-	-	-	-	-	10,673	10,673
-	-	-	-	-	-	-	-	-	-	10
-	-	-	-	-	-	-	-	-	-	-
13	1	1	25	1	-	7	4	-	-	504
285	335	194	650	1	-	347	91	24	10,673	14,722
-	-	-	-	-	-	-	-	-	-	-
51	-	37	71	-	-	54	-	-	-	16,539
-	-	-	-	-	-	-	-	-	12,112	12,112
51	-	37	71	-	-	54	-	-	12,112	28,651
3,966	335	5,040	721	1	-	2,528	4,188	24	22,785	89,138
90,865	57,937	85,311	209,890	122	-	77,906	33,052	4,394	-	890,776
(22,204)	(28,600)	(23,390)	(48,320)	-	-	(19,659)	(10,184)	(970)	-	(249,068)
68,661	29,337	61,921	161,570	122	-	58,247	22,868	3,424	-	641,708
1,656	1,937	452	1,916	-	-	876	338	42	-	27,583
10,905	16,768	2,835	50,418	121	51	5,315	2,089	1,104	-	138,826
81,222	48,042	65,208	213,904	243	51	64,438	25,295	4,570	-	808,117
5,386	-	1,925	28,575	-	-	2,851	291	4	-	54,490
167	5	199	437	-	-	62	59	4	-	1,206
-	-	-	-	-	-	-	-	-	-	182
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	392,895	392,895
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
5,553	5	2,124	29,012	-	-	2,913	350	8	392,895	448,773
-	1	10	14	-	-	-	-	-	-	16,061
86,775	48,048	67,342	242,930	243	51	67,351	25,645	4,578	392,895	1,272,951
90,741	48,383	72,382	243,651	244	51	69,879	29,833	4,602	415,680	1,362,089

Irvine Ranch Water District
Combining Schedule of Net Assets - Sewer Subfunds
June 30, 2009
(Continued)

	200/210/ 211/299	212	213	215	220	221
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Account payable and accrued expenses	3,510	771	303	7	-	4,106
Customer deposits and advance payments	-	-	-	-	-	-
Accrued interest:						
General obligation bonds	-	1	33	-	-	3
JPA revenue bonds	-	-	-	-	-	-
Other accrued interest payable	1,201	1	1	-	2	1
Current portion of long-term liabilities:						
General obligation bonds	-	-	-	-	-	1,659
Certificates of participation	966	-	-	-	42	105
JPA revenue bonds	-	-	-	-	-	-
Notes payable	10	42	26	-	33	46
Other long-term liabilities	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total current liabilities	<u>5,687</u>	<u>815</u>	<u>363</u>	<u>7</u>	<u>77</u>	<u>5,920</u>
Long-Term Liabilities:						
General obligation bonds, net of current portion	-	7,305	23,710	-	-	16,330
Certificates of Participation, net of current portion	9,518	-	-	-	412	1,032
JPA revenue bonds, net of current portion	-	-	-	-	-	-
Notes payable, net of current portion	61	258	158	-	26	456
Other long-term liabilities, net of current portion	146	-	-	-	-	-
Unearned revenue, net of current portion	-	-	-	-	-	-
Net OPEB obligation	-	-	-	-	-	-
Total long-term liabilities	<u>9,725</u>	<u>7,563</u>	<u>23,868</u>	<u>-</u>	<u>438</u>	<u>17,818</u>
Interdistrict payable	<u>47</u>	<u>7,136</u>	<u>-</u>	<u>315</u>	<u>57</u>	<u>978</u>
TOTAL LIABILITIES	<u>15,459</u>	<u>15,514</u>	<u>24,231</u>	<u>322</u>	<u>572</u>	<u>24,716</u>
NET ASSETS						
Change in net assets	30,332	229	1,553	73	(1,144)	(1,075)
Net assets at beginning of year	<u>165,285</u>	<u>1,103</u>	<u>9,985</u>	<u>-</u>	<u>28,988</u>	<u>70,500</u>
NET ASSETS AT END OF YEAR	<u><u>\$195,617</u></u>	<u><u>1,332</u></u>	<u><u>11,538</u></u>	<u><u>73</u></u>	<u><u>27,844</u></u>	<u><u>69,425</u></u>

230	235	240	250	252/253	256	260/261	282 /284	286/288/ 289	400	Total Sewer
2,698	138	16	6,521	182	-	1,666	977	5	-	20,900
-	-	-	-	-	-	-	-	-	-	-
4	4	33	184	-	-	3	4	-	-	269
-	-	-	-	-	-	-	-	-	8,053	8,053
7	-	8	37	-	-	10	-	-	-	1,268
1,097	-	1,441	4,142	-	-	598	800	-	-	9,737
804	-	95	584	-	-	172	-	-	-	2,768
-	-	-	-	-	-	-	-	-	12,438	12,438
59	-	34	46	-	-	38	-	-	-	334
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>4,669</u>	<u>142</u>	<u>1,627</u>	<u>11,514</u>	<u>182</u>	<u>-</u>	<u>2,487</u>	<u>1,781</u>	<u>5</u>	<u>20,491</u>	<u>55,767</u>
18,769	2,971	30,885	118,773	-	-	9,431	6,370	795	-	235,339
7,914	-	4,326	21,179	-	-	5,541	-	-	-	49,922
-	-	-	-	-	-	-	-	-	336,845	336,845
363	-	211	281	-	-	236	-	-	-	2,050
-	-	-	-	-	-	-	-	-	-	146
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>27,046</u>	<u>2,971</u>	<u>35,422</u>	<u>140,233</u>	<u>-</u>	<u>-</u>	<u>15,208</u>	<u>6,370</u>	<u>795</u>	<u>336,845</u>	<u>624,302</u>
2,934	17,011	5,869	13,776	50	42	1,956	-	1,062	-	51,233
34,649	20,124	42,918	165,523	232	42	19,651	8,151	1,862	357,336	731,302
175	(2,290)	4,125	2,169	9	9	(682)	(43)	(265)	5,251	38,426
55,917	30,549	25,339	75,959	3	-	50,910	21,725	3,005	53,093	592,361
<u>56,092</u>	<u>28,259</u>	<u>29,464</u>	<u>78,128</u>	<u>12</u>	<u>9</u>	<u>50,228</u>	<u>21,682</u>	<u>2,740</u>	<u>58,344</u>	<u>630,787</u>



Statistical Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2009

This section of the Irvine Ranch Water District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends Schedules – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Net Assets
- Changes in Net Assets

Revenue Capacity Schedules – These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property and sales taxes.

- Water Sold by Type of Customer
- Water Rates
- Water Customers
- Sewer Rates
- Sewer Customers
- Ad Valorem Property Tax Rates

Debt Capacity Schedules – These schedule present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issues additional debt in the future.

- Assessed Valuation and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Direct and Overlapping Debt
- Principal Property Taxpayers
- Property Tax Collections/Delinquency
- Outstanding Debt by Type
- Outstanding General Obligation Debt by Improvement District
- Ratios of General Obligation Debt to Assessed Values
- Ratios of Annual Debt Service Expenditures to Total General Expenditures – Cash Basis
- Debt Service Coverage

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 and to help make comparisons over time and with other governments.

- Principal Employers
- Demographic and Economic Statistics
- Full-Time Employees

Operating Information – These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

- Operating Indicators – Water and Sewer Service Connections
- Operating Indicators – New Service Connections
- Operating Indicators – Average Monthly Usage
- Capital Asset Statistics

Irvine Ranch Water District
 Net Assets
 For the Past Seven Fiscal Years
 (in millions)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Assets							
Current & other assets	\$1,447.9	1,327.1	1,250.6	1,162.1	1,088.9	1,103.9	1,224.1
Capital assets	902.1	950.7	1,017.4	1,111.1	1,224.3	1,346.1	1,423.1
Total assets	<u>2,350.0</u>	<u>2,277.8</u>	<u>2,268.0</u>	<u>2,273.2</u>	<u>2,313.2</u>	<u>2,449.9</u>	<u>2,647.2</u>
Liabilities							
Current and other liabilities	79.4	78.0	82.8	91.5	95.3	96.5	99.4
Long-term liabilities	1,153.2	1,109.1	1,058.6	1,068.8	1,022.1	1,074.7	1,190.8
Total liabilities	<u>1,232.6</u>	<u>1,187.1</u>	<u>1,141.4</u>	<u>1,160.3</u>	<u>1,117.4</u>	<u>1,171.2</u>	<u>1,290.2</u>
Net assets							
Invested in capital assets, net of related debt	598.9	648.0	730.2	791.0	927.6	977.7	994.3
Restricted for water services	324.1	298.1	280.4	231.2	229.2	253.8	294.4
Restricted for sewer services	194.4	144.6	116.0	90.6	38.9	47.2	68.3
Total net assets	<u>\$1,117.4</u>	<u>1,090.7</u>	<u>1,126.6</u>	<u>1,112.8</u>	<u>1,195.7</u>	<u>1,278.7</u>	<u>1,357.0</u>

Source: IRWD Basic Financial Statements

IRWD implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available in comparable formats.

Irvine Ranch Water District
Changes in Net Assets
For the Past Seven Fiscal Years
(in thousands)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Operating Revenues							
Water sales and service charges	\$27,185	31,700	33,105	39,256	45,138	48,516	50,940
Sewer service charges	18,521	23,346	24,622	29,248	37,649	39,811	41,157
Total operating revenues	45,706	55,046	57,727	68,504	82,787	88,327	92,097
Operating Expenses							
Water							
Water services	24,820	26,139	25,198	29,813	33,281	37,030	40,333
General and administrative	7,016	7,035	7,308	8,625	10,267	11,257	12,536
Customer accounts	1,325	1,384	1,446	1,572	1,698	1,999	1,940
Sewer							
Sewer services	15,558	19,052	19,055	18,480	23,439	26,032	27,402
General and administrative	5,125	5,266	5,571	5,556	6,328	7,259	7,712
Customer accounts	882	923	964	1,048	1,131	1,179	1,294
Depreciation	24,984	25,091	26,395	27,135	28,449	31,595	34,699
Total operating expenses	79,710	84,890	85,937	92,229	104,593	116,351	125,916
Operating income (loss)	(34,004)	(29,844)	(28,210)	(23,725)	(21,806)	(28,024)	(33,819)
Nonoperating Revenues (Expenses)							
Property taxes	14,247	15,304	7,725	15,237	30,667	34,245	36,240
Investment income	8,333	7,700	7,695	9,115	10,768	10,674	4,365
Increase (decrease) in fair value of investments	50,204	(56,999)	8,864	(53,542)	(3,996)	26,976	9,837
JPA investment income	65,249	63,741	64,870	63,427	61,793	59,854	57,676
Gain (loss) on sale of capital assets		2,283					
Real estate income	8,146	8,460	9,076	9,118	9,483	10,478	10,792
Other income	6,120	7,475	9,753	8,494	10,457	11,130	9,918
Interest expense	(4,390)	(3,929)	(5,092)	(9,286)	(12,762)	(8,515)	(6,061)
JPA interest expense	(64,219)	(63,014)	(61,593)	(60,060)	(58,404)	(56,616)	(54,686)
Real estate expense	(3,478)	(3,919)	(4,131)	(4,493)	(4,562)	(5,149)	(5,698)
Other expenses	(373)	(1,526)	(430)	(666)	(883)	(2,288)	(1,535)
Total nonoperating revenue (expenses)	79,839	(24,424)	36,737	(22,656)	42,561	80,789	60,848
Income (loss) before capital contributions	45,835	(54,268)	8,527	(46,381)	20,755	52,765	27,029
Contributed capital assets	25,963	27,610	27,374	32,525	52,672	29,319	32,517
Increase (decrease) in net assets	71,798	(26,658)	35,901	(13,856)	73,427	82,084	59,546
Net Assets at beginning of year	1,045,614	1,117,412	1,090,754	1,126,655	1,112,799	1,195,761	1,278,703
SCWD Retained Earnings at 6/30/06					9,535		
OPA Net Assets at 6/1/08						858	
Prior period adjustments							18,797
Net assets at end of year	\$1,117,412	1,090,754	1,126,655	1,112,799	1,195,761	1,278,703	1,357,046

