



# Irvine Ranch Water District

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
IRVINE, CALIFORNIA

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# Comprehensive Annual Financial Report

For fiscal year ended June 30, 2013

Irvine Ranch Water District

Irvine, California

## Board of Directors

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## Prepared by:

Irvine Ranch Water District

Finance Department

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# Table of Contents

## Introductory Section

1	Letter of Transmittal
2	Profile of Irvine Ranch Water District
2	Overview
3	Services
3	Drinking or “Potable” Water System
3	Recycled Water System
4	Sewer Collection and Treatment System
4	Urban Runoff Source Control and Treatment System
4	People
5	Infrastructure Assets
6	Financial Plan
7	User Rates & Charges
7	Water Rates
8	Sewer Rates
8	Historic Rate Trends
9	Factors Affecting Financial Condition
9	State and Local Economy
10	Financial Planning & Budgeting
10	Short-Term
11	Long-Term
12	Pension Funding
12	Cash Management Policies and Practices
13	IRWD Joint Powers Agency
14	Real Property Investments
14	Debt Management Policies and Practices
15	Risk Management
15	Major Initiatives
15	Water Supply Reliability
15	Groundwater Program
16	Water Banking
17	Baker Water Treatment Plant
17	Syphon Recycled Water Seasonal Storage Facility
18	Expanded Water Recycling Options and System Reliability
19	Community Education and Outreach
20	Water Use Efficiency Plan
21	Awards and Acknowledgments
22	List of Principal Officials
23	Organizational Chart by Function
24	GFOA Certificate of Achievement for Excellence in Financial Reporting

## Financial Section

26	Independent Auditors’ Report
29	Management’s Discussion and Analysis
38	Basic Financial Statements

38	Statement of Net Position
40	Statement of Revenues, Expenses and Changes in Net Position
41	Statement of Cash Flows
43	Notes to the Basic Financial Statements
79	Supplementary Information
80	Combining Schedule of Net Position – Water Subfunds
84	Combining Schedule of Net Position – Sewer Subfunds

## Statistical Section

Financial Trends Information	
91	Net Position
92	Changes in Net Position
Revenue Capacity	
93	Water Sold by Type of Customer
94	Water Rates
95	Largest Water Customers
96	Sewer Rates
97	Largest Sewer Customers
98	Ad Valorem Property Tax Rates
Debt Capacity Information	
100	Assessed Valuation and Estimated Actual Value of Taxable Property and 1% Property Tax Revenue
101	Direct and Overlapping Property Tax Rates
102	Principal Property Taxpayers
103	Property Tax Collections/Delinquency
104	Outstanding Debt by Type
105	Outstanding General Obligation Bonds by Improvement District
106	Ratio of General Obligation Debt to Assessed Values
114	Ratio of Annual Debt Service Expenditures to Total General Expenditures
115	Debt Service Coverage
Demographic and Economic Information	
117	Principal Employers
118	Demographic and Economic Statistics
Operating Information	
119	Operating Indicators by Function - Water and Sewer Service Connections
120	Operating Indicators by Function - New Service Connections
121	Operating Indicators by Function - Average Monthly Usage
122	Capital Asset Statistics
123	Full-Time Employees

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December 16, 2013

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, 2013. 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, rather than absolute, 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, 2013 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 unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2013 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 sewage, producing and distributing recycled and other non-potable water, and implementing urban runoff source control and treatment programs.

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, coupled with an average tenure for the Board members of approximately 19 years. The District has frequently 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.

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The District serves a 181 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 of East Orange County, 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 340,000 through approximately 101,000 water and over 95,000 sewer service connections. The number of service connections has increased by approximately 18 % over the last ten years.

The District provides its core services to its customers by focusing on the following areas:

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



## Services

The District is functionally organized into four core service areas:

### Drinking or “Potable” Water System

For many years, the District received virtually all of its drinking water from imported sources. To minimize its dependence on imported water, the District in 1979 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, managed by the Orange County Water District (OCWD). In addition, the District operates wells in the Lake Forest area, which is outside of the current boundaries of OCWD. In Fiscal Year (FY) 2012-13, the largest component of the District’s water supply was local groundwater, which accounted for 50% of the District’s total water supply.

### Recycled Water System

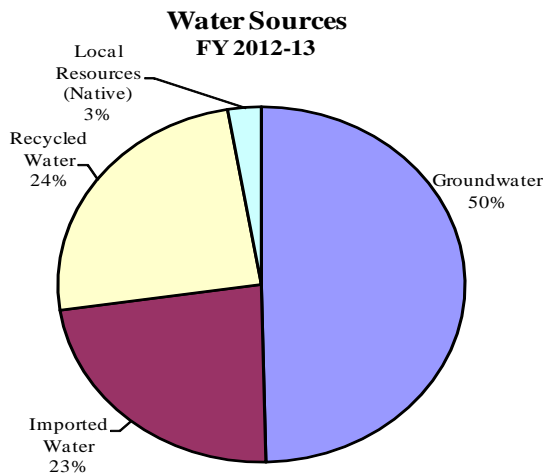
The District believes that by treating sewage to provide water for irrigation and industrial purposes, the District reduces its reliance on the more expensive imported water and increases its system reliability. Sewage from the community is collected and recycled to State Health Department standards at the Michelson Water Recycling Plant and the Los Alisos Water Recycling Plant, which have the combined capacity to produce nearly 25 million gallons of recycled water per day. Once treated, the recycled water is used in the system, which in FY 2012-13 accounted for approximately 24% of the District’s total water supply. Approximately 80% of all business and community landscaped area (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

Groundwater typically is less expensive and more reliable than imported water because it does not have to be transported over hundreds of miles into Southern California and subsequently treated.

The District purchased 23% of its water supply in FY 2012-13 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 approximately 400 miles from Northern California.

recycle all its sewage flows and have recycled water as 25% of its ultimate total water supply. This increase in recycled water supply will also provide a substantial portion of the water needed to support 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 approximately 5,200 acre feet of recycled water storage capacity and is currently evaluating additional recycled water storage projects.



### Sewage Collection and Treatment System

The District has an extensive network of gravity sewers, force mains, sewage lift stations, and siphons that convey sewage to two District owned treatment plants. In FY 2012-13, the District treated approximately 90% of its sewage while the remainder of the sewage collected by the District is diverted to capacity owned at the Orange County Sanitation District treatment facilities. The District plans to expand its water recycling capabilities to serve its growing population. 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 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 operates a regional urban runoff treatment project known as the Natural Treatment System. The Natural Treatment System consists of 13 wetland treatment sites located throughout the District’s service area with several more currently under construction. The District has mechanisms in place to fund the operation of these systems, and is continuing to work with federal and state legislators to procure additional funding to offset capital expenditures.

### People

The District employs more than 300 professional staff members who are responsible for daily operations and implementing strategic objectives and policies 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 13 years. An aggressive succession planning program at all levels of the organization has been developed to ensure long-term workforce stability. The District takes an active role in state and regional trade associations including the Association of California Water Agencies,

the California Association of Sewer Agencies, the WaterReuse Association 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. The District hired Cheryl Clary as Executive Director of Finance and Administration in November 2012 and Patrick Shields as Executive Director of Operations in April 2013.

## Infrastructure Assets

The District builds and maintains significant capital infrastructure in order to provide superior service to its customers. The table below provides key information relating to its water and sewer systems.

	<b>2005</b>	<b>2010</b>	<b>2013</b>
<b>Potable System</b>			
Miles of Water Line	990	1,169	1,516
Number of Storage Tanks	27	37	36
Maximum Storage Capacity (acre feet)	418	456	456
Number of Pumping Plants	24	45	40
Number of Wells	21	24	26
Well Production Capacity (cfs)	100	117	121
Water Banking Storage Capacity (acre feet)	-	57,600	69,500
<b>Non-Potable and Recycled Systems</b>			
Miles of Recycled Line	307	407	488
Number of Storage Tanks	14	11	12
Number of Open Reservoirs	4	4	5
Maximum Storage Capacity (acre feet)	23,696	23,703	24,155
Number of Pumping Plants	17	18	19
Number of Wells	3	5	5
Well Production Capacity (cfs)	5.6	11.6	11.6
<b>Sewer System</b>			
Miles of Sewer Line	656	940	971
Number of Lift Stations	16	15	11
Treatment Plants	2	2	2
Treatment Capacity (mgd)	22.5	25.5	25.5
Sewage Flows to Michelson Plant	44%	73%	74%
Sewage Flows to Los Alisos Plant	17%	16%	16%
Sewage Flows to Orange County Sanitation District	39%	11%	10%