Irvine Ranch Water District
Water Sold By Type of Customer (in Acre Feet)
For the Past Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Residential	22,019	26,354	29,172	29,728	31,136	30,681	31,514	34,097	33,771	34,189
Commercial	6,284	6,899	7,091	7,218	7,544	7,602	8,037	8,710	8,710	8,382
Industrial	6,816	6,925	6,325	6,237	6,222	6,047	5,714	5,438	5,353	5,009
Public Authority	2,485	2,447	2,475	2,490	2,601	2,842	2,795	2,474	2,588	2,571
Construction & Temporary	944	925	1,347	1,074	931	489	790	696	513	133
Treated - Landscape Irrigation	4,037	4,518	5,423	5,051	5,464	4,953	5,322	6,249	6,039	5,789
Treated - Agricultural	2,036	1,550	2,042	1,512	1,709	1,177	1,018	1,009	820	563
Untreated - Agricultural	13,166	8,651	8,611	8,346	7,606	5,973	7,621	7,583	6,211	6,452
Recycled - Landscape/ Agricultural	16,769	16,769	19,478	17,380	19,551	18,620	19,504	33,221	24,564	24,415
Total	<u>74,555</u>	<u>75,037</u>	<u>81,964</u>	<u>79,035</u>	<u>82,763</u>	<u>78,384</u>	<u>82,316</u>	<u>99,477</u>	<u>88,569</u>	<u>87,503</u>

Irvine Ranch Water District

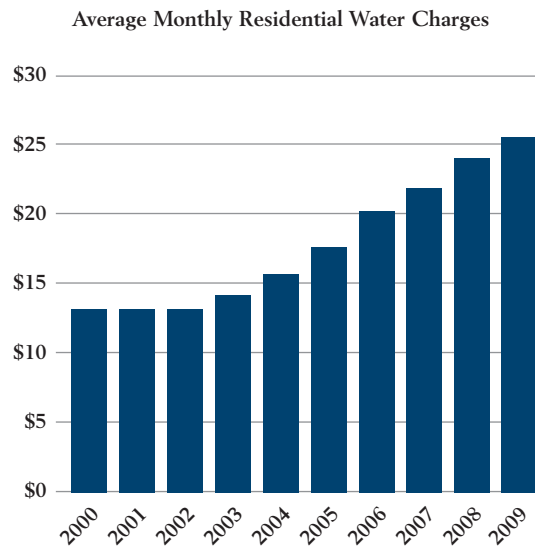
Water Rates

For the Past Ten Fiscal Years

<u>Fiscal Year</u>	<u>Fixed Service Charge</u>	<u>Commodity Rate (per ccf)</u>	<u>Average monthly residential charge</u>
2000	\$2.90	\$0.64	\$13.14
2001	\$2.90	\$0.64	\$13.14
2002	\$2.90	\$0.64	\$13.14
2003	\$3.00	\$0.69	\$14.14
2004	\$3.65	\$0.75	\$15.87
2005	\$3.90	\$0.83	\$17.56
2006	\$5.45	\$0.88	\$20.01
2007	\$6.75	\$0.91	\$21.85
2008	\$7.50	\$0.98	\$23.86
2009	\$7.50	\$1.07	\$25.48

The water charge to the average residential customer is based upon an average of 18 ccf per month. The first 8 ccf are at the District's low volume rate, which is \$0.16 less than the commodity rate. The IRWD Board of Directors approved an enhancement component of \$0.15 for both water and sewer system on the fixed service charge.

Source: IRWD



Irvine Ranch Water District
Schedule of Largest Water Customers
Fiscal Year Ended June 30, 2009

Customer Name		Total Paid	Percentage of Water Sales Revenues
1. Irvine Apartment Communities	(1)	\$3,200,751	6.28%
2. The Irvine Company - Agricultural Division	(1)	1,948,689	3.83%
3. City of Irvine		1,735,005	3.41%
4. University of California - Irvine		1,477,661	2.90%
5. The Irvine Company - Spectrum Office	(1)	703,300	1.38%
6. Jazz Semiconductor		586,595	1.15%
7. The Irvine Company - Resort Properties	(1)	578,051	1.13%
8. The Irvine Company - Retail Properties	(1)	544,686	1.07%
9. The Irvine Company - Properties	(1)	503,193	0.99%
10. Irvine Unified School District		479,843	0.94%
11. Woodbridge Village Association		476,952	0.94%
12. B Braun Medical Inc		469,950	0.92%
13. Hines Nurseries		420,649	0.83%
14. County of Orange		387,790	0.76%
15. Crystal Cove Community Association		326,384	0.64%
	Total	\$ 13,839,499	27.17%

Source: Irvine Ranch Water District

Information for Largest Water Customers is not available for 1997 for comparison purposes.

Note:

(1) (1) Various divisions within the Irvine Company account for total sales of \$7.5 million, or 14.68% of total water sales revenues.

Irvine Ranch Water District

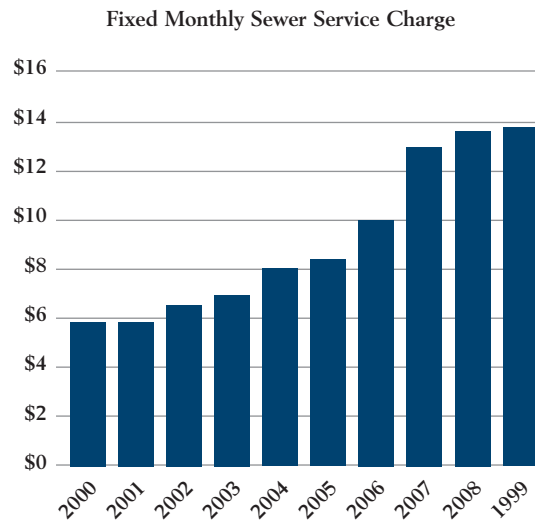
Sewer Rates

For the Past Ten Fiscal Years

<u>Fiscal Year</u>	<u>Fixed Monthly Service Charge</u>
2000	\$ 5.90
2001	\$ 5.90
2002	\$ 6.60
2003	\$ 6.95
2004	\$ 8.05
2005	\$ 8.35
2006	\$ 10.00
2007	\$ 13.05
2008	\$ 13.65
2009	\$ 13.80

Source: IRWD

Beginning in FY 2006-07, the IRWD Board of Directors instituted a \$2.65 replacement surcharge to fund aging infrastructure replacement and refurbishment and increased this to \$3.05 in FY 2007-08. This is included in the sewer fixed charge.



Irvine Ranch Water District
 Schedule of Largest Sewer Customers
 Fiscal Year Ended June 30, 2009

<u>Customer Name</u>	<u>Total Paid</u>	<u>Percentage of Water Sales Revenues</u>
1. Irvine Apartment Communities (1)	\$2,754,312	6.92%
2. University of California - Irvine	743,210	1.87%
3. B Braun Medical Inc	301,580	0.76%
4. Maruchan Inc	233,899	0.59%
5. Royalty Carpet Mills	221,558	0.56%
6. Allergan Sales, LLC	209,657	0.53%
7. The Irvine Company - Retail Properties (1)	192,583	0.48%
8. Teva Parenteral Medicines	189,040	0.47%
9. The Irvine Company - Spectrum Office (1)	178,523	0.45%
10. ERP Operating LP	154,375	0.39%
11. Airport Complex	127,453	0.32%
12. The Irvine Company - Properties (1)	113,267	0.28%
13. Oakley Technical Center	106,046	0.27%
14. Maguire Properties	82,950	0.21%
15. Hyatt Regency Irvine	76,025	0.19%
Total	<u>\$5,684,478</u>	<u>14.29%</u>

Source: Irvine Ranch Water District

Information for Sewer Water Customers is not available for 2000 for comparison purposes.

(1) Various divisions within the Irvine Company account for total sales of \$3.2 million, or 7.87% of total sewer sales revenues.

Irvine Ranch Water District

Ad Valorem Tax Rate

For the Past Ten Fiscal Years

Improvement District	2000	2001	2002	2003	2004
113 (1)	N/A	N/A	N/A	N/A	N/A
120	0.00001	0.00001	0.00001	0.00001	0.00001
121	0.00001	0.00001	0.00001	0.00001	0.00001
130	0.00001	0.00001	0.00001	0.00001	0.00001
135 (2)	N/A	0.074599	0.0727	0.04264	0.01500
140	0.00001	0.00001	0.00001	0.00001	0.00001
150	0.00001	0.00001	0.00001	0.00001	0.00001
160	0.00001	0.00001	0.00001	0.00001	0.00001
161	0.00001	0.00001	0.00001	0.00001	0.00001
182	0.00001	0.00001	0.00001	0.00001	0.00001
184	N/A	N/A	N/A	N/A	N/A
186	0.00001	0.00001	0.00001	0.00001	0.00001
188	0.00001	0.00001	0.00001	0.00001	0.00001
190	0.00001	0.00001	0.00001	0.00001	0.00001
210	0.00001	0.00001	0.00001	0.00001	0.00001
213 (1)	N/A	N/A	N/A	N/A	N/A
220	0.00001	0.00001	0.00001	0.00001	0.00001
221	0.00001	0.00001	0.00001	0.00001	0.00001
230	0.00001	0.00001	0.00001	0.00001	0.00001
235 (2)	N/A	0.04999	0.003581	0.00936	0.00001
240	0.00001	0.00001	0.00001	0.00001	0.00001
250	0.00001	0.00001	0.00001	0.00001	0.00001
252	N/A	N/A	N/A	N/A	N/A
260	N/A	N/A	N/A	N/A	N/A
261	0.00001	0.00001	0.00001	0.00001	0.00001
282	0.00001	0.00001	0.00001	0.00001	0.00001
284	N/A	N/A	N/A	N/A	N/A
290	0.00001	0.00001	0.00001	0.00001	0.00001

Irvine Ranch Water District
Ad Valorem Tax Rate
For the Past Ten Fiscal Years
(Continued)

Improvement District	2005	2006	2007	2008	2009
113	N/A	N/A	0.01920	0.01920	0.01920
120	0.00001	0.01168	0.01168	0.01298	0.01298
121	0.00001	0.00001	0.00001	0.00001	0.00001
130	0.00001	0.00001	0.00001	0.00500	0.00500
135	0.00001	0.00001	0.00842	0.00842	0.00842
140	0.00001	0.00001	0.00001	0.00001	0.00001
150	0.00001	0.00001	0.00001	0.00780	0.00780
160	0.00001	0.01168	0.01168	0.01648	0.01648
161	0.00001	0.00001	0.00001	0.00001	0.00001
182	0.00001	0.00808	0.00808	0.01300	0.01300
184	N/A	N/A	0.00001	0.00001	0.00001
186	0.00001	0.02051	0.02051	0.02700	0.02700
188	0.00001	0.02051	0.02051	0.02700	0.02700
190	0.00001	0.00001	0.00001	0.00500	0.00500
210	0.00001	0.00001	0.00001	0.00001	0.00001
213	N/A	N/A	0.14093	0.14093	0.14093
220	0.00001	0.01000	0.01000	0.01400	0.01400
221	0.00001	0.00001	0.00001	0.00001	0.00001
230	0.00001	0.01995	0.01995	0.02000	0.02000
235	0.00001	0.00001	0.00532	0.00532	0.00532
240	0.00001	0.02168	0.02168	0.02699	0.02699
250	0.00001	0.02602	0.03199	0.03200	0.03200
252	N/A	N/A	N/A	0.00001	0.00001
260	N/A	N/A	0.02030	0.02330	0.02330
261	0.00001	0.00001	0.00001	0.00001	0.00001
282	0.00001	0.01280	0.01280	0.01400	0.01400
284	N/A	N/A	0.00001	0.02699	0.02699
290	0.00001	0.01995	0.01995	0.02000	0.02000

Source: Irvine Ranch Water District

Notes:

- (1) Improvement Districts 113 and 213 encompass the former Tustin Marine Base.
- (2) The Los Alisos Water District and the District consolidated on December 31, 2000 adding Improvement Districts 135 and 235.

Irvine Ranch Water District
Assessed Valuation of Taxable Property and 1% Property Tax Revenue
For the Past Ten Fiscal Years
(in thousands)

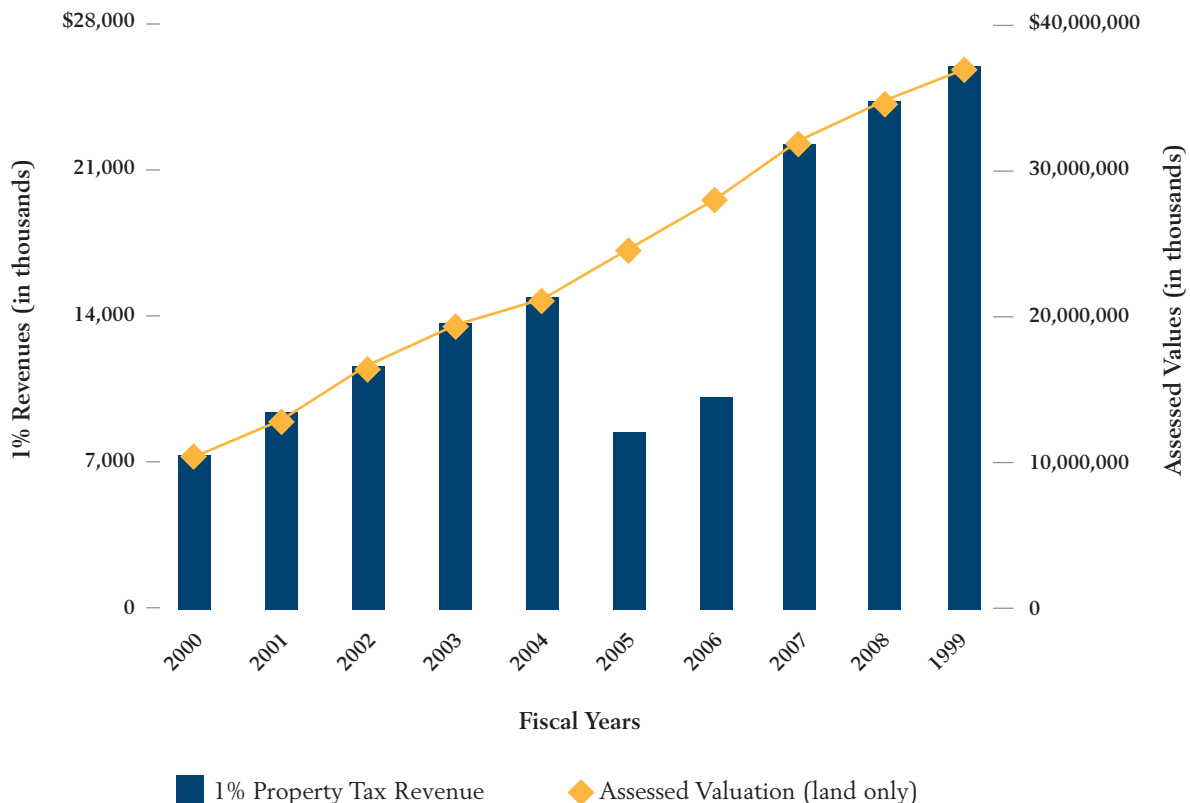
Fiscal Year Ended	Assessed Valuation (land only) (3)	1 % Property Tax Revenue
2000	\$ 10,602,106	\$ 7,327
2001	12,058,755	9,227
2002 (1)	15,243,031	11,281
2003	16,951,715	12,833
2004	19,117,325	14,474
2005	22,101,916	7,335
2006 (2)	25,869,944	10,177
2007	31,378,053	22,444
2008	35,540,296	24,730
2009	37,002,606	26,283

Source: Orange County Auditor-Controller and Orange County Tax Collector.

- Notes:
- (1) The Los Alisos Water District and the District consolidated on December 31, 2000.
 - (2) The IRWD state mandated contribution to ERAF for FY 2004-05 and FY 2005-06 was \$9.7 million per year.
 - (3) Estimated market values for the land-only Assessed Values are not available.

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold.

1% Revenues and Assessed Values



Irvine Ranch Water District
Direct and Overlapping Tax Rates
Fiscal Year Ended June 30, 2009

Direct Rate:

Irvine Ranch Water District I.D. No. 1	0.00001
Irvine Ranch Water District I.D. No. 2	0.00140
Irvine Ranch Water District I.D. No. 3	0.02000
Irvine Ranch Water District I.D. No. 102	0.01298
Irvine Ranch Water District I.D. No. 103	0.00500
Irvine Ranch Water District I.D. No. 105	0.00780
Irvine Ranch Water District I.D. No. 106	0.01648
Irvine Ranch Water District I.D. No. 109	0.00500
Irvine Ranch Water District I.D. No. 113	0.01920
Irvine Ranch Water District I.D. No. 121	0.00001
Irvine Ranch Water District I.D. No. 140	0.00001
Irvine Ranch Water District I.D. No. 161	0.00001
Irvine Ranch Water District I.D. No. 182	0.01300
Irvine Ranch Water District I.D. No. 184	0.00001
Irvine Ranch Water District I.D. No. 186	0.02700
Irvine Ranch Water District I.D. No. 188	0.02700
Irvine Ranch Water District I.D. No. 206	0.02330
Irvine Ranch Water District I.D. No. 213	0.14093
Irvine Ranch Water District I.D. No. 221	0.00001
Irvine Ranch Water District I.D. No. 240	0.02699
Irvine Ranch Water District I.D. No. 250	0.03200
Irvine Ranch Water District I.D. No. 252	0.00001
Irvine Ranch Water District I.D. No. 261	0.00001
Irvine Ranch Water District I.D. No. 282	0.01400
Irvine Ranch Water District I.D. No. 284	0.02699
Irvine Ranch Water District I.D. No. 290	0.02000
135 (Formerly Los Alisos Water District)	0.00842
235 (Formerly Los Alisos Water District)	0.00532

Overlapping Rates:

School Districts:

Coast Community College District	0.01472
Rancho Santiago Community College District	0.02253
Laguna Beach Unified School District	0.01544
Newport Mesa Unified School District	0.01609
Saddleback Valley Unified School District	0.02834
Santa Ana Unified School District	0.03212
Tustin Unified School District SFID 2002-1	0.03102

Cities:

Laguna Beach	0.01522
--------------	---------

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District
Direct and Overlapping Debt
Fiscal Year Ended June 30, 2009

2008-09 Land Only Assessed Valuation: \$37,124,981,178

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt 6/30/09</u>	<u>% Applicable (1)</u>	<u>District's Share of Debt 6/30/09</u>
Metropolitan Water District	\$293,425,000	3.794%	\$ 11,132,545
Coast Community College District	341,668,867	5.204	17,780,448
Rancho Santiago Community College District	316,405,071	19.271	60,974,421
Saddleback Valley Unified School District	140,200,000	34.652	48,582,104
Santa Ana Unified School District	221,191,491	40.299	89,137,959
Other Unified School Districts	240,734,097	Various	34,832,175
City of Laguna Beach	4,480,000	0.028	1,254
Irvine Ranch Water District Improvement Districts	417,170,000	100.	417,170,000
Irvine Unified School District Community Facilities District No. 86-1	77,785,000	100.	77,785,000
Irvine Unified School District Community Facilities District No. 01-1	101,390,000	100.	101,390,000
Other Irvine Unified School District Community Facilities Districts	268,231,803	100.	268,231,803
Tustin Unified School District Community Facilities Districts	230,680,345	100.	230,680,345
Orange County Community Facilities Districts	88,787,007	100.	88,787,007
Other Community Facilities Districts	178,205,000	Various	165,183,912
City of Irvine 1915 Act Bonds	887,163,771	100.	887,163,771
City of Tustin 1915 Act Bonds	48,755,000	100.	48,755,000
Other 1915 Act Bonds	113,182,296	100.	113,182,296
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$2,660,770,040
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	\$462,152,000	18.445%	\$ 85,243,936
Orange County Pension Obligations	69,713,001	18.445	12,858,563
Orange County Board of Education Certificates of Participation	19,430,000	18.445	3,583,864
Municipal Water District of Orange County Water Facilities Corporation	17,685,000	21.717	3,840,651
South Orange County Community College District Certificates of Participation	32,875,000	33.994	11,175,528
Santa Ana Unified School District Certificates of Participation	62,396,493	40.299	25,145,163
Other Unified School District Certificates of Participation	150,550,000	Various	8,312,735
City of Irvine General Fund Obligations	16,740,000	99.978	16,736,317
Other City General Fund Obligations	191,390,000	Various	15,635,636
Orange County Fire Authority	7,040,000	31.150	2,192,960
Irvine Ranch Water District Certificates of Participation	103,100,000	100.	103,100,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$287,825,353 (2)
Less: MWDOC Water Facilities Corporation (100% self-supporting)			3,840,651
Santa Ana Unified School District QZABs supported by investment fund payments			4,634,385
City of Lake Forest self-supporting obligations			7,504,219
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$271,846,098
GROSS COMBINED TOTAL DEBT			\$2,948,595,393 (3)
NET COMBINED TOTAL DEBT			\$2,932,616,138

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the district based on redevelopment adjusted all property assessed valuation of \$69,969,846,448.

(2) Previously classified Orange County Sanitation District Certificates of Participation have been reclassified as revenue supported issues and are no longer included in the debt statement.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Land Only Assessed Valuation:

Direct Debt (\$417,170,000)	1.12%
Total Direct and Overlapping Tax and Assessment Debt	7.17%

Ratios to Adjusted All Property Assessed Valuation:

Combined Direct Debt (\$520,270,000)	0.74%
Gross Combined Total Debt	4.21%
Net Combined Total Debt	4.19%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

Irvine Ranch Water District
Schedule of the Ten Largest Property Taxpayers
June 30, 2008

<u>Property Owner's Name</u>	<u>Type of Business</u>	<u>Assessed Valuation of Property, including Land & Improvements</u>	<u>Percentage of Total City Taxable Assessed Value</u>
The Irvine Company	Developer/Real Estate	\$5,084,093,703	11.46%
Maguire Properties Park	Real Estate Developer	1,285,936,577	2.90%
Irvine Apartment Communities	Real Estate	1,242,682,421	2.80%
Heritage Fields El Toro	Real Estate Developer	864,944,013	1.95%
Central Park West	Real Estate Developer	298,515,801	0.67%
Capital Research Company	Real Estate Developer	238,777,644	0.54%
Lakeshore Properties LLC	Real Estate	174,287,257	0.39%
B Braun Medical Inc.	Bio-Medical Manufacturing	149,746,368	0.34%
Century Centre LLC	Real Estate	142,414,112	0.32%
2040 Main LLC	Real Estate	105,751,911	0.24%
		<u>\$8,408,515,026</u>	<u>21.40%</u>

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2008)

Data was not yet available for FY2008/09 from the City of Irvine.

The City of Irvine is only a part of the IRWD service area.

Information for Largest Property Taxpayers is not available for FY1999/00 for comparison purposes.

Irvine Ranch Water District
Summary Of Property Tax Collections/Delinquency
For the Past Ten Fiscal Years

Fiscal Year Ended	IRWD Estimated Levy During Fiscal Year		Collected During Fiscal Year		Percentage Collected		Amount of Levy Collected in Subsequent Periods	
	1 Percent (1)	General (2)	1 Percent	General (3)	1 Percent	General	1 Percent	General
2000	N/A	N/A	\$ 6,937,879	\$ 57,571	N/A	N/A	\$ 410,329	\$ 23,264
2001	N/A	N/A	9,032,961	1,572,406	N/A	N/A	523,698	127,435
2002	9,832,977	1,682,253	10,976,075	2,381,844	111.63%	141.59%	669,174	157,703
2003	12,756,500	881,909	12,459,640	1,352,950	97.67%	153.41%	790,125	156,184
2004	13,541,700	282,045	13,932,804	979,552	102.89%	347.30%	958,597	11,033
2005	7,750,200	3,151	7,404,859	448,835	95.54%	14244.20%	1,129,009	27,285
2006	7,965,300	3,081,122	8,755,621	5,038,833	109.92%	163.54%	1,441,127	149,874
2007	19,419,300	5,050,938	21,368,075	7,869,904	110.04%	155.81%	1,093,740	541,024
2008	23,963,000	7,626,979	22,859,667	10,242,088	95.40%	134.29%	887,709	496,260
2009	25,486,200	11,694,868	25,910,366	9,873,983	101.66%	84.43%	477,134	281,774
Total	<u>\$120,715,177</u>	<u>\$30,303,265</u>	<u>\$139,637,947</u>	<u>\$39,817,966</u>			<u>\$ 8,380,641</u>	<u>\$ 1,971,836</u>

Source: County of Orange Tax Ledger

Notes:

(1) The estimated levy for one percent revenue is generated internally and it is based on prior year receipts and developer growth projections.

(2) The estimated levy for G.O. tax receipts is based on the county's assessed value projection multiplied by the tax rate assessed within each improvement district.