1 acre foot = 325,900 gallons

cfs = cubic feet per second

mgd = millions gallons per day

## Financial Plan

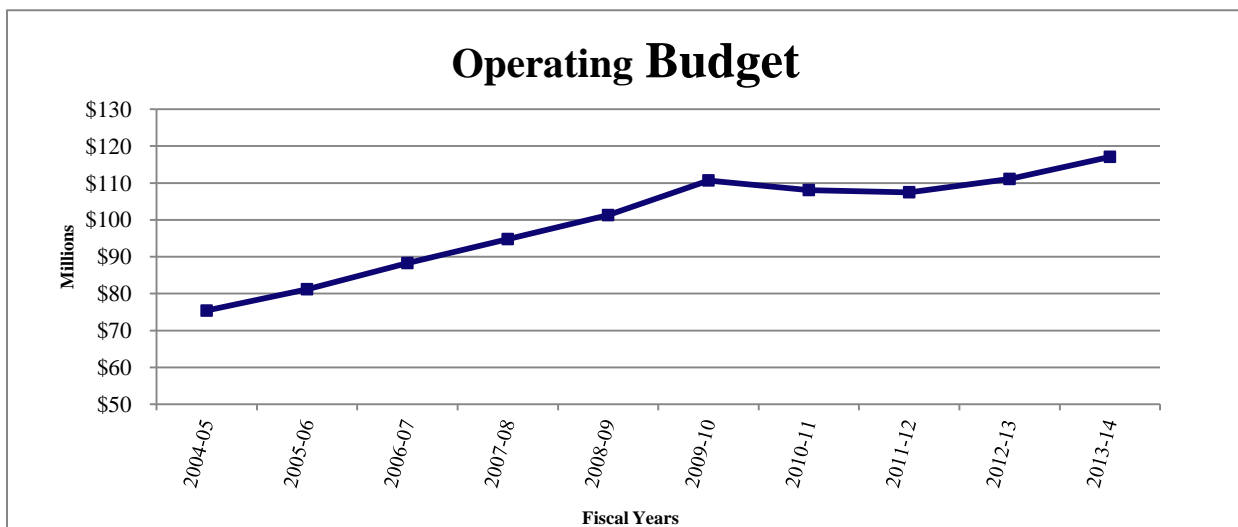
Each year, the District develops a capital budget based on new, enhancement and replacement infrastructure needs. Below are the actual capital expenditures thru FY 2012-13. The reduced spending in 2012-13 from prior years represents the District's focus on the completion of several projects and the lull in spending due to the design of two new key projects, MWRP Biosolids Handling and the Baker Water Treatment Plant, both of which are budgeted to begin construction in

FY 2013-14. For FY 2013-14, the adopted capital budget was \$110.3 million (including only the District's ownership of the Baker Water Treatment Plant, the approved capital budget is \$95.0 million). Many capital budget projects extend beyond one fiscal year. The District's capital program currently includes more than 500 active and planned projects with expenditures estimated at more than \$600 million over the next 20 years.

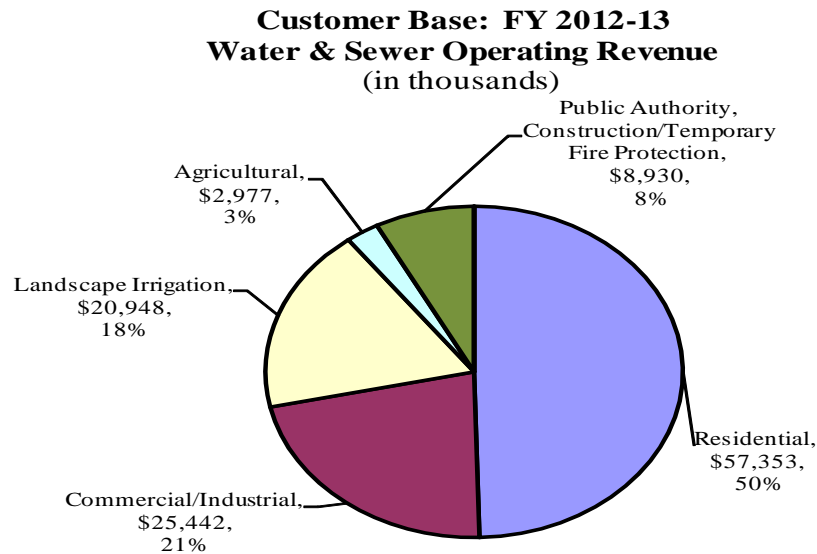


\* Actual capital expenditures excluding overhead, intangibles and capitalized interest.

The District's operating budget for FY 2012-13 was \$111.1 million. The approved FY 2013-14 budget increased by 5.36% to \$117.1 million.



As shown by the Operating Revenue chart, nearly all of the District’s operating revenue comes from urban uses: residential, commercial/industrial, landscape irrigation customers, while agriculture uses account for a minor amount.



## User Rates & Charges

User rates and charges are the primary funding mechanism for the District’s operation and maintenance expenses. 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.

The District allocates capital costs throughout its service area through the use of water and

### 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 cost of the District’s water supplies while the service charges fund the remaining fixed operational expenses of the District. For FY 2012-13, the District’s water service charge was \$9.30 per month for an average residential customer. The District has a long history of planning for the

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.

inevitable replacement of capital infrastructure, and has set monies aside into enhancement and replacement funds for this purpose. In FY 2012-13, the monthly fixed service charge includes a user enhancement and replacement component of \$0.65 and \$0.75 respectively per month, intended to fund capital costs that provide reliability and redundancy to the District’s infrastructure.

The District has a five-tiered rate structure based on an allocation of water that promotes water use efficiency. 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 among the lowest in Orange County and approximately 85% of the District's customers keep their water usage within the first two tiers. The chart below illustrates the five-tier structure that reflects the increased cost associated with usage in the higher tiers.

**FY 2012-13 Residential Rate Structure – Potable Water (Commodity Charge)\***

Tier	Percent of Estimated Customer Need	Cost per ccf
Low Volume	0 – 40%	\$0.91
Base Rate	41 – 100%	\$1.24
Inefficient	101 – 150%	\$2.76
Excessive	151 – 200%	\$4.70
Wasteful	201% +	\$9.84

One ccf (100 cubic feet) = 748 gallons

\*This rate structure is for the Irvine Ranch rate area. Customers of the former Orange Park Acres Mutual Water Company and the former Los Alisos Water District are on a separate rate structure until the buy-in to the District's capital program is completed.

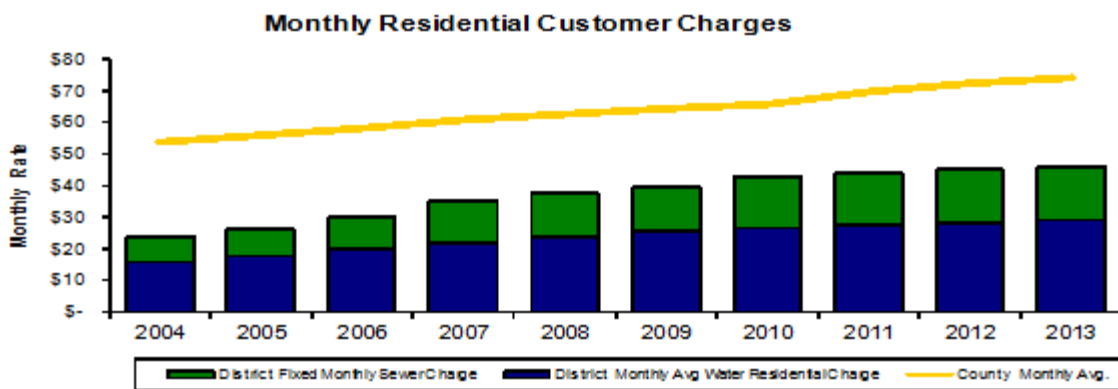
**Sewer Rates**

The District's sewer rates are also among the lowest in Orange County, with a monthly service charge of \$17.20 in FY 2012-13 for a typical residential customer that covers the collection and treatment of sewage. This monthly service charge also includes a user

enhancement and replacement component of \$0.65 and \$4.65, respectively, per month, which is intended to fund the capital costs to replace, refurbish and upgrade the existing system. These components are projected to grow annually.

**Historic Rate Trends**

The following chart reflects the annual "base rate" charge for an average customer's water and sewer service through FY 2012-13. 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.



**The District has completed five consolidations over the last sixteen 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 Orange Park Acres Mutual Water Company in 2008, resulting in approximately a 20% increase to the District’s customer base.

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, when completed, 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.

### **State and Local Economy**

Orange County is the third 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 2012-13, the District continued to expand its operating facilities to accommodate more than 1,610 new water service connections constructed within District boundaries. There remains about 29% of land to be developed, including the Northern Sphere of Irvine, East Orange and property from two decommissioned military bases. Needs of these areas have been included in the planning and facilities included in the capital budget.

The assessed value of land in the District’s service area has grown significantly in the last

decade from \$19.1 billion in 2004 to more than \$37.8 billion in 2013, demonstrating the strength of the local economy.

The State of California's financial condition has historically 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. In FY 2009-10, the State borrowed approximately \$2 million from the District, with the obligation required to be repaid within three years with interest. In June 2013, the State repaid the District with interest. Under Proposition 1A, the State can only exercise its borrowing right again one more time between now and 2019.

## Financial Planning & Budgeting

### Short-Term

The Board of Directors approves operating and capital budgets annually and allocates required funding accordingly. The General Manager has limited discretion to transfer capital between activities and Board approval is required for any overall increase or substantial changes. Throughout the fiscal year, actual expenditures are compared to budget. Variances between budget and actual results are analyzed and

evaluated to ensure the District's financial goals and objectives are being met.