(3) The General column for Collected tax receipts includes an unbudgeted utility tax revenue from improvement districts 190/290 that adds approximately \$400K per year

Irvine Ranch Water District

Outstanding Debt by Type ⁽¹⁾

For the Past Ten fiscal years

Fiscal Year Ended	Total Connections(2)	General Obligation Bonds	GO Debt per Connection	Certificates of Participation (COPs)	COPs Debt per Connections	JPA Revenue Bonds	JPA Debt per Connection	Total Debt	Total Debt per Connection
2000	123,431	\$282,153,000	\$ 2,286	\$ 56,002,000	\$ 454	\$ 843,035,000	\$ 6,830	\$1,181,190,000	\$ 9,570
2001	152,473	269,542,000	1,768	54,400,000	357	834,750,000	5,475	1,158,692,000	7,599
2002	157,813	249,981,000	1,584	52,700,000	334	825,966,000	5,234	1,128,647,000	7,152
2003	161,526	230,124,368	1,425	120,800,000	748	831,833,622	5,150	1,182,757,990	7,322
2004	166,897	209,227,990	1,254	118,800,000	712	813,397,384	4,874	1,141,425,374	6,839
2005	172,548	187,396,610	1,086	116,600,000	676	793,611,146	4,599	1,097,607,756	6,361
2006	177,325	224,585,230	1,267	114,200,000	644	772,359,906	4,356	1,111,145,136	6,266
2007	182,140	201,585,230	1,107	111,600,000	613	749,513,668	4,115	1,062,698,898	5,835
2008	185,359	280,947,000	1,516	106,934,000	577	724,962,000	3,911	1,112,843,000	6,004
2009	186,856	415,699,000	2,225	103,100,000	552	698,566,000	137	1,217,365,000	2,913

Notes:

(1) More detail about the District's long-term liabilities can be found at Note 8 to the Financial Statements.

(2) Per Capita income information for the Irvine Ranch Water District is not readily available. Accordingly, the District presents this schedule by total service connections. total service connections.

(3) Debt balances are as of June 30 for each fiscal year.

Irvine Ranch Water District
Outstanding General Obligation Bonds by Improvement District

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2009
112	\$ 28,512,300	\$ 2,740,000	\$ 25,772,300	\$ 2,745,000
113	25,769,500	9,500,000	16,269,500	9,523,100
120	26,805,000	26,805,000	-	354,400
121	35,437,000	17,782,000	17,655,000	6,780,100
130	110,465,000	43,461,000	67,004,000	6,424,800
135	20,010,000	20,010,000	-	4,985,800
140	117,130,000	32,326,100	84,803,900	14,472,900
150	188,734,000	164,878,600	23,855,400	110,002,200
153	237,300,000	-	237,300,000	-
154	4,839,000	-	4,839,000	-
160	22,895,000	22,569,000	326,000	1,111,700
161	40,786,000	5,435,000	35,351,000	4,701,900
182	74,653,000	9,411,300	65,241,700	4,856,300
184	79,065,000	1,200,000	77,865,000	1,200,000
186	19,266,000	6,632,700	12,633,300	2,931,200
188	8,174,000	3,137,000	5,037,000	1,235,200
Total	<u>\$ 1,039,840,800</u>	<u>\$ 365,887,700</u>	<u>\$ 673,953,100</u>	<u>\$ 171,324,600</u>
210	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
212	108,712,000	7,300,000	101,412,000	7,305,000
213	87,648,000	23,800,000	63,848,000	23,867,100
220	30,316,000	28,410,000	1,906,000	-
221	50,452,000	44,554,000	5,898,000	17,989,800
230	165,173,000	49,222,000	115,951,000	19,866,000
235	15,724,000	15,724,000	-	2,998,700
240	117,273,000	48,476,500	68,796,500	32,326,600
250	286,727,000	173,468,200	113,258,800	123,488,400
253	122,283,000	-	122,283,000	-
260	69,665,000	17,917,000	51,748,000	1,031,800
261	46,364,000	10,276,900	36,087,100	9,006,900
282	59,101,000	5,980,000	53,121,000	2,875,000
284	92,590,000	9,350,000	83,240,000	4,295,000
286	40,531,000	500,000	40,031,000	495,000
288	<u>8,977,000</u>	<u>300,000</u>	<u>8,677,000</u>	<u>300,000</u>
Total	<u>\$ 1,303,536,000</u>	<u>\$ 437,278,600</u>	<u>\$ 866,257,400</u>	<u>\$ 245,845,300</u>
	<u>\$ 2,343,376,800</u>	<u>\$ 803,166,300</u>	<u>\$ 1,540,210,500</u>	<u>\$ 417,169,900</u>

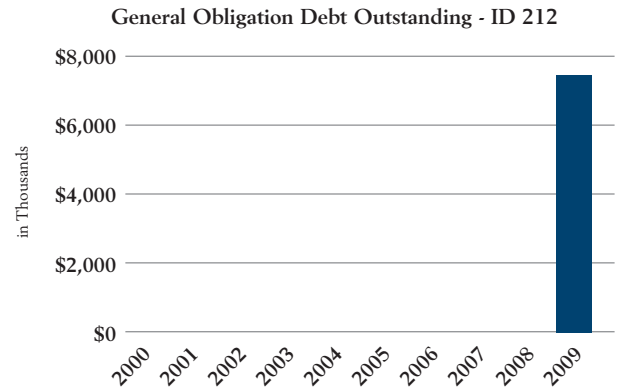
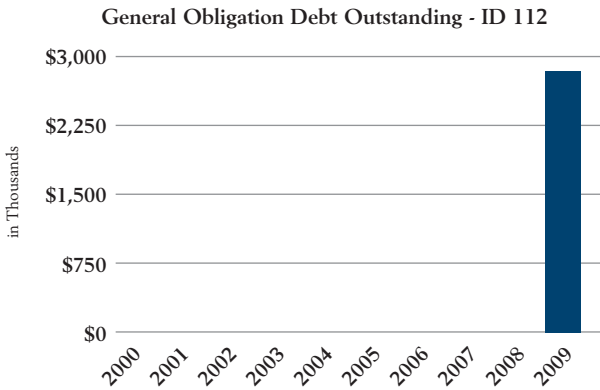
This page intentionally left blank.

Irvine Ranch Water District

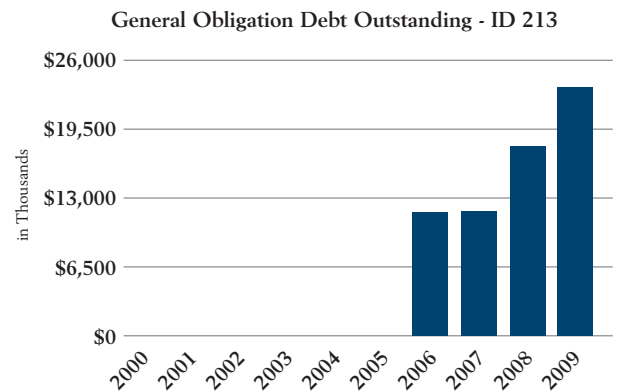
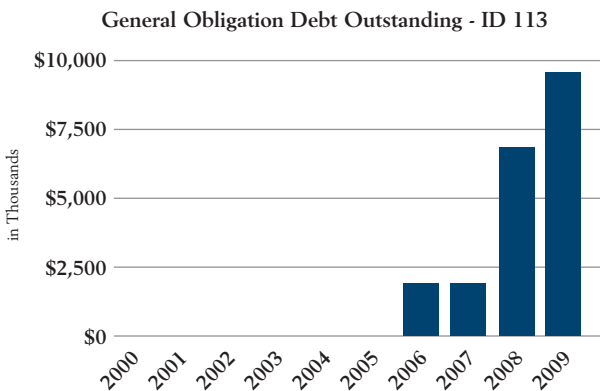
Ratio of General Obligation Debt to Assessed Values

For the Past Ten Fiscal Years

Fiscal Year Ended	Improvement District 112			Improvement District 212		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2000	\$ -	\$ -	n/a	\$ -	\$ -	n/a
2001	-	-	n/a	-	-	n/a
2002	-	-	n/a	-	-	n/a
2003	-	-	n/a	-	-	n/a
2004	-	-	n/a	-	-	n/a
2005	-	-	n/a	-	-	n/a
2006	-	-	n/a	-	-	n/a
2007	-	-	n/a	-	-	n/a
2008	-	-	n/a	-	-	n/a
2009	500,354,220	2,745,000	0.00548611	500,354,220	7,305,000	0.01459966



Fiscal Year Ended	Improvement District 113			Improvement District 213		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2000	\$ -	\$ -	n/a	\$ -	\$ -	n/a
2001	-	-	n/a	-	-	n/a
2002	-	-	n/a	-	-	n/a
2003	-	-	n/a	-	-	n/a
2004	-	-	n/a	-	-	n/a
2005	-	-	n/a	-	-	n/a
2006	276,019,505	1,500,000	0.00543440	276,019,505	11,100,000	0.04021455
2007	583,904,580	1,500,000	0.00256891	583,904,580	11,100,000	0.01900996
2008	691,298,772	6,523,125	0.00943604	691,298,772	17,462,140	0.02525990
2009	609,156,504	9,523,125	0.01563330	609,156,504	23,867,140	0.03918064



Irvine Ranch Water District

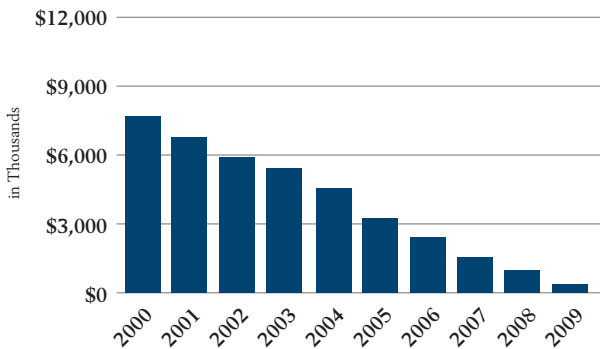
Ratio of General Obligation Debt to Assessed Values

For the Past Ten Fiscal Years

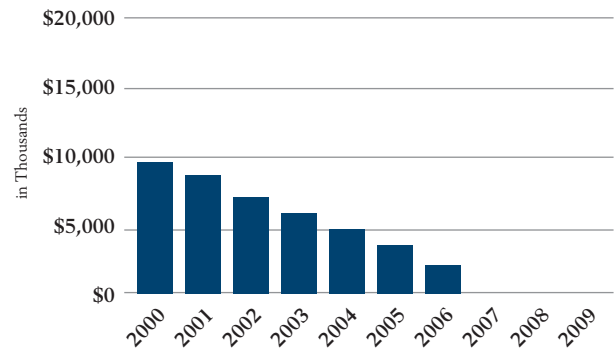
(Continued)

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 120			Improvement District 220		
2000	\$1,754,578,139	\$ 7,376,950	0.00420440	\$2,202,113,184	\$ 9,531,810	0.00432848
2001	2,035,540,701	6,591,159	0.00323804	2,522,353,571	8,357,274	0.00331328
2002	2,263,025,358	5,764,954	0.00254745	2,789,540,948	7,137,564	0.00255869
2003	2,460,176,613	4,915,952	0.00199821	3,025,751,360	5,872,679	0.00194090
2004	2,655,750,823	4,014,721	0.00151171	3,277,646,727	4,562,620	0.00139204
2005	3,048,171,194	3,073,075	0.00100817	3,712,898,262	2,958,274	0.00079676
2006	3,296,099,817	2,079,199	0.00063081	4,084,154,528	1,557,866	0.00038144
2007	3,716,412,058	974,678	0.00026226	4,601,691,594	-	-
2008	3,999,440,197	673,414	0.00016838	4,946,140,742	-	-
2009	3,907,684,159	354,428	0.00009070	4,819,998,823	-	-

General Obligation Debt Outstanding - ID 120



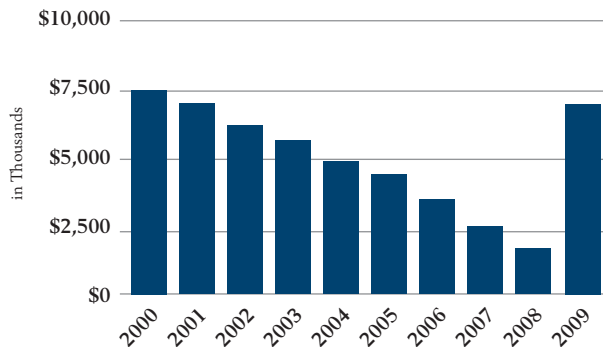
General Obligation Debt Outstanding - ID 220



Improvement District 121

2000	\$ 1,754,578,139	\$ 7,386,318	0.00420974
2001	2,035,540,701	6,843,246	0.00336188
2002	2,263,025,358	6,262,950	0.00276751
2003	2,460,176,613	5,646,252	0.00229506
2004	2,655,750,823	4,965,507	0.00186972
2005	3,048,171,194	4,248,360	0.00139374
2006	3,296,099,817	3,464,525	0.00105110
2007	3,716,412,058	2,662,787	0.00071649
2008	3,999,440,197	1,793,038	0.00044832
2009	3,907,684,159	6,780,059	0.00173506

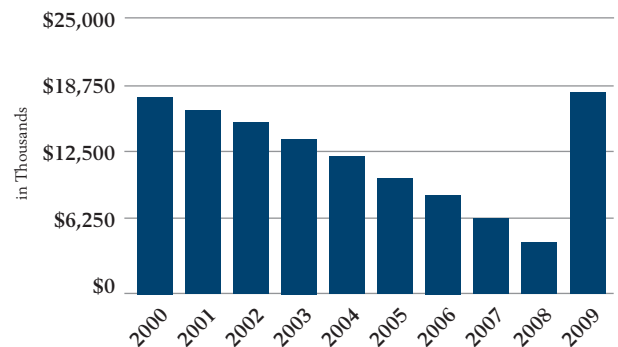
General Obligation Debt Outstanding - ID 121



Improvement District 221

2000	\$ 1,739,335,514	\$ 17,830,344	0.01025124
2001	2,016,000,565	16,462,729	0.00816603
2002	2,242,421,472	14,989,639	0.00668458
2003	2,437,921,523	13,411,720	0.00550129
2004	2,633,056,001	11,709,055	0.00444694
2005	2,991,737,859	9,901,563	0.00330964
2006	3,270,481,689	7,941,236	0.00242815
2007	3,688,965,082	6,007,654	0.00162855
2008	3,971,444,282	3,907,194	0.00098382
2009	3,876,394,631	17,989,776	0.00464085

General Obligation Debt Outstanding - ID 221

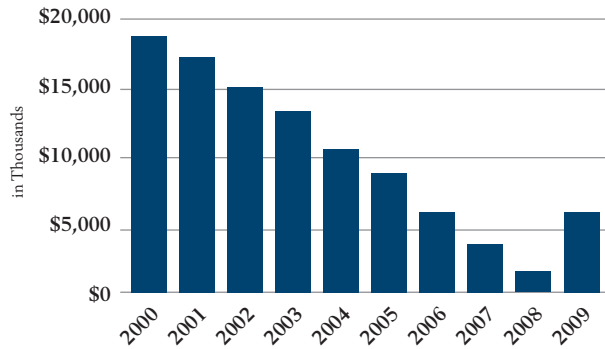


Source: Irvine Ranch Water District and the County of Orange Auditor Controller

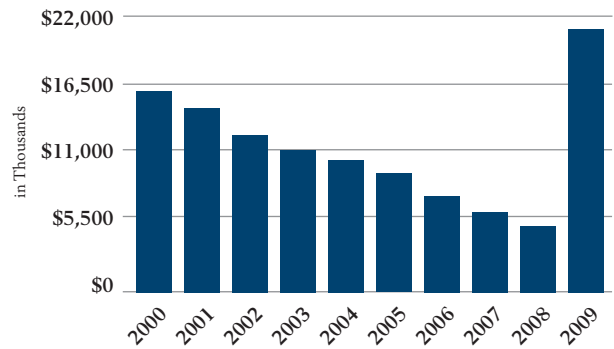
Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years
(Continued)

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 130			Improvement District 230		
2000	\$ 704,608,251	\$18,336,760	0.02602405	\$705,022,691	\$15,767,608	0.02236468
2001	753,167,611	16,813,964	0.02232433	753,590,339	14,091,092	0.01869861
2002	799,165,325	15,177,969	0.01899228	799,596,128	12,339,918	0.01543269
2003	887,679,877	12,923,272	0.01455848	888,086,748	11,167,518	0.01257481
2004	932,620,903	10,542,893	0.01130459	933,035,911	9,904,911	0.01061579
2005	1,049,255,231	8,288,716	0.00789962	1,049,677,986	8,567,847	0.00816236
2006	1,153,678,462	5,767,709	0.00499941	1,154,109,671	7,115,505	0.00616536
2007	1,489,017,966	3,460,656	0.00232412	1,492,117,118	5,703,185	0.00382221
2008	1,660,025,116	1,678,813	0.00101132	1,663,766,768	4,179,777	0.00251224
2009	2,585,629,375	6,424,815	0.00248482	2,585,629,375	19,865,955	0.00768322

General Obligation Debt Outstanding - ID 130



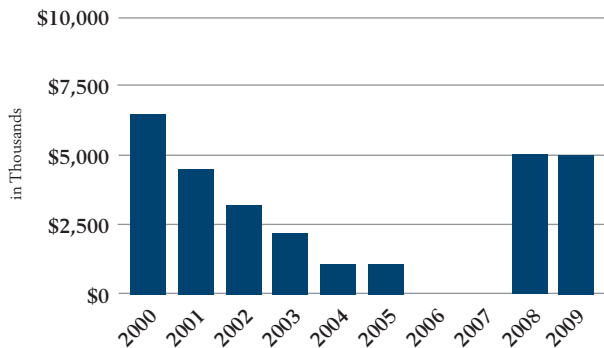
General Obligation Debt Outstanding - ID 230



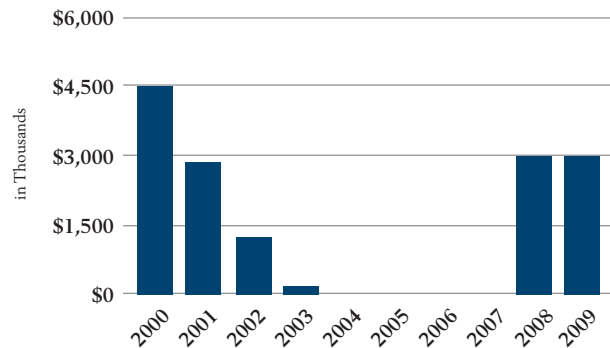
	Improvement District 135		
2000	\$1,376,205,960	\$ 6,395,000	0.00464683
2001	1,548,328,641	4,440,000	0.00286761
2002	1,691,341,907	3,080,000	0.00182104
2003	1,861,970,430	2,095,000	0.00112515
2004	2,062,480,035	820,000	0.00039758
2005	2,279,958,176	720,000	0.00031580
2006	2,553,323,737	-	-
2007	2,898,277,302	-	-
2008	3,154,824,099	4,985,802	0.00158037
2009	3,071,898,725	4,985,802	0.00162304

	Improvement District 235		
2000	\$1,376,205,960	\$ 4,570,000	0.00332072
2001	1,548,328,641	2,715,000	0.00175350
2002	1,691,341,907	1,050,000	0.00062081
2003	1,861,970,430	130,000	0.00006982
2004	2,062,480,035	-	-
2005	2,279,958,176	-	-
2006	2,553,323,737	-	-
2007	2,898,277,302	-	-
2008	3,154,824,099	2,998,707	0.00095051
2009	3,071,898,725	2,998,707	0.00097617

General Obligation Debt Outstanding - ID 130



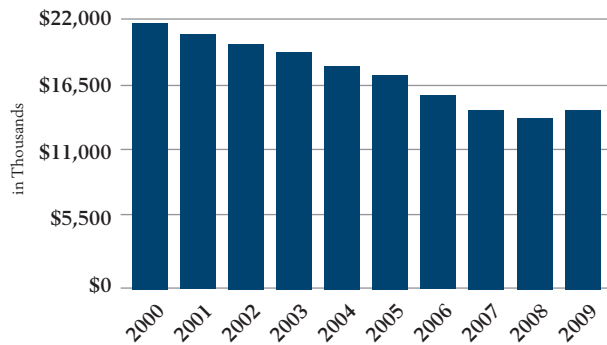
General Obligation Debt Outstanding - ID 235



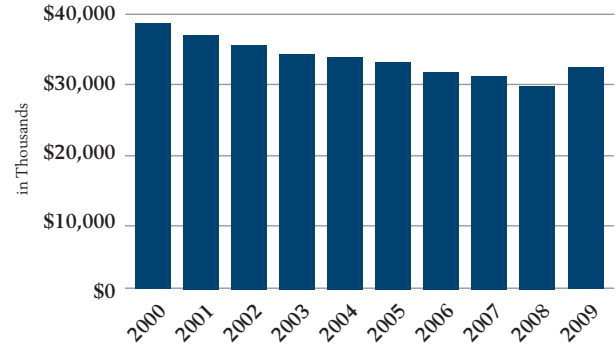
Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years
(Continued)

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 140			Improvement District 240		
2000	\$ 1,083,889,212	\$ 21,677,880	0.02000009	\$ 1,083,889,212	\$ 37,618,493	0.03470695
2001	1,342,232,777	20,896,457	0.01556843	1,342,232,777	36,758,279	0.02738592
2002	1,668,617,110	20,083,096	0.01203577	1,668,617,110	35,866,793	0.02149492
2003	1,982,470,064	19,187,818	0.00967874	1,982,470,064	34,882,612	0.01759553
2004	2,294,454,249	18,246,359	0.00795237	2,294,454,249	33,862,453	0.01475839
2005	2,719,982,105	17,253,705	0.00634332	2,719,982,105	32,792,726	0.01205623
2006	3,446,887,473	16,181,977	0.00469466	3,446,887,473	31,643,024	0.00918017
2007	4,140,693,955	15,086,812	0.00364355	4,140,693,955	30,462,056	0.00735675
2008	4,642,366,023	13,892,372	0.00299252	4,642,366,023	29,182,814	0.00628619
2009	4,936,249,533	14,472,944	0.00293197	4,936,249,533	32,326,608	0.00654882

General Obligation Debt Outstanding - ID 140



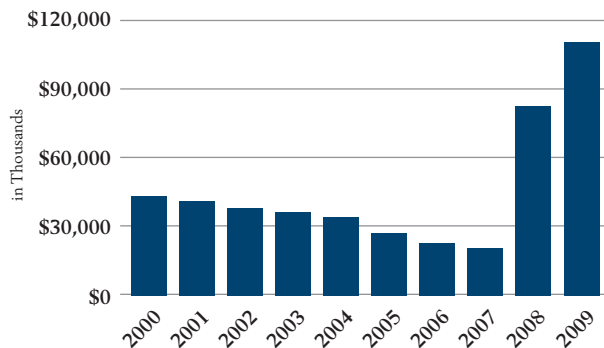
General Obligation Debt Outstanding - ID 240



Improvement District 150

2000	\$ 1,497,382,162	\$ 43,363,113	0.02895928
2001	1,838,660,109	40,539,688	0.02204849
2002	2,171,751,832	37,516,331	0.01727469
2003	2,631,853,234	34,390,746	0.01306712
2004	3,134,625,172	31,004,136	0.00989086
2005	3,548,888,756	27,478,309	0.00774279
2006	4,222,037,532	23,691,456	0.00561138
2007	5,194,093,605	20,060,770	0.00386223
2008	5,984,544,964	80,999,560	0.01353479
2009	5,541,316,286	110,002,188	0.01985127

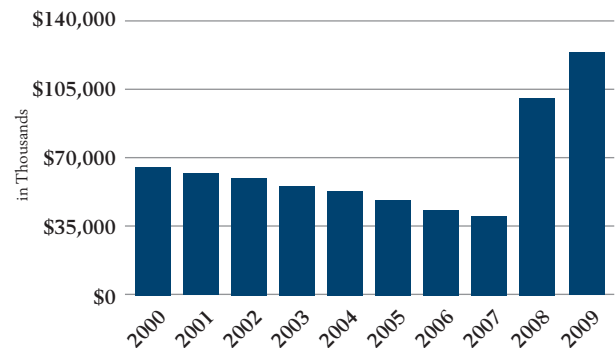
General Obligation Debt Outstanding - ID 150



Improvement District 250

2000	\$ 1,492,490,565	\$ 60,840,279	0.04076426
2001	1,833,697,786	58,204,803	0.03174176
2002	2,166,638,777	55,375,870	0.02555842
2003	2,626,638,626	52,352,492	0.01993136
2004	3,129,472,091	49,109,239	0.01569250
2005	3,543,639,799	45,671,541	0.01288831
2006	4,216,683,635	41,914,218	0.00994009
2007	4,874,632,043	38,062,529	0.00780829
2008	5,642,845,768	96,043,083	0.01702033
2009	5,229,731,606	123,488,402	0.02361276

General Obligation Debt Outstanding - ID 250



Source: Irvine Ranch Water District and the County of Orange Auditor Controller

Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years
(Continued)