The budget process is further supported by the District's long-term financial models, enabling the Board to make informed decisions on setting rates and charges that ensure the long-term stability of the District. Funding needs are assessed annually using these financial planning models.





## Long-Term

Meeting the goals of reliable, cost effective long-term water and sewage service requires substantial planning for both capital improvements and changing operating conditions. The District's capital program anticipates the need to update, expand or provide redundancy as well as refurbish and replace existing facilities as they wear out. District staff identifies future infrastructure requirements well in advance of needs to ensure the necessary funding for those projects is available. Capital projects are funded through a combination of connection fees, property taxes and user rates.

The District has a long history of planning for the enhancement and replacement of aging water and sewer infrastructure. Recognizing that infrastructure replacement is both inevitable and costly, the District established infrastructure Enhancement and Replacement Funds to provide funding for updating, expanding, providing additional redundancy, as well as replacing and refurbishing various components of the water and sewer systems. The objective of the funds are to help moderate the financial impact on future user rates attributable to expenditures associated with enhancing and replacing capital facilities. For FY 2012-13, the combined user enhancement/replacement fees were \$6.70 per month. For FY 2013-14, the combined user enhancement/replacement fees are \$8.25 per month. The increase reflects future major capital initiatives.

Over time, the District has evolved from a newly developing area towards being more

built-out. Even though many of the projects slated for construction will provide additional capacity for ultimate demands, the focus of the District is transitioning from building new infrastructure projects to ongoing operations and maintenance activities as well as upgrading and replacing existing infrastructure. Connection fees, paid by developers, which contributed \$17.3 million to new capital in FY 2012-13 will decline as the District nears build-out. The District has developed a sophisticated financial model to factor in such variables as future development, construction costs, growth rates, inflation, redevelopment, and other items in order to project rate setting for funding future capital needs.

In 2011, the District undertook a strategic process to review and, if appropriate, develop modifications to the current capital funding plan. The process resulted in a recommendation for a master consolidation plan that combined areas (referred to as improvement districts) in order to maintain the future financial viability of each area. Diversification of the District's water supply and sewage 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's approach to infrastructure replacement and funding reflects best industry practice and illustrates the District's commitment to financial stability and protection of its customers from rate instability.

## Pension Funding

The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue by funding a significant portion of its future pension obligation. In the fiscal year ended June 30, 2013, the District funded \$35 million into the newly established Irvine Ranch Water District Post-Employment Benefits Trust “Benefits Trust”. The irrevocable Benefits Trust was established to “pre-fund” a portion of the District’s CalPERS unfunded liability, providing an alternative to CalPERS and

allowing for investment by a professional fund management team selected and monitored by the District. Future contributions will be transferred to CalPERS for payments to employees at the District’s discretion. The District intends to reduce its future liability by the amount pre-funded in the Benefits Trust. As of June 30, 2013, all Benefits Trust assets were invested in the Federated Government Obligations Fund - Institutional Shares, pending completion and approval of the Benefits Trust’s Investment Policy and asset allocation strategy.

## 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 FY 2012-13, the District's fixed-income investment portfolio consisted primarily of short-term securities with a portfolio average maturity of approximately 17 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. A complete discussion of the District’s investments in FY 2012-13 is included in Note 2 to the Basic Financial Statements. The annual return on all of the District’s cash investments in FY 2012-13 was approximately 0.38%. Including real estate investments, the weighted average rate of return was 2.16%.

At June 30, 2013, the District's cash assets totaled approximately \$320 million. These cash balances are allocated to various funds including the Replacement Fund, New Capital Fund, Capital Enhancement Fund, Construction Fund, Debt Service Fund and others. Unspent bond proceeds for future construction represent \$29.1 million of total cash assets at year end.



### **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 (Issue I and Issue II) 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 each of the scheduled debt service payments. Excess revenues received in 2012-13 due to the District's beneficial ownership of the underlying investment securities were about \$3.0 million.

In FY 2009-10, the JPA again refunded the majority of the outstanding Issue II taxable bonds, which were callable at par in September 2011. The bonds were reissued at a lower interest rate providing a net savings to the JPA. The final maturity of the new bond issue remains at March 2014, and the underlying U.S. Agency investment securing principal and interest payments was not affected as a result of the refunding.

On September 12, 2012, the JPA issued \$257.4 million of Taxable Refunding Bonds, Issue I, Series 2012 (Series 2012 Bonds), which were used to refund all of the outstanding Irvine Ranch Water District JPA Taxable Refunding Bonds, Issue I and pay the costs of issuance of the Series 2012 Bonds. The bonds were reissued at a lower interest rate providing a net savings to the JPA of approximately \$17.3 million in FY 2012-13. The final maturity of the new bond issue remains at March 2014, and the underlying guaranteed investment contract (GIC) securing principal and interest payments was not affected as a result of the refunding.

The JPA refunding bonds and underlying investment securities have \$610.6 and \$620.9 million par amounts, respectively, outstanding as June 30, 2013, and the bonds and securities will mature in FY 2013-14. 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 and net savings from any refundings, are pledged to debt service on the bonds and are not available for the District's use. Of the \$940.4 million in total cash and investments reported in the District's consolidated financial statements, only \$320.0 million was generally available to the District as of June 30, 2013 primarily for capital needs.

## 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 investments, 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 five properties with a book value of \$46.8 million and a weighted average return (on original cost) for FY 2012-13 of 10.6%. Net revenues from the District's real estate investments are retained within the Replacement Fund.

## Debt Management Policies and Practices

The District has strived to minimize the cost of its long-term debt. In 1984, the District obtained State legislation that allowed for the use of variable rate debt to help achieve this goal. The Board also minimizes its exposure to interest rate risk by balancing its fixed and variable rate debt and has leveraged the opportunities provided by the recent low interest rate environment.

The District has primarily used General Obligation (G.O.) bonds and Certificates of Participation (COPs) to fund its capital facilities. As of June 30, 2013, there were ten outstanding general obligation bond issues with a balance of \$360.6 million in variable rate mode and \$175.0 million in fixed rate mode (excluding any unamortized premium or discount). The District also has one outstanding COPs issue with a balance of \$72.5 million in fixed rate mode (excluding any unamortized premium or discount). The District has secured direct pay letters of credit to enhance certain issues of its variable rate debt.

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 issue is 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.

Prior to FY 2003-04, all of the District's outstanding debt was in a variable rate mode so the Board of Directors took certain actions to manage and mitigate the interest rate risk. First, the Board adopted a policy to maintain a target amount of investment assets equal to at least 75% of the outstanding un-hedged variable rate debt. In addition, 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 53.8%) of its variable rate debt to approximately 4.01%. (\*Assumes a historical ratio for tax-exempt (SIFMA) versus taxable 1-month LIBOR of 67 %.)

In FY 2010-11, the District issued \$175 million of general obligation fixed rate debt utilizing the taxable Build America Bond (BABs) program. BABs, created under the American Recovery and Reinvestment Act, are taxable bonds with subsidy payments made by the Treasury Department to issuers equaling 35% of the interest costs. In FY 2012-13, the Federal subsidy payments were cut by 8.7% under Congressionally-mandated sequestration. As a result of the reduced subsidy payments, the net interest rate for the District's BABs

issue increased from 4.30% to 4.51%. The result of these debt issues is that the District maintains a healthy balance between fixed and variable rate debt. As of June 30, 2013, the District's outstanding debt structure, excluding JPA issues, is balanced between fixed rate debt at 40.7%, synthetically fixed (hedged) variable rate debt at 31.9% and unhedged variable rate debt at 27.4%, resulting in an average all-in cost of debt of approximately 3.40% for the year.

## **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 \$25,000 per occurrence for property losses, \$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 2012-13 include continuing programs to secure water supplies, as well as expanding sewage treatment capacity and diverting sewage flows, water education programs, and the continuing implementation of the Water Use Efficiency Program, particularly in light of imported water reductions in 2012 and potential further reductions in the future.

## **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 that requires no treatment, other than disinfection, from the Dyer Road Well Field. The District is in the process of replacing the OPA Well which will produce another 900 AFY of clear

groundwater. The District also produces 5,300 AFY of groundwater that requires treatment at its Deep Aquifer Treatment System (DATS) which removes organic color and 5,100 AFY of groundwater treated at the Irvine Desalter Project (IDP) which removes salts and nitrates. IRWD recently completed construction and started operating the Wells 21 & 22 Desalter Project which provides an additional 6,300 AFY of treated groundwater to the District's local supply mix.

## Water Banking

In addition to developing the local groundwater system, the District has diversified its water supply portfolio by developing a water bank in Kern County, California. The purpose of the water bank is to improve the District's water supply reliability by capturing water during wet hydrologic periods for use during dry periods or imported water supply interruptions. The water bank is an important part of the District's ability to deliver water under such conditions.

Opportunities for groundwater banking programs in Southern California are limited and more expensive. In contrast, the extensive groundwater basin in Kern County is managed to allow storage of water by outside entities. In 2006, the District purchased approximately 640 acres of high quality groundwater recharge land that overlies the regional Kern County groundwater basin along the Kern River. In 2010, the District purchased an additional 323 acres of recharge land in the same area. The District has completed construction of 761 acres of groundwater recharge ponds on both properties combined.

To operate its water bank, the District has entered into a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District (Rosedale) in Kern County. 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. To date, 35,700 acre feet (AF) of water has been recharged at the District's water banking facilities. It is anticipated that an additional 900 AF will be recharged by the end of 2013. The majority of this water was made available through a 28-year Exchange Agreement that the District has with Buena Vista Water Storage District in Kern County (BVWSD) and agreements with three separate State Water Project Contractors throughout California. The terms of these agreements will require that half of the water be returned to the originating water districts within 5 to 10 years with the balance of the water being available to the District for its use.

Seven groundwater wells that will be used to recover water from the water bank have been constructed on the District's water banking properties. Wellheads and pipelines have also been constructed to convey water from these wells to the Cross Valley Canal. These recovery facilities are now available to recover and deliver water for use by IRWD and its exchange partners. The District is currently preparing an Environmental Impact Report (EIR) for the construction and operation of recovery wells on additional lands purchased in 2010. This EIR was circulated for public review in the Fall of 2013. The construction of these additional wells would begin in 2014. As of June 30, 2013, the District owned approximately 22,200 AF of water in storage at its facilities.

### **Baker Water Treatment Plant**

The Baker Water Treatment Plant (WTP) is anticipated to be online and operational in the spring of 2016. The Baker WTP will produce approximately 28 million gallons per day of drinking water and will be capable of treating imported untreated water from Metropolitan Water District of Southern California and local untreated water from Irvine Lake. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. Although the Baker WTP will be owned and operated by the District, partial capacity in the

plant is being purchased by four other water agencies located in Southern Orange County. The Baker WTP will provide an operational source of supply to the project participants and, in the event of a short-term water shortage emergency, will provide regional water reliability to other neighboring Southern Orange County water agencies. The project cost is estimated at approximately \$102 million, with IRWD responsible for approximately 24% of the total cost.

### **Syphon Recycled Water Seasonal Storage Facility**

The District is in the process of converting the Syphon Reservoir into a recycled water storage facility. Syphon Reservoir, located in the northern portion of Irvine, is a sixty-year-old irrigation reservoir historically used by the Irvine Company for agricultural purposes. IRWD purchased the Syphon Reservoir in January 2010. Construction is underway to convert the reservoir into a recycled water seasonal storage facility. Seasonal storage reservoirs allow the District to store excess recycled water produced in the winter months for use in higher demand summer months. This will increase water reliability by reducing the District's dependency on imported water from MWD used to supplement the recycled water system. The existing Syphon Reservoir will be

integrated into the recycled water system by December 2013.

The District also completed a feasibility study to increase storage capability in Syphon Reservoir from its current 450 AF up to potentially 4,500 AF. By providing additional storage, this project will allow the District to recycle more of the sewage flows to the MWRP and further reduce the District's dependence on imported water supplies. An expansion of Syphon Reservoir to 4,500 AF would allow for recycling 100% of the sewage flows tributary to MWRP and eliminate IRWD's need to supplement the recycled water system with imported water in dry years.

## Expanded Water Recycling Options and System Reliability

IRWD is continuing its program to increase the reliability of the sewage system by diversifying treatment options and increasing the reliability of critical sewage collections facilities. The goals of the program are to collect sewage in the most cost effective method available, create a high quality and reliable recycled 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 Recycling Plant (MWRP), the Los Alisos Water Recycling Plant (LAWRP) and at the Orange County Sanitation District (OCSD). The District owns and operates the Michelson and Los Alisos treatment facilities, and owns capacity in the OCSD facilities.

The District optimized its water recycling capability, improved operational efficiencies, supported planned maintenance, and minimized the impacts of unexpected emergencies. Examples of these efforts include the construction of the Harvard Avenue Trunk Sewer (HATS) diversion project completed during FY 2007-08 that diverts sewage flows to the Michelson Plant so that more water may be recycled.

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 capacities of 18 (MWRP) and 7.5 (LAWRP) million gallons per day (mgd), with a collective capacity of 25.5 mgd. Ultimately, the capacity for these treatment facilities is planned to be 33 and 7.5 mgd, with a collective capacity of 40.5 mgd.

Expanding existing infrastructure for sewage treatment has four primary benefits including:

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

Water supply and water recycling studies have identified numerous capital improvement projects over the next five years to achieve these goals. This includes the upgrades to IRWD treatment plants as mentioned above and 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 project to expand the Michelson Water Recycling Plant to be completed in fiscal year 2013-14, which will increase the recycled water production capacity to 28 million gallons per day.

In addition to the projects identified above, the District has evaluated alternative approaches to handling the solids generated by its water recycling facilities. The evaluation of the alternative approaches for handling MWRP solids, currently conveyed to Fountain Valley for treatment by OCSD, included consideration of many factors such as costs and potential community impacts. IRWD has elected to design and build new capital facilities at the MWRP to dewater, digest, and dry biosolids to allow safe reuse of pellets as either fertilizer or e-fuel. The treatment process will reduce the District's cost. The construction of the MWRP Biosolids Handling and Energy Recovery Facilities is anticipated to be completed in 2016 at an estimated cost of \$212 million.



## Community Education and Outreach

The District's commitment to community education and outreach recognizes the significant impact lifelong water education can have on a community. Today, our water efficiency and environmental programs provide a key Best Management Practice under the California Urban Water Conservation Council's memorandum of understanding dedicated to increasing efficient water use statewide. From student water and science education programs to resident tours, IRWD is dedicated to teaching value and fostering appreciation for water and the environment – both vital resources.

Community water education and a water use efficiency minded ethic begin at a young age. The District provides innovative water education programs to students in our service area through a unique partnership with the Discovery Science Center. These exceptional programs are available to all kindergarten through middle school students in any public, private or home school in our service area and meet all California curriculum content standards while bringing water education to life for our students. The partnership with the Discovery Science Center allows us to effectively reach students in our service area with innovative and informative water education. Through these programs, we are teaching the next generation of community members to be good stewards of our precious water and environmental resources.

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.

The District's San Joaquin Marsh Campus, which houses the IRWD Learning Center and Visitors Center, is the embodiment of the District's dedication to lifelong water education. The location of the Campus at the San Joaquin Marsh provides a wide variety of educational venues and teaching opportunities utilizing the District's Natural Treatment System, the Butterfly Garden, and the San Diego Creek. The Learning Center is a dedicated facility for water education in our community. The Center features two state-of-the-art classrooms and a patio that can be utilized as an outdoor learning facility. Throughout the year, the Center houses not only the District's education programs but also its resident tours, community events, and Project WET teacher training classes and programs run by the District's Marsh partner, Sea & Sage Audubon. The Visitor's Center at the historic Irvine Ranch Marsh House provides informative self-guided tours on the District's environmental and water use efficiency efforts and is open to the public seven days a week.

These programs and the District Marsh Campus provide the backbone of the District's community education and outreach efforts. In addition, the District offers Always Water Smart efficiency workshops and webinars; customized in-class lectures for high school and college classes; and customized tours for community organizations in our service area. Teaching children and in turn, their families about water and the environment at an early age coupled with extensive customer outreach has helped us teach our community as a whole about the importance of protecting our vital resources and the value of water.

## Water Use Efficiency Plan

The District strives to be a leader in the innovation and implementation of water use efficiency measures by promoting the most efficient use of water both on a per capita and per acre basis. IRWD led the use of recycled water starting in the late 1960s and presently serves over 4,900 sites with more than 27,900 acre feet of recycled water annually, currently 24% 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, which IRWD updated in 2009, is recognized as a model for other agencies to emulate.

The District's Water Use Efficiency Plan is a comprehensive strategy that includes not only environmental considerations, but also addresses the considerable positive financial benefits of water use efficiency 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.
- Reduced urban runoff (typically the result of "over-watering") minimizes water quality degradation from fertilizers, pesticides and animal waste in creeks, rivers and the ocean.
- Reducing water demands also reduces energy demands on electricity, which is needed to convey water.
- Reduced water use indoors results in reduced sewage generation and attendant treatment costs and capital costs for additional infrastructure.

The basic tenets of the Water Use Efficiency 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.

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 provides reliable, high quality water to its customers at the lowest possible cost.

# Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Irvine Ranch Water District for its comprehensive annual financial report (CAFR) for the fiscal years ended June 30, 2004 through June 30, 2012. 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.

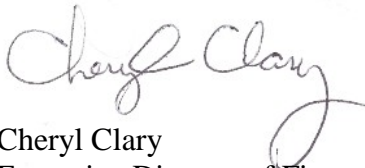
A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

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 Finance Department staff. We wish to express our appreciation to all staff that assisted and contributed to the preparation of this report.