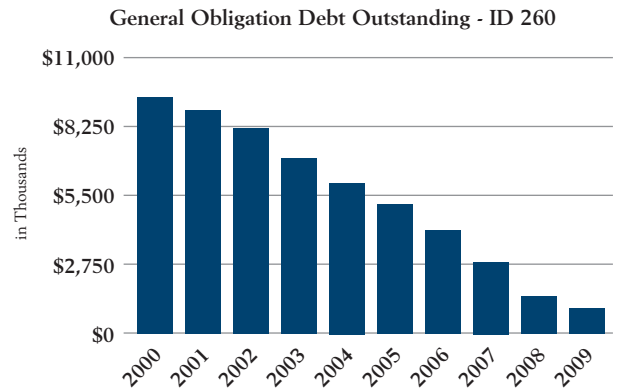
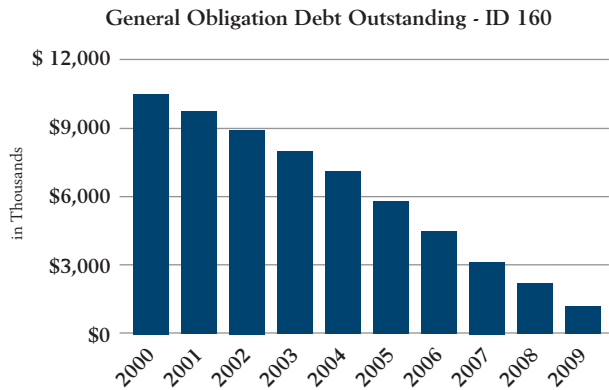
Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	
Improvement District 153				Improvement District 253			
2000	\$ -	n/a	n/a	\$ -	n/a	n/a	
2001	-	n/a	n/a	-	n/a	n/a	
2002	-	n/a	n/a	-	n/a	n/a	
2003	-	n/a	n/a	-	n/a	n/a	
2004	-	n/a	n/a	-	n/a	n/a	
2005	-	n/a	n/a	-	n/a	n/a	
2006	-	n/a	n/a	-	n/a	n/a	
2007	-	n/a	n/a	-	n/a	n/a	
2008	36,114,444	n/a	n/a	36,114,444	n/a	n/a	
2009	36,903,662	n/a	n/a	36,903,662	n/a	n/a	
No Debt Outstanding at this Time				No Debt Outstanding at this Time			

Improvement District 154			
2000	\$ -	n/a	n/a
2001	-	n/a	n/a
2002	-	n/a	n/a
2003	-	n/a	n/a
2004	-	n/a	n/a
2005	-	n/a	n/a
2006	-	n/a	n/a
2007	-	n/a	n/a
2008	7,531,850	n/a	n/a
2009	10,209,169	n/a	n/a
No Debt Outstanding at this Time			

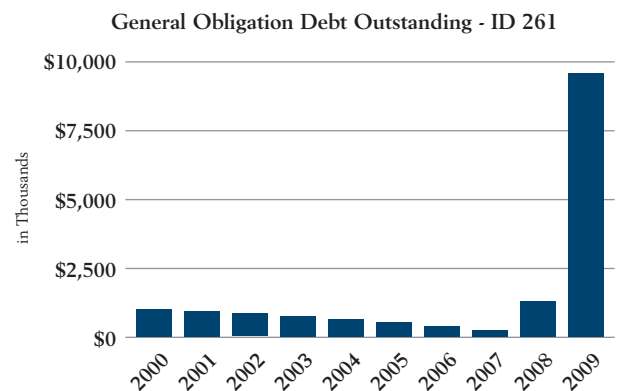
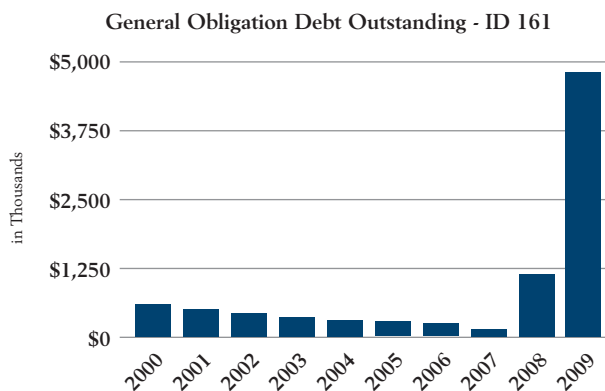
Source: Irvine Ranch Water District and the County of Orange Auditor Controller

Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years
(Continued)

Fiscal Year Ended	Improvement District 160			Improvement District 260		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2000	\$ 768,060,031	\$ 10,429,132	0.01357854	\$ 777,030,343	\$ 9,523,221	0.01225592
2001	938,497,665	9,530,621	0.01015519	909,048,770	8,808,501	0.00968980
2002	1,056,647,181	8,577,977	0.00811811	1,023,835,907	8,029,412	0.00784248
2003	1,205,443,542	7,585,846	0.00629299	1,165,302,814	7,068,359	0.00606568
2004	1,486,590,105	6,511,087	0.00437988	1,442,431,910	6,063,834	0.00420390
2005	2,101,987,732	5,380,202	0.00255958	2,050,256,515	5,006,026	0.00244166
2006	2,922,826,431	4,162,705	0.00142421	2,866,594,651	3,759,359	0.00131144
2007	3,372,542,514	2,883,510	0.00085500	3,304,863,810	2,555,074	0.00077313
2008	3,711,389,964	2,022,478	0.00054494	3,641,310,305	1,584,223	0.00043507
2009	3,457,883,370	1,111,736	0.00032151	3,399,796,704	1,031,756	0.00030348



Fiscal Year Ended	Improvement District 161			Fiscal Year Ended	Improvement District 261		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation		Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2000	\$ 701,057,471	\$ 386,055	0.00055068	\$ 814,331,480	\$ 593,881	0.00072929	
2001	864,372,534	345,841	0.00040011	947,092,085	532,018	0.00056174	
2002	977,186,588	302,180	0.00030923	1,064,421,785	464,853	0.00043672	
2003	1,122,693,719	256,221	0.00022822	1,213,366,283	394,153	0.00032484	
2004	1,398,433,040	206,815	0.00014789	1,494,056,460	318,150	0.00021294	
2005	2,007,153,739	155,112	0.00007728	2,109,648,525	238,613	0.00011311	
2006	2,817,492,876	99,961	0.00003548	2,929,383,541	153,773	0.00005249	
2007	3,260,457,444	51,704	0.00001586	3,382,835,586	79,538	0.00002351	
2008	3,593,517,713	1,101,935	0.00030665	3,723,380,975	1,101,935	0.00029595	
2009	3,341,406,070	4,701,935	0.00140717	3,473,875,612	9,006,935	0.00259276	



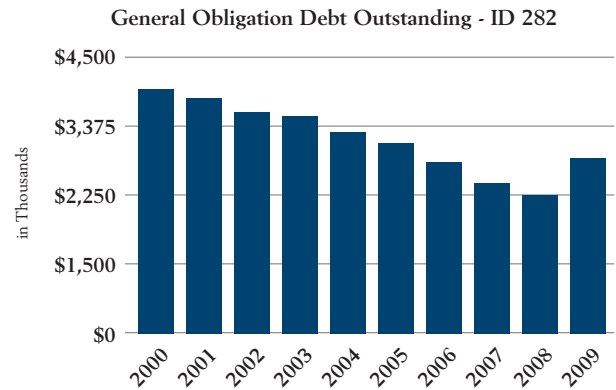
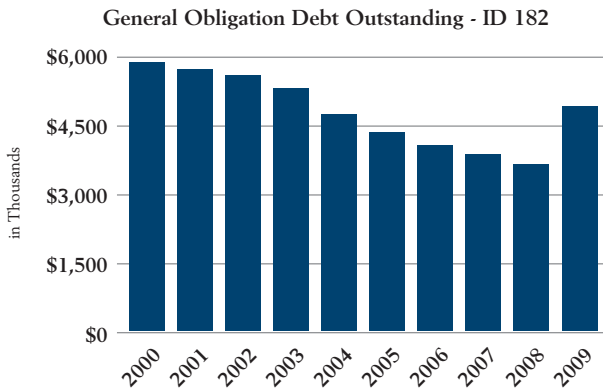
Irvine Ranch Water District

Ratio of General Obligation Debt to Assessed Values

For the Past Ten Fiscal Years

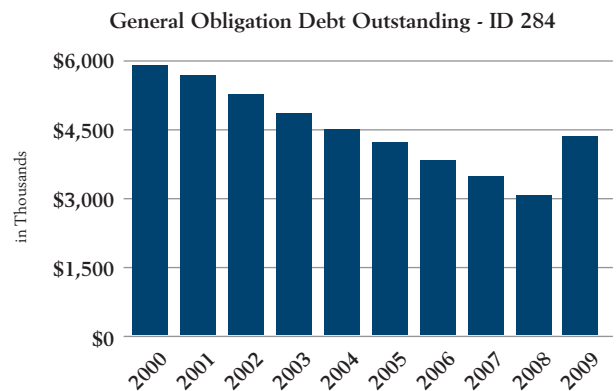
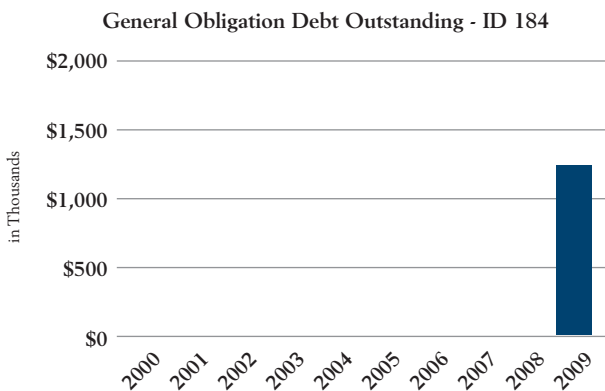
(Continued)

Fiscal Year Ended	Improvement District 182			Improvement District 282		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2000	\$ 234,646,534	\$ 5,800,000	0.02471803	\$ 234,646,534	\$ 4,000,000	0.01704692
2001	257,642,166	5,600,000	0.02173557	257,642,166	3,800,000	0.01474914
2002	291,208,540	5,300,000	0.01820002	291,208,540	3,600,000	0.01236227
2003	321,075,182	5,000,000	0.01557268	321,075,182	3,500,000	0.01090087
2004	367,379,519	4,700,000	0.01279331	367,379,519	3,200,000	0.00871034
2005	429,865,962	4,400,000	0.01023575	429,865,962	3,000,000	0.00697892
2006	509,371,089	4,360,000	0.00855957	509,371,089	2,800,000	0.00549697
2007	643,569,573	3,960,000	0.00615318	643,569,573	2,500,000	0.00388458
2008	720,602,896	3,560,000	0.00494031	720,602,896	2,200,000	0.00305300
2009	595,670,830	4,856,290	0.00815264	595,670,830	2,875,000	0.00482649



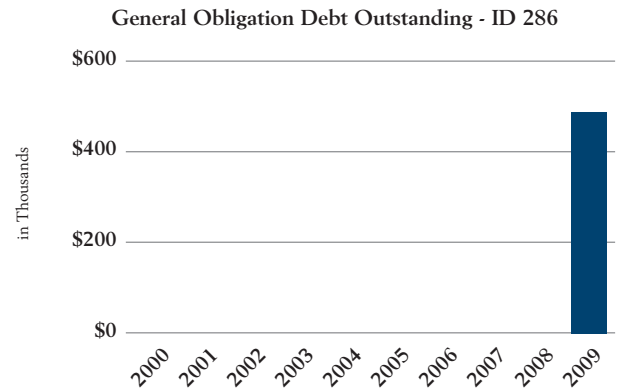
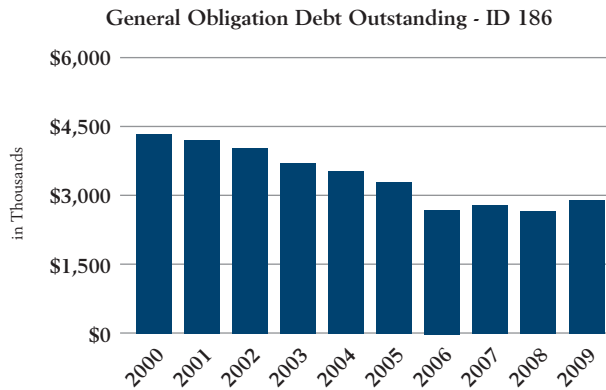
Source: Irvine Ranch Water District and the County of Orange Auditor Controller