Respectfully submitted,



Paul Cook  
General Manager



Cheryl Clary  
Executive Director of Finance & Administration

**Irvine Ranch Water District**  
List of Principal Officials

**Board of Directors:**

President and Director	Douglas J. Reinhart
Vice President and Director	Steven E. LaMar
Director	Mary Aileen Matheis
Director	Peer A. Swan
Director	John B. Withers

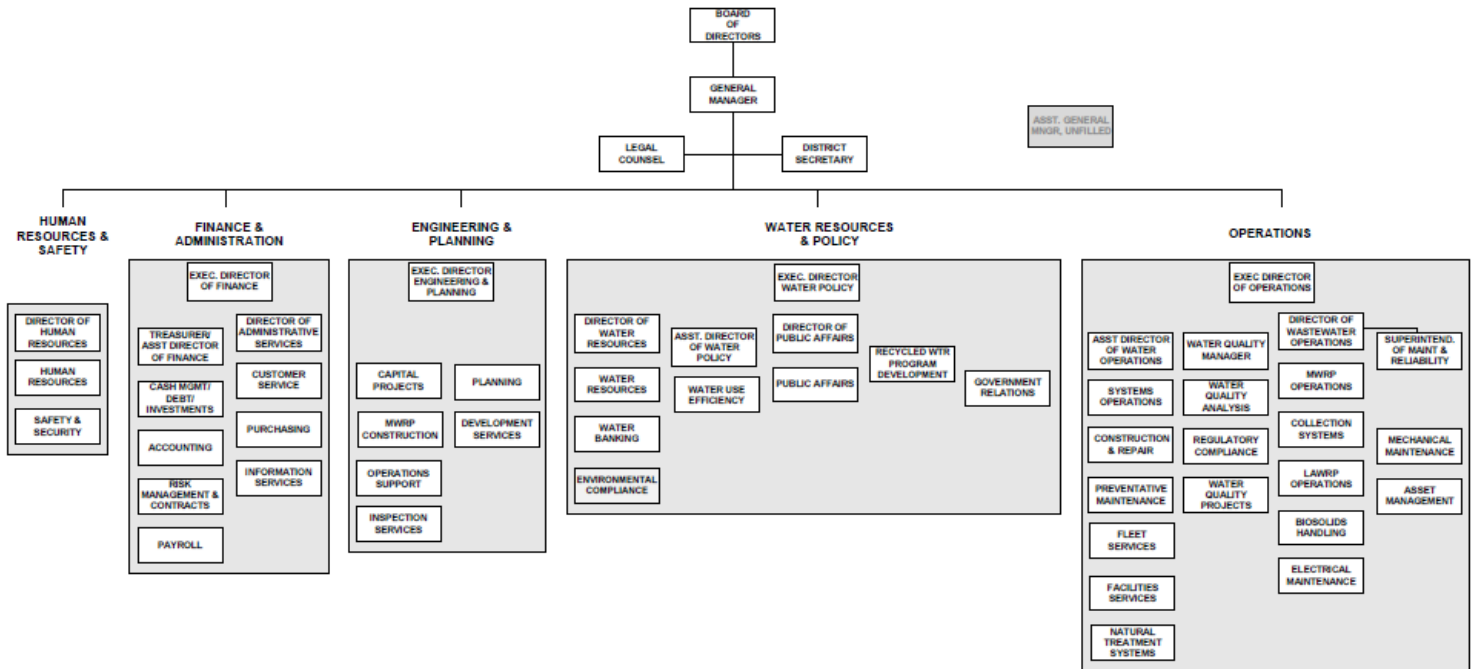
**Executive Management:**

General Manager	Paul Cook
Executive Director of Finance & Administration	Cheryl Clary
Executive Director of Operations	Patrick Shields
Executive Director of Engineering & Water Quality	Kevin Burton
Executive Director of Water Resources & Policy	Gregory Heiertz
Director of Water Resources	Paul Weghorst
Director of Public Affairs	Beth Beeman
Director of Administrative Services	Tony Mossbarger
Director of Treasury and Risk Management	Robert Jacobson

# Irvine Ranch Water District

## Organizational Chart (By Function)

### Fiscal Year 2012-13





Government Finance Officers Association

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Presented to

**Irvine Ranch Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# Financial Section

Irvine Ranch Water District  
Fiscal Year Ended June 30, 2013



## Mayer Hoffman McCann P.C.

An Independent CPA Firm

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Board of Directors  
Irvine Ranch Water District  
Irvine, California

### **INDEPENDENT AUDITORS' REPORT**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Irvine Ranch Water District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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



### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Irvine Ranch Water District, as of June 30, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described further in note 1 to the financial statements, during the year ended June 30, 2013, the District implemented GASB Statement No. 63. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the District's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *combining schedules of net assets*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining schedules of net assets* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining schedules of net assets* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District internal control over financial reporting and compliance.

*Mayer Hoffman Malin P.C.*

Irvine, California  
December 9, 2013

## 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, 2013. This section should be read in conjunction with the basic financial statements and notes to the financial statements, which follow this analysis.

### **Financial Highlights:**

- Total assets and deferred outflow of resources exceed total liabilities by \$1,361.2 million (net position), representing \$919.8 million in net investment in capital assets, \$208.0 million restricted for water services and operation and \$233.4 million restricted for sewer services and operation. This is an increase of \$13.2 million or 1 percent over the prior year net position of \$1,348.0 million.
- Total revenues are \$196.1 million, an increase of \$3.1 million or 1.6 percent over the prior year primarily as a result of higher operating revenues associated with higher sales volume due to increased customer demand and a Board approved rate increase, partially offset by lower non-operating revenues.
- Total expenses are \$217.3 million, an increase of \$4.8 million or 2.3 percent over the prior year primarily due to higher operating expenses for water and sewer services, partially offset by lower non-operating expenses.
- Capital contributions are \$34.4 million, an increase of \$8.5 million or 32.9 percent over the prior year due primarily to higher connection fees associated with increased housing activity by developers.
- Total debt was \$1,225.8 million a \$47.3 million decrease or 3.7 percent over the prior year. JPA debt is \$610.6 million of this amount which is supported by \$620.9 million of investment assets. The decrease in overall debt is due primarily to principal payments of \$66.8 million during the year.
- The District funded \$3.6 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 reflected as a net pension asset and is discussed in detail in Note 13 to the Basic Financial Statements.
- The District established and funded \$35 million to the Irvine Ranch Water District Post-Employment Benefits Trust (Benefits Trust). The Benefits Trust was established to "pre-fund" a portion of the CalPERS unfunded liability, providing the District with an alternative to CalPERS that allows for investment by a professional fund management team selected and monitored by the District, with future excess contributions transferred to CalPERS at the District's discretion.

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

### **Overview of the Financial Statements:**

The basic financial statements of the District consist of the financial statements (the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) and notes to the financial statements. The basic financial statements

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

are prepared using the accrual basis of accounting. This report also contains other supplementary information in addition to the basic financial statements.

**Statement of Net Position** depicts the District's financial position at June 30, the end of the District's fiscal year. The statement of net position shows all financial assets and liabilities of the District. Net position represents the District's residual interest after liabilities are deducted from assets and deferred outflows of resources. Net position is displayed in two components: net investment in capital assets and restricted for water and sewer services.

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

**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.

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

The **Other Information** includes *required supplementary information and supplementary information*. The *supplementary information* immediately following the Notes to the Basic Financial Statements include a combining schedule of net assets for water subfunds and sewer subfunds at the end of the fiscal year.

### **Financial Analysis of the District:**

The following condensed schedules contain summary financial information 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 Management's Discussion and Analysis (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. Other external factors such as changes in economic conditions, customer growth, and legislative mandates should also be considered as part of this assessment.

### **Financial Position Summary:**

The Statement of Net Position reflects the District's financial position as of June 30. The statement includes assets, deferred outflow of resources, and liabilities. The net position represents the District's net worth including, but not limited to, capital contributions and investments in capital assets. A condensed summary of the District's total net position at June 30 is set forth below:

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Table 1**  
**Summary of Net Position**  
**(in millions)**

	2013	2012	Increase/(Decrease)	
			Amount	Percentage
<b>Assets</b>				
Current and other assets	\$ 983.5	\$ 357.4	\$ 626.1	175.2%
Capital assets, net	1,506.1	1,508.8	(2.7)	-0.2%
Other noncurrent assets	144.7	809.6	(664.9)	-82.1%
<b>Total assets</b>	<b>2,634.3</b>	<b>2,675.8</b>	<b>(41.5)</b>	<b>-1.6%</b>
<b>Deferred Outflow of Resources</b>				
Accumulated decrease in fair value of swaps agreements	37.5	53.0	(15.5)	-29.2%
<b>Liabilities</b>				
Current and other liabilities	664.5	99.0	565.5	571.2%
Long-term liabilities	646.1	1,281.8	(635.7)	-49.6%
<b>Total liabilities</b>	<b>1,310.6</b>	<b>1,380.8</b>	<b>(70.2)</b>	<b>-5.1%</b>
<b>Net Position</b>				
Net investment in capital assets	919.8	943.1	(23.3)	-2.5%
Restricted for water services	208.0	203.4	4.6	2.3%
Restricted for sewer services	233.4	201.5	31.9	15.8%
<b>Total net position</b>	<b>\$ 1,361.2</b>	<b>\$ 1,348.0</b>	<b>\$ 13.2</b>	<b>1.0%</b>