Fiscal Year Ended	Improvement District 184			Improvement District 284		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2000	\$ 139,731,284	\$ -	-	\$ 139,731,284	\$ 5,700,000	0.04079258
2001	173,108,075	-	-	173,108,075	5,500,000	0.03177206
2002	201,954,218	-	-	201,954,218	5,200,000	0.02574841
2003	212,339,216	-	-	212,339,216	4,900,000	0.02307628
2004	234,612,404	-	-	234,612,404	4,600,000	0.01960681
2005	262,111,956	-	-	262,111,956	4,300,000	0.01640520
2006	283,547,263	-	-	283,547,263	3,900,000	0.01375432
2007	328,208,160	-	-	328,208,160	3,500,000	0.01066396
2008	378,200,679	-	-	378,200,679	3,100,000	0.00819671
2009	424,421,998	1,200,000	0.00282737	424,421,998	4,295,000	0.01011965

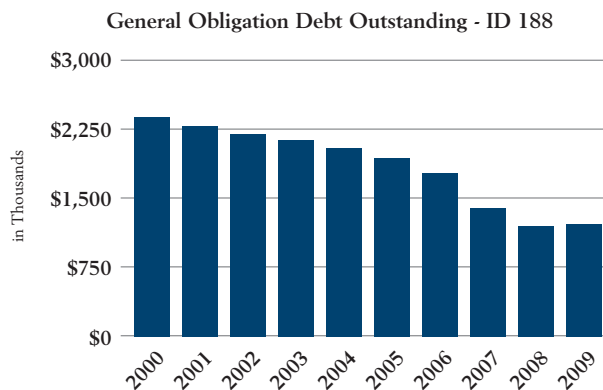


Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years
(Continued)

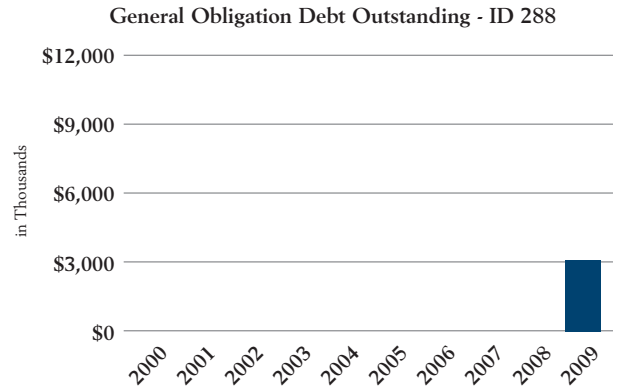
Fiscal Year Ended	Improvement District 186			Improvement District 286		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2000	\$ 74,917,643	\$ 4,224,111	0.05638340	\$ 74,917,643	\$ -	-
2001	88,941,661	4,021,354	0.04521339	88,941,661	-	-
2002	100,471,202	3,818,597	0.03800688	100,471,202	-	-
2003	112,738,988	3,582,046	0.03177292	112,738,988	-	-
2004	131,012,460	3,345,496	0.02553571	131,012,460	-	-
2005	160,071,307	3,092,050	0.01931670	160,071,307	-	-
2006	195,573,514	2,821,706	0.01442786	195,573,514	-	-
2007	226,924,367	2,551,363	0.01124323	226,924,367	-	-
2008	250,901,383	2,247,227	0.00895662	250,901,383	-	-
2009	203,882,434	2,931,195	0.01437689	203,882,434	495,000	0.00242787



Fiscal Year Ended	Improvement District 188		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2000	\$ 12,805,067	\$ 2,314,047	0.18071336
2001	13,042,080	2,202,972	0.16891266
2002	11,230,337	2,091,898	0.18627208
2003	11,454,943	1,962,312	0.17130697
2004	11,684,036	1,832,725	0.15685718
2005	11,694,828	1,693,882	0.14484028
2006	11,928,713	1,545,783	0.12958508
2007	12,167,278	1,397,684	0.11487238
2008	12,410,613	1,231,073	0.09919517
2009	12,806,315	1,235,205	0.09645283



Fiscal Year Ended	Improvement District 288		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2000	\$ 12,805,067	\$ -	-
2001	13,042,080	-	-
2002	11,230,337	-	-
2003	11,454,943	-	-
2004	11,684,036	-	-
2005	11,694,828	-	-
2006	11,928,713	-	-
2007	12,167,278	-	-
2008	12,410,613	-	-
2009	12,806,315	300,000	0.02342594

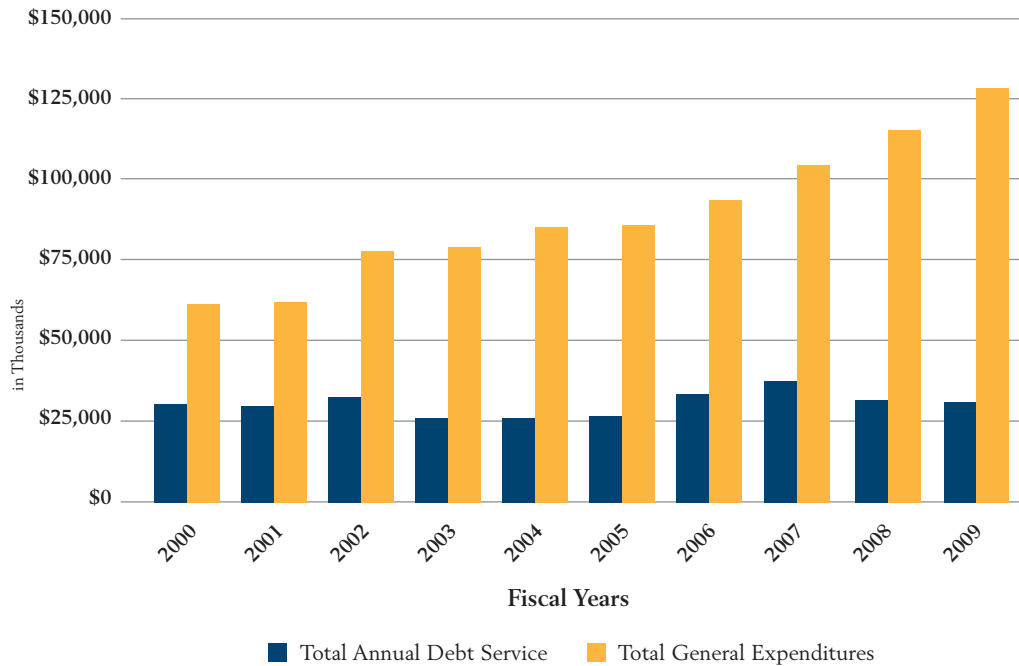


Irvine Ranch Water District

Ratios of Annual Debt Service Expenditures to Total General Expenditures - Cash Basis
For the Past Ten Fiscal Years
(in thousands)

Fiscal Year Ended	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2000	\$ 28,985	\$ 59,863	48.4%
2001	29,211	60,918	48.0%
2002	31,991	77,869	41.1%
2003	27,408	79,710	34.4%
2004	27,751	84,890	32.7%
2005	28,090	85,937	32.7%
2006	34,871	92,229	37.8%
2007	36,562	104,592	35.0%
2008	28,374	116,351	24.4%
2009	27,326	125,916	21.7%

Annual Debt Service to Annual General Expenditures



Source: Irvine Ranch Water District

Irvine Ranch Water District
Debt Service Coverage
For the Past Ten Fiscal Years
(in thousands)

	<u>2000</u>	<u>2001^(a)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues					
Water sales and service charges	\$ 22,350	23,023	27,647	27,185	31,700
Sewer sales and service charges	12,656	13,719	17,518	18,521	23,346
1% property tax revenues	0	0	0	0	0
Connection fees	7,036	7,912	5,059	6,677	5,546
Net real estate income	4,596	3,772	6,276	4,668	4,541
Interest income	26,186	21,756	30,523	5,973	5,158
Net earnings on JPA	2,549	2,744	2,452	2,360	3,269
Other	5,481	7,413	7,555	6,120	13,065
Total revenues	<u>80,854</u>	<u>80,339</u>	<u>97,030</u>	<u>71,504</u>	<u>86,625</u>
Expenses					
Water services	18,403	20,451	25,184	24,820	26,139
Sewer services	10,978	9,146	15,060	15,558	19,052
Administrative and general	9,671	10,071	11,451	12,141	12,301
Customer accounts	1,692	1,871	2,165	2,207	2,307
Other	833	1,944	6,166	373	1,881
Total expenses	<u>41,577</u>	<u>43,483</u>	<u>60,026</u>	<u>55,099</u>	<u>61,680</u>
Net revenues	<u>39,277</u>	<u>36,856</u>	<u>37,004</u>	<u>16,405</u>	<u>24,945</u>
Senior debt service					
2002 Certificates of participation series A & B	0	0	0	470	599
1997 State Loan #3	227	227	227	227	226
Prior reimbursement agreements	0	0	0	0	0
Total senior debt service	<u>227</u>	<u>227</u>	<u>227</u>	<u>697</u>	<u>825</u>
Senior debt service coverage	N/A	N/A	N/A	23.5	30.2
Other revenue available for subordinate debt service					
1% property tax revenues	7,323	9,227	11,279	12,833	14,474
Ad valorem property tax revenues	5	1,619	2,451	1,414	830
Net revenues available for subordinate debt service	<u>46,378</u>	<u>47,475</u>	<u>50,507</u>	<u>29,955</u>	<u>39,424</u>
Subordinate debt service					
State Loans # 1 and #2	292	292	292	292	292
Certificates of participation	3,447	3,854	2,823	2,641	2,573
Ad valorem bonds	25,478	27,077	24,562	23,377	23,524
Total subordinate debt service	<u>29,217</u>	<u>31,223</u>	<u>27,677</u>	<u>26,310</u>	<u>26,389</u>
Subordinate debt service coverage	1.6	1.5	1.8	1.1	1.5
Net revenues available for other purposes	<u>\$ 17,161</u>	<u>16,252</u>	<u>22,830</u>	<u>3,645</u>	<u>13,035</u>

Irvine Ranch Water District
Debt Service Coverage
For the Past Ten Fiscal Years (Continued)
(in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues					
Water sales and service charges	33,105	39,256	45,138	48,516	50,940
Sewer sales and service charges	24,622	29,248	37,649	39,811	41,157
1% property tax revenues	0	0	0	0	0
Connection fees	6,188	17,903	22,122	6,411	4,535
Net real estate income	4,945	4,625	4,921	5,329	5,094
Interest income	7,695	9,115	10,768	10,674	4,365
Net earnings on JPA	3,277	3,367	3,388	3,238	2,990
Other	9,753	8,494	10,457	11,130	9,918
Total revenues	<u>89,585</u>	<u>112,008</u>	<u>134,443</u>	<u>125,109</u>	<u>118,999</u>
Expenses					
Water services	25,198	29,813	33,281	37,030	40,333
Sewer services	19,055	18,480	23,439	26,032	27,402
Administrative and general	12,879	14,181	16,595	18,516	20,248
Customer accounts	2,410	2,620	2,829	3,178	3,234
Other	430	666	884	2,288	1,535
Total expenses	<u>59,972</u>	<u>65,760</u>	<u>77,028</u>	<u>87,044</u>	<u>92,752</u>
Net revenues	<u>29,613</u>	<u>46,248</u>	<u>57,415</u>	<u>38,065</u>	<u>26,247</u>
Senior debt service					
2002 Certificates of participation series A & B	1,094	1,873	2,319	3,564	2,798
1997 State Loan #3	226	227	453	0	227
Prior reimbursement agreements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total senior debt service	1,320	2,100	2,772	3,564	3,025
Senior debt service coverage	22.4	22.0	20.7	10.7	8.7
Other revenue available for subordinate debt service					
1% property tax revenues	7,335	10,177	22,256	24,730	26,283
Ad valorem property tax revenues	<u>390</u>	<u>5,060</u>	<u>8,411</u>	<u>9,515</u>	<u>9,959</u>
Net revenues available for subordinate debt service	36,018	59,385	85,310	68,746	59,464
Subordinate Debt Service					
State Loans # 1 and #2	292	292	288	292	247
Certificates of participation	3,128	3,758	4,099	3,851	3,391
Ad valorem bonds	25,823	28,935	30,451	29,376	19,235
Total subordinate debt service	<u>29,243</u>	<u>32,985</u>	<u>34,838</u>	<u>33,519</u>	<u>22,873</u>
Subordinate debt service coverage	<u>1.2</u>	<u>1.8</u>	<u>2.4</u>	<u>2.1</u>	<u>2.6</u>
Net revenues available for other purposes	<u>6,775</u>	<u>26,400</u>	<u>50,472</u>	<u>35,227</u>	<u>36,591</u>

Source: Irvine Ranch Water District

Notes:

(1) The Los Alisos Water District and the District consolidated on December 31, 2000.