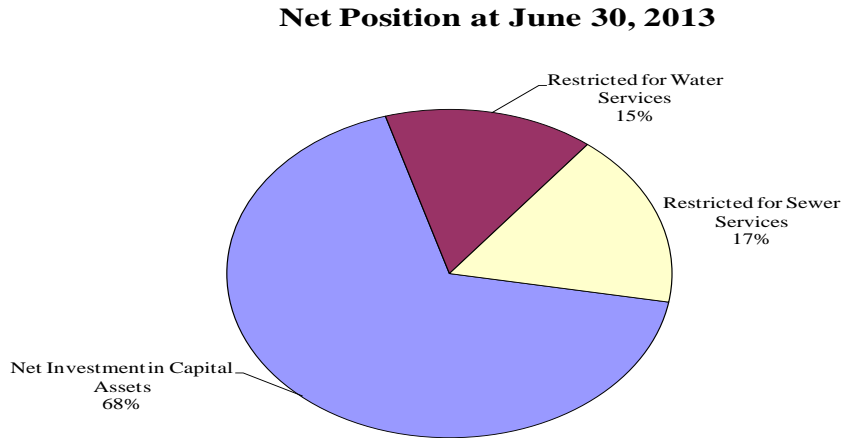
As shown in Table 1, the District's total assets decreased \$41.5 million or 1.6 percent. This is due primarily to a decrease of \$31.0 million in the JPA investment resulting from principal payments and a \$28.0 million reduction in the fair market value of investments. This was partially offset by higher cash from outside federal and state agency grants and a reduction in required collateral for the District's interest rate swaps. In addition, the District has reclassified \$620.9 million in JPA investments from other non-current assets to current and other assets to reflect the investment maturities in February 2014.

The accumulated fair value of swaps decreased from negative \$53.0 million mark to market value to negative \$37.5 million mark to market value during the fiscal year and are reflected in the deferred outflow of resources.

The District's total liabilities decreased \$70.2 million or 5.1 percent from \$1,380.8 million in the prior fiscal year to \$1,310.6 million in the current fiscal year. The principal reason is a reduction in the District's debt due primarily to principal payments of \$66.8 million during the year. In addition, there is a reduction in the interest rate swap liability of \$15.5 million reflecting an increase in the fair value during the year. The District also issued \$257.4 million of new JPA refunding bonds and refunded \$246.8 million of JPA bonds in order to achieve a significantly lower interest rate. There are currently two JPA bond issues outstanding and both bond issues, totaling \$610.6 million are due March 2014, and are reclassified from long term liability to current liability in the current fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Net position at end of the current fiscal year increased from \$1,348.0 million in the prior fiscal year to \$1,361.2 million in the current fiscal year, an increase of 1.0 percent in the District's overall financial condition.



Net position consists of net investment in capital assets and restricted net position. Net investment in capital assets reflects the difference between capital assets, net of accumulated depreciation/amortization and the liabilities attributable to their acquisition, construction, or improvement of those assets. Net investment in capital assets was \$919.8 million or 67.6 percent of total net position, a decrease of \$23.3 million or 2.5 percent from the prior fiscal year. This resulted primarily from the principal payments related to the debt associated with the capital assets. Restricted net position for water services were \$208.0 million or 15.3 percent of total net position. Restricted net position for sewer services were \$233.4 million or 17.1 percent of total net position. Those restricted net positions are externally restricted by a creditor such as through debt covenants or restricted by law or enabling legislation.

### **Activities and Changes in Net Position:**

The Statement of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the current fiscal year. A Summary of the District's changes in net position for the fiscal years ended June 30, is included in Table 2 below:

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

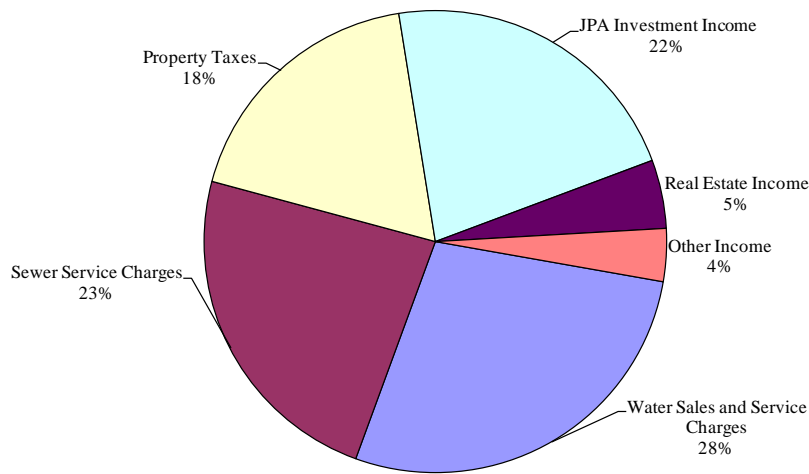
	2013	2012	Increase/(Decrease)	
			Amount	Percentage
<b>Operating revenues</b>				
Water sales and service charges	\$ 62.6	\$ 57.6	\$ 5.0	8.7%
Sewer sales and service charges	53.1	49.2	3.9	7.9%
Total operating revenues	<u>115.7</u>	<u>106.8</u>	<u>8.9</u>	<u>8.3%</u>
<b>Non-operating revenues</b>				
Property taxes	41.1	38.0	3.1	8.2%
Investment income	0.2	3.1	(2.9)	-93.5%
Increase (decrease) in fair value of investments	(29.1)	(23.5)	(5.6)	23.8%
JPA investment income	49.1	51.5	(2.4)	-4.7%
Real estate income	10.8	11.0	(0.2)	-1.8%
Other income	8.3	6.1	2.2	36.1%
Total non-operating revenues	<u>80.4</u>	<u>86.2</u>	<u>(5.8)</u>	<u>-6.7%</u>
Total revenues	<u>196.1</u>	<u>193.0</u>	<u>3.1</u>	<u>1.6%</u>
<b>Operating expenses</b>				
Water services expenses	65.8	57.2	8.6	15.0%
Sewer services expenses	46.2	40.8	5.4	13.2%
Depreciation	47.5	41.3	6.2	15.0%
Total operating expenses	<u>159.5</u>	<u>139.3</u>	<u>20.2</u>	<u>14.5%</u>
<b>Non-operating expenses</b>				
Interest expense	16.8	16.9	(0.1)	-0.6%
JPA interest expense	28.9	39.6	(10.7)	-27.0%
Real estate expense	6.0	6.0	-	0.0%
Other expense	6.1	10.7	(4.6)	-43.0%
Total non-operating expenses	<u>57.8</u>	<u>73.2</u>	<u>(15.4)</u>	<u>-21.0%</u>
Total expenses	<u>217.3</u>	<u>212.5</u>	<u>4.8</u>	<u>2.3%</u>
Income/(loss) before capital contributions	(21.2)	(19.5)	(1.7)	8.7%
Capital contributions	<u>34.4</u>	<u>25.9</u>	<u>8.5</u>	<u>32.9%</u>
Change in Net Position	13.2	6.4	6.8	106.4%
Beginning Net Position	1,348.0	1,341.6	6.4	0.5%
<b>Ending Net Position</b>	<u><u>\$ 1,361.2</u></u>	<u><u>\$ 1,348.0</u></u>	<u><u>\$ 13.2</u></u>	<u><u>1.0%</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### **Revenues:**

As shown in Table 2, the District's operating revenues total \$115.7 million or 59.0 percent of total revenues. Water sales contribute 54.1 percent to total operating revenues and sewer sales contribute 45.9 percent to total operating revenues. Operating revenues increased by \$8.9 million or 8.3 percent from the prior fiscal year. Overall, approximately 50 percent of the revenue increase is attributable to customer growth in the District's service areas due to increased housing activity and a warmer and drier year. The remaining gain in revenue is attributable to a Board approved rate increase. Consumption increased by 5,315 acre-feet or 6.7 percent from 79,829 acre-feet in the prior fiscal year to 85,144 acre-feet in the current fiscal year. The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2013, excluding the change in the fair market value of investments.

**Sources of Revenue for Fiscal Year Ended June 30, 2013**  
(excluding change in fair market value of investments)



Net non-operating revenues account for 41.0 percent of total revenue for the fiscal year ended June 30, 2013 and decreased \$5.8 million from the prior year due primarily to the decrease in the fair value of investment assets. Excluding the decrease in the fair value of investments, non-operating revenues account for 30.7 percent of total revenues and consist primarily of property tax revenue allocated to the District from the County, investment income and real estate income generated from the District's real estate investment assets.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

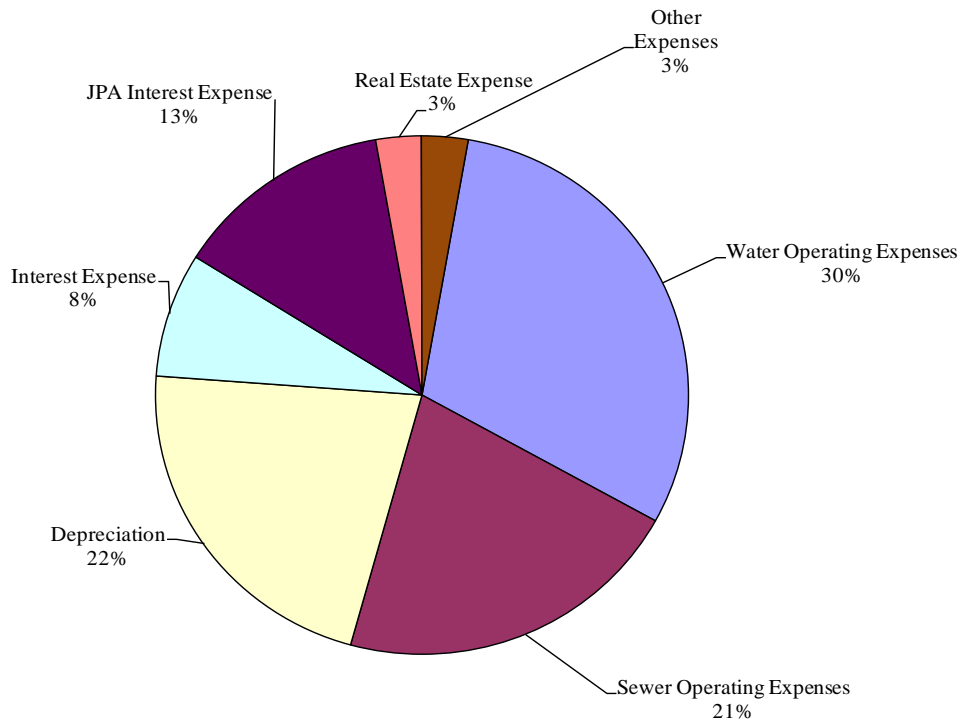
### Expenses:

As shown in Table 2, operating expenses total \$159.5 million, of which \$112.0 million relates to cost of service. This represents 96.8 percent of related revenues before depreciation. Operating expenses comprised of water and sewer expenses, excluding depreciation, increased by \$14.0 million or 14.3 percent over the prior year. Water services expense totaled \$65.8 million which is an increase of \$8.6 million or 15.0 percent. This is due primarily to an increase in purchased water of 3,100 acre-feet (\$3.0 million), higher operating expenses associated with increased costs and demand (\$3.0 million) and expense projects related to the District's capital program (\$1.6 million).

Sewer service expenses totaled \$46.2 million, which is an increase of \$5.4 million or 13.2 percent over the prior year. The increase is primarily due to the cost of handling, treatment, and disposal of wastewater solids residuals sent to the Orange County Sanitation District Wastewater System.

Non-operating expenses decreased by \$15.4 million or 21.0 percent primarily due to a decrease of \$10.7 million or 27.0 percent in JPA interest expense. The District refunded JPA bonds Issue#1 and issued new refunding bonds at a significantly lower interest rate. The interest rate decreased 5.3 percent, from 7.7 percent for the 1998 Taxable Refunding Issue to 2.4 percent for the 2012 Taxable Refunding Issue.

**Functional Expenses for Fiscal Year Ended June 30, 2013**



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### **Capital Contributions:**

Capital contributions totaled \$34.4 million, an increase of \$8.5 million or 32.9 percent over the prior year. This is due primarily to an increase in connection fees from developers as a result of higher housing activity. During the current fiscal year, the District added over 3,200 new connections for a total of \$17.3 million of connection fees. The District also received \$9.7 million of donated facilities from developers and \$7.5 million of grants from federal and state agencies during the year.

### **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)**

	2013	2012	Increase/(Decrease)	
			Amount	Percentage
Waterworks in service	\$ 890.0	\$ 813.7	\$ 76.3	9.4%
Sewer plant in service	920.7	922.0	(1.3)	-0.1%
Less: accumulated depreciation	(597.8)	(551.2)	(46.6)	8.5%
Land and water rights	85.6	66.1	19.5	29.5%
Construction in progress	207.6	258.2	(50.6)	-19.6%
Total	<u>\$ 1,506.1</u>	<u>\$ 1,508.8</u>	<u>\$ (2.7)</u>	<u>-0.2%</u>

Capital assets, net of depreciation decreased \$2.7 million or 0.2% from \$1,508.8 million in the prior fiscal year to \$1,506.1 million in the current fiscal year. The decrease in the net capital assets was primarily due to \$46.6 million of depreciation expense during the year. Several significant projects were completed and started depreciating during the current fiscal year. Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2013 were \$117.7 million. The most significant projects include (in millions):

<b>Project Description</b>	<b>Amount</b>
Wells 21 & 22 Wellhead Pipeline and Treatment Plant	\$ 40.5
Supplemental Water Supply and Storage	15.0
Strand Ranch Facilities and Monitoring Program	10.0
Newport Blvd 12" WM Replacement	5.2
Accounting System Implementation	7.8
Well 107 Replacement and Site Acquisition	3.4
Stockdale West Facilities	3.2
Lake Forest Well #2 Replacement Drilling and Wellhead	2.0
Canyon Area BPD Permanent Generators	1.7
Strand Ranch Cross Valley Canal Turnouts	1.2
OPA Final Pressure Package 3	1.2
OPA Center Improvements PH1	3.4
Columbus Grove Water	1.1
Water Resources Agreements and Implementation	1.0
<b>Total</b>	<b><u>\$ 96.6</u></b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

### **Debt Administration:**

As shown below in Table 4, as of June 30, 2013, the District had total debt outstanding of \$1,225.8 million, a decrease of \$47.3 million, or 3.7 percent from the prior fiscal year.

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

	2013	2012	Increase/(Decrease)	
			Amount	Percentage
General obligation bonds	\$ 534.3	\$ 548.5	\$ (14.2)	-2.6%
Joint Powers Agency bonds	610.6	638.5	(27.9)	-4.4%
Certificates of participation	78.7	83.6	(4.9)	-5.9%
Notes payable	2.2	2.5	(0.3)	-12.0%
Total	<u>\$ 1,225.8</u>	<u>\$ 1,273.1</u>	<u>\$ (47.3)</u>	<u>-3.7%</u>

The decreases in the District's total debt were primarily due to principal maturities of \$66.8 million during the year. In addition, the District issued \$257.4 million of JPA Taxable Refunding Bonds Issue #1 and refunded \$246.8 million of the 1998 Joint Powers Agency Taxable Refunding Bonds Issue #1. The refunding of the Joint Powers Agency Taxable Refunding Bonds Issue #1 provided the District a net interest savings of \$17.3 million. The District also amortized \$9.3 million of debt during the current fiscal year.

The District's rated debt obligations have received the following ratings from the three major rating agencies:

Fitch Ratings:	AAA
Moody's:	Aa1
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 Executive Director of Finance at the Irvine Ranch Water District, 15600 Sand Canyon Avenue, Irvine, California 92618-7500.

## Irvine Ranch Water District

### Statement of Net Position

June 30, 2013

(with comparative data as of June 30, 2012)

(amounts expressed in thousands)

	2013	2012
<b>ASSETS:</b>		
Current Assets:		
Cash and Investments (note 2)	\$ 275,905	\$ 240,893
Receivables:		
Customer accounts receivable	8,354	6,538
Interest receivable	310	376
Joint Powers Agency (JPA) interest receivable	18,102	19,009
Notes receivable, current portion	12	11
Allen-McColloch Pipeline receivable, current portion (note 8)	530	492
Due from other agencies (note 17)	38,669	35,179
Other receivables	4,273	8,575
Total receivables	70,250	70,180
Other Current Assets:		
Inventories (note 4)	4,241	2,233
Prepaid items and deposits	12,232	13,640
JPA investment program, current portion (note 2)	620,895	30,462
Total other current assets	637,368	46,335
Total current assets	983,523	357,408
Noncurrent Assets:		
Capital Assets (note 5):		
Waterworks in service	889,988	813,675
Sewer plant in service	920,658	922,018
Subtotal	1,810,646	1,735,693
Less accumulated depreciation	(597,774)	(551,207)
Total capital assets being depreciated, net	1,212,872	1,184,486
Land and water rights	85,569	66,162
Construction in progress	207,613	258,177
Total capital assets, net	1,506,054	1,508,825
Other Noncurrent Assets:		
Debt service cash and investments (note 2)	29,083	68,949
Investments - swap collateral (note 2)	14,536	26,654
Unamortized debt issuance expense	2,208	2,407
Notes receivable, net of current portion	127	137
Allen-McColloch Pipeline receivable, net (note 8)	1,854	2,384
JPA investment program, net of current portion (note 2)	-	649,130
Real estate investments (note 7)	46,811	48,325
Net pension asset (note 13)	15,148	11,605
Benefits trust asset (note 13)	35,000	
Total other noncurrent assets	144,767	809,591
Total noncurrent assets	1,650,821	2,318,416
<b>TOTAL ASSETS</b>	<b>2,634,344</b>	<b>2,675,824</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>		
Accumulated decrease in fair value of swap agreements (note 3)	37,493	52,959

See accompanying notes to the basic financial statements.