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2009

Name of Company	Employment	Products	Percentage of Total Employment
University of California, Irvine	16,000	Educational	7.10%
Irvine Unified School District	2,475	Educational	1.10%
Cellco Partnership	2,108	Communications	0.94%
Broadcom	2,000	Technology	0.89%
St. John Knits	1,972	Apparel	0.87%
Allergan	1,922	Pharmaceutical (R&D/Marketing)	0.85%
Edwards Lifesciences	1,779	Surgical Appliances and Supplies	0.79%
Parker Hannifin	1,650	Aircraft Parts	0.73%
Capital Group Companies	1,506	Investment Services	0.67%
B Braun Medical Inc.	1,500	Bio-Medical Manufacturing	0.67%
			<u>14.61%</u>

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2008)

Data was not yet available for FY2008/09 from the City of Irvine.

The City of Irvine is only a part of the IRWD service area.

Information for Principal Employers is not available for FY1999/00 for comparison purposes.

Irvine Ranch Water District
Demographic & Economic Statistics
For the Past Ten Fiscal Years

Fiscal Year Ended	IRWD Population	City of Irvine Population	City of Irvine Median Family Income	Total Personal Income	County of Orange Unemployment Rate
2000	N/A	144,100	\$72,057	N/A	N/A
2001	N/A	148,100	72,605	N/A	N/A
2002	N/A	157,499	75,985	N/A	N/A
2003	N/A	164,923	71,200	N/A	N/A
2004	N/A	171,700	71,200	N/A	N/A
2005	316,000	172,182	82,827	\$7,267,978	3.9%
2006	322,000	193,785	84,270	7,352,397	3.6%
2007	330,000	202,079	85,624	7,667,079	4.0%
2008	330,000	209,806	98,923	8,691,214	5.3%
2009	330,000	209,806	N/A (1)	N/A (1)	8.3%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2008) and County of Orange website.

*Data for the entire Irvine Ranch Water District service area is not readily available.
The City of Irvine is only a part of the IRWD service area.*

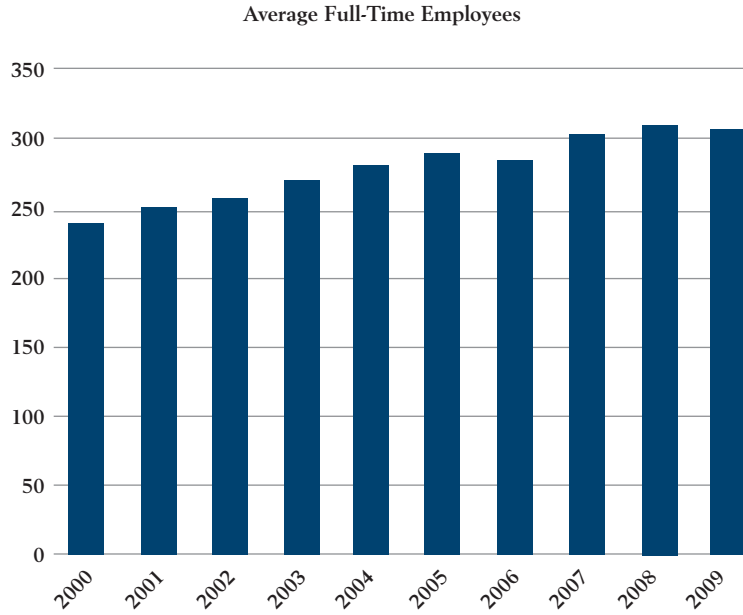
(1) Median Family Income and Total Personal Income for FY 2009 has not yet been published by the City of Irvine.

Irvine Ranch Water District

Full-Time Employees

For the Past Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Average Full-Time Employees	244	253	260	275	285	293	290	303	313	310



Source: Irvine Ranch Water District

Notes:

(1) The Los Alisos Water District and the District consolidated on December 31, 2000.

Irvine Ranch Water District

Water and Sewer Service Connections For the Past Ten Fiscal Years

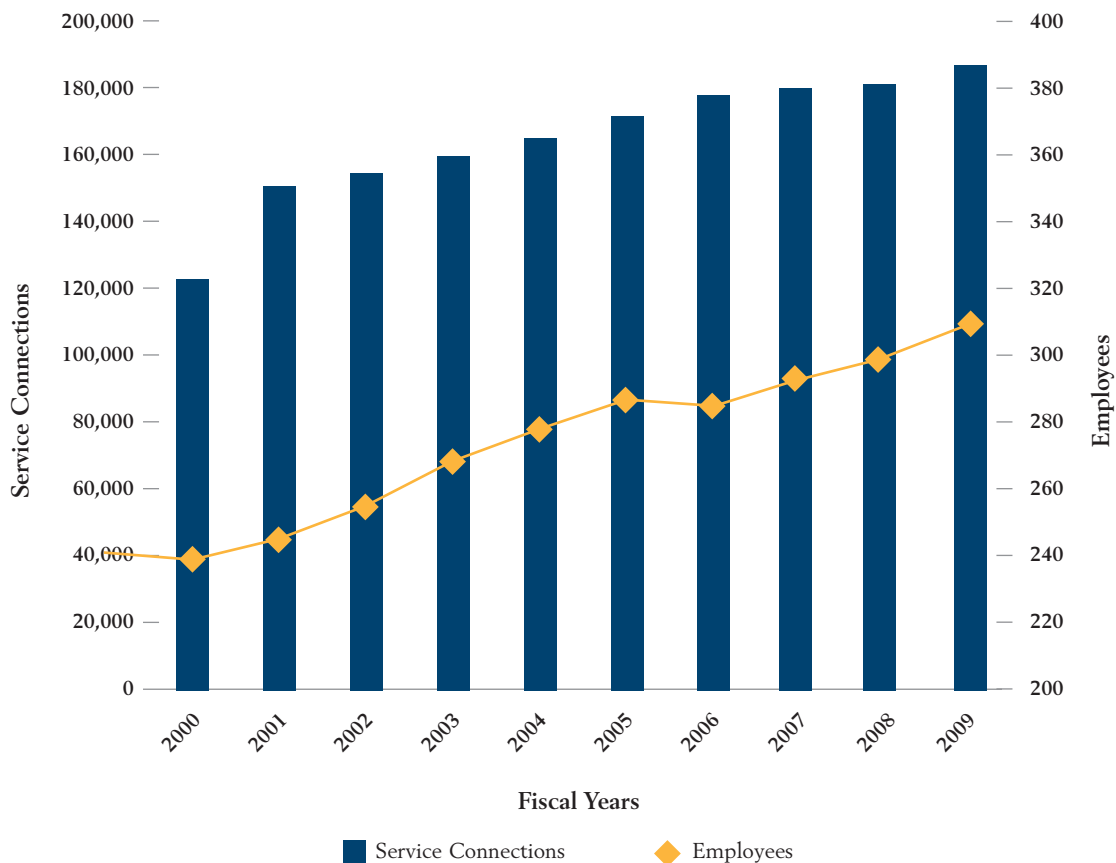
Fiscal Year Ended	Potable Water	Non-Potable Water	Sewer & Recycled Water	Total Service Connections	Average Employee Population	Service Connections per Employee
2000	64,241	118	59,072	123,431	244	506
2001 (1)	79,011	118	73,344	152,473	253	603
2002	81,659	120	76,034	157,813	260	607
2003	83,526	120	77,880	161,526	275	587
2004	85,652	117	81,128	166,897	285	586
2005	88,423	143	83,982	172,548	293	589
2006	90,816	219	86,290	177,325	290	611
2007	93,531	293	88,316	182,140	303	601
2008	95,386	198	89,775	185,359	313	592
2009	96,110	201	90,545	186,856	310	603

Source: Irvine Ranch Water District

Notes:

(1) The Los Alisos Water District and the District consolidated on December 31, 2000.

Service Connections and Average Employee Count



Irvine Ranch Water District
 Operating Indicators by Function
 New Service Connections
 For the Past Ten Fiscal Years

	2000	2001 ⁽¹⁾	2002	2003	2004	2005	2006	2007	2008	2009
Water										
Residential	2,300	13,044	2,306	1,563	1,788	2,360	2,039	2,211	1,439	552
Commercial/Industrial/ Public Authority	130	751	92	137	174	269	211	321	229	89
Fire Protection	208	469	234	152	141	137	128	162	173	86
Landscape Irrigation	36	503	20	15	25	6	91	93	(80)	13
Agricultural	1	3	(3)	0	(5)	(6)	0	2	(1)	(13)
Sewer										
Residential	2,180	13,019	2,296	1,561	1,808	2,355	2,002	1,462	891	527
Commercial/Industrial/ Public Authority	126	758	148	115	1,268	237	150	290	357	156
Landscape Irrigation	230	495	246	168	174	264	156	276	207	84
Agricultural	(2)	0	0	2	(2)	(2)	0	(2)	4	3

Source: Irvine Ranch Water District

Notes:

(1) The Los Alisos Water District and the Irvine Ranch Water District consolidated on December 31, 2000.

Irvine Ranch Water District
 Operating Indicators by Function
 Average Monthly Usage (in CCF)
 For the Past Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Water										
Residential	11	11	10	11	10	10	11	11	11	10
Commercial	91	83	76	75	68	72	73	75	69	63
Industrial	279	286	263	258	227	258	241	228	226	211
Public Authority	624	559	483	487	398	464	454	356	359	347
Construction & Temporary	166	160	262	237	179	95	94	94	122	39
Treated - Landscape Irrigation	126	111	116	107	99	103	110	127	122	116
Treated - Agricultural	2,957	2,047	2,796	2,309	2,080	1,990	1,760	1,653	1,294	1,116
Untreated - Agricultural	11,525	7,564	7,399	6,836	5,686	5,520	7,659	7,991	6,405	7,495
	15,779	10,821	11,405	10,322	8,747	8,512	10,401	10,534	8,608	9,397
Recycled water										
Landscape Irrigation	255	216	225	188	199	178	176	211	191	182
Agricultural	192	137	134	277	330	268	895	1,792	1,792	2,418
	447	354	359	465	529	446	1,071	2,003	1,982	2,600

Source: Irvine Ranch Water District

Irvine Ranch Water District
Capital Asset Statistics
For the Past Six Fiscal Years
June 30, 2009

		2004	2005	2006	2007	2008	2009
Potable System							
Miles of Water Main	(1)	930	990	1,040	1,090	1,132	1,134
Number of Storage Tanks		27	27	29	37	37	37
Maximum Storage Capacity (Acre Feet)		412	418	440	460	460	460
Number of Pumping Plants		24	24	32	40	40	46
Number of Wells		21	21	26	26	27	27
Well Production Capacity (cfs)		100	100	109	109	117	117
Non-Potable and Recycled Systems							
Miles of Water Main	(1)	277	307	337	367	399	400
Number of Storage Tanks	(2)	13	14	10	11	11	11
Number of Open Reservoirs	(2)			4	4	4	4
Maximum Storage Capacity (Acre Feet)		25,500	28,500	30,036	30,043	30,043	30,043
Number of Pumping Plants		17	17	14	20	19	19
Number of Wells		4	4	7	7	6	6
Well Production Capacity (cfs)		4.5	4.5	6.0	6.0	9.0	9.0
Sewer System							
Miles of Sewer Line		620	656	680	809	899	901
Number of Lift Stations		22	22	16	29	29	29
Treatment Plants		2	2	2	2	2	2
Treatment Capacity		22.5	22.5	22.5	22.5	22.5	22.5
Average Flows		17.8	18.6	19.5	19.5	19.5	19.5
Average % of Daily Flows - Michelson Plant		76%	74%	71%	72%	72%	72%
Average % of Daily Flows - Los Alisos Plant		24%	26%	29%	28%	28%	28%

Source: Irvine Ranch Water District

Note:

- (1) Miles of Water Main only include Distribution and Transmission mains, not laterals.
- (2) IRWD began reporting storage tanks and open reservoirs separately in 2006. Previously for purposes of these statistics, both have been combined under "storage tanks".

Information on prior years' capital asset statistics was not readily available.

This page intentionally left blank.

IRVINE RANCH WATER DISTRICT

POST OFFICE BOX 57000

IRVINE, CALIFORNIA 92619-7000

949.453.5300