## Irvine Ranch Water District

### Statement of Net Position

June 30, 2013

(with comparative data as of June 30, 2012)

(amounts expressed in thousands)

(Continued)

	2013	2012
<b>LIABILITIES:</b>		
Current Liabilities:		
Account payable and accrued expenses	\$ 21,414	\$ 24,968
Customer deposits and advance payments	264	449
Accrued interest:		
General obligation bonds	1,683	1,685
JPA revenue bonds	4,519	8,554
Other accrued interest payable	2,384	2,474
Current portion of long-term liabilities:		
General obligation bonds (note 9)	15,446	14,206
Certificates of participation (note 9)	5,517	4,917
JPA revenue bonds (note 9)	610,568	39,904
Notes payable (note 9)	256	254
Other long term liabilities (note 9)	1,380	1,090
Deferred revenue (note 10)	525	525
Claims liability (note 17)	562	-
Total current liabilities	664,518	99,026
Long-Term Liabilities:		
General obligation bonds, net of current portion (note 9)	518,898	534,343
Certificates of participation, net of current portion (note 9)	73,181	78,698
JPA revenue bonds, net of current portion (note 9)	-	598,618
Notes payable, net of current portion (note 9)	1,984	2,240
Other long term liabilities (note 9)	2,716	3,305
Deferred revenue, net of current portion (note 10)	8,900	9,425
Claims liability, net of current portion (note 17)	526	-
Net OPEB obligation (note 14)	2,444	2,210
Swap liability (note 3)	37,493	52,959
Total long-term liabilities	646,142	1,281,798
<b>TOTAL LIABILITIES</b>	<b>1,310,660</b>	<b>1,380,824</b>
<b>NET POSITION (note 12):</b>		
Net investment in capital assets	919,856	943,114
Restricted for water services	207,922	203,372
Restricted for sewer services	233,399	201,473
<b>TOTAL NET POSITION</b>	<b>\$ 1,361,177</b>	<b>\$ 1,347,959</b>

See accompanying notes to the basic financial statements.

**Irvine Ranch Water District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2013**  
(with comparative data for the Fiscal Year Ended June 30, 2012)  
(amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES:</b>		
Water sales and service charges	\$ 62,565	\$ 57,558
Sewer sales and service charges	53,085	49,234
Total operating revenues	<u>115,650</u>	<u>106,792</u>
<b>OPERATING EXPENSES:</b>		
Water:		
Water services	48,911	42,741
General and administrative	14,619	12,305
Customer accounts	2,252	2,142
Sewer:		
Sewer services	36,688	31,754
General and administrative	8,048	7,792
Customer accounts	1,501	1,332
Depreciation	47,539	41,378
Total operating expenses	<u>159,558</u>	<u>139,444</u>
Operating income (loss)	<u>(43,908)</u>	<u>(32,652)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Property taxes	41,068	38,062
Investment income	224	3,132
Increase (decrease) in fair value of investments	(29,180)	(23,586)
JPA investment income	49,178	51,530
Real estate income	10,789	11,039
Other income	8,323	6,141
Interest expense	(16,770)	(16,924)
JPA interest expense	(28,884)	(39,603)
Real estate expense	(6,047)	(6,016)
Other expenses	(6,110)	(10,713)
Total nonoperating revenues (expenses)	<u>22,591</u>	<u>13,062</u>
Income (loss) before capital contributions	(21,317)	(19,590)
<b>CAPITAL CONTRIBUTIONS:</b>		
Donated facilities	9,742	6,037
Connection fees	17,314	9,030
Other	7,479	10,881
Increase (decrease) in net position	<u>13,218</u>	<u>6,358</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,347,959</u>	<u>1,341,601</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 1,361,177</u>	<u>\$ 1,347,959</u>

See accompanying notes to the basic financial statements.

**Irvine Ranch Water District**  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013  
(with comparative data for the Fiscal Year Ended June 30, 2012)  
(amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 117,426	\$ 102,143
Cash paid to suppliers of goods and services	(44,143)	(49,497)
Cash paid for employees services	<u>(43,805)</u>	<u>(39,141)</u>
Net cash provided by (used for) operating activities	<u>29,478</u>	<u>13,505</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property tax receipts	<u>39,089</u>	<u>36,165</u>
Net cash provided by noncapital financing	<u>39,089</u>	<u>36,165</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(64,942)	(115,930)
Proceeds from issuance of long-term debt	257,355	53,540
Refunding of long-term debt	(256,282)	-
Principal payments on long-term liabilities	(57,856)	(118,294)
Interest and issuance costs on long term liabilities	(40,623)	(47,917)
Developer connection fees and related receipts	<u>24,793</u>	<u>19,911</u>
Net cash provided by (used for) capital and related financing activities	<u>(137,555)</u>	<u>(208,690)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment earnings	49,799	53,266
Investment earnings in real estate	6,256	5,023
Proceeds from sale or maturity of investments	156,483	237,572
Purchases of investments	(193,108)	(251,845)
Acquisition of real estate	-	(6,965)
Collections on notes receivable	514	482
Additions to notes receivable	<u>(14)</u>	<u>(12)</u>
Net cash provided by (used for) investing activities	<u>19,930</u>	<u>37,521</u>
Net increase (decrease) in cash and cash equivalents	(49,058)	(121,499)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>189,582</u>	<u>311,081</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 140,524</u>	<u>\$ 189,582</u>

See accompanying notes to the basic financial statements.

**Irvine Ranch Water District**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2013**  
**(with comparative data for the Fiscal Year Ended June 30, 2012)**  
**(amounts expressed in thousands)**  
**(Continued)**

	<u>2013</u>	<u>2012</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:		
Cash and investments	\$ 275,905	\$ 240,893
JPA investment program, current portion	620,895	30,462
Debt service cash and investments	29,083	68,949
Investments - swap collateral	14,536	26,654
Benefits trust asset	35,000	-
JPA investment program, net of current portion	<u>-</u>	<u>649,130</u>
Subtotal	975,419	1,016,088
Less investments with maturities greater than 3 months	<u>(834,895)</u>	<u>(826,506)</u>
Cash and cash equivalents at end of year	<u>\$ 140,524</u>	<u>\$ 189,582</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (43,908)	\$ (32,652)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	8,323	6,141
Other nonoperating expenses	(6,110)	(10,713)
(Gain) loss on disposition of capital assets	16,737	3,503
Depreciation	47,539	41,378
(Increase) decrease in customer receivables	(1,816)	(583)
(Increase) decrease in other receivables	4,302	(2,477)
(Increase) decrease in inventories	(2,008)	(430)
(Increase) decrease in due from other agencies	11,299	12,782
(Increase) decrease in prepaid expenses and other assets	1,409	1,368
(Increase) decrease in net pension asset	(3,543)	(322)
Increase (decrease) in accounts payable and accrued expenses	(3,553)	(3,138)
Increase (decrease) in customer deposits and advance payments	(185)	(995)
Increase (decrease) in compensated absences	195	11
Increase (decrease) in claims payable	1,088	-
Increase (decrease) in unearned revenue	(525)	(594)
Increase (decrease) in net OPEB obligation	<u>234</u>	<u>226</u>
Net cash provided by (used for) operating activities	<u>\$ 29,478</u>	<u>\$ 13,505</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	\$ 9,742	\$ 6,037
Unrealized gain (loss) on investments	<u>(29,180)</u>	<u>(23,586)</u>
Total noncash investing, capital and financing activities	<u>\$ (19,438)</u>	<u>\$ (17,549)</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, 2013

(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.

Connection fees which are paid by developers and property taxes which are paid by property owners 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 and Orange Park Acres service areas. The Los Alisos and Orange Park Acres areas were consolidated into the District in 2001 and 2008, respectively. Los Alisos and Orange Park Acres currently have separate user rate structures for water sales and service charges.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Description of the Reporting Entity

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
113/213	Former Tustin Marine Base
115/215	Redevelopment Associated with Irvine Business Complex
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
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 District’s operations since they have the same governing board. The District has the following blended component units:

The Irvine Ranch Water District Water Service Corporation – In January 1997, the District formed a 501(c)(4) corporation for the purpose of financing and acquiring water, sewer and other public improvements. The Corporation was created to effect the merger of the Santa Ana Heights Water Company and the issuance of the 2002 Certificates of Participation, 2008 Refunding Certificates of Participation, and 2010 Refunding Certificates of Participation.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

The Irvine Ranch Water District Water Service Corporation (Continued)

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 became effective on June 1, 2008. The Orange Park Acres area's 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, 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 all bonds or other indebtedness issued have 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 identified in the accompanying Supplementary Information schedules as 300 and 400. The JPA does not issue separate financial statements.

Bardeen Partners, Inc. – In March 1991, the District formed a 501(c)(4) corporation for the purpose of accounting for the financial data and transactions for certain 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 identified in the accompanying Supplementary Information schedules as 801 through 804. Bardeen Partners does not issue separate financial statements.

Irvine Ranch Water District Improvement Corporation – In August 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 which were refunded by the Irvine Ranch Water District Service Corporation Certificates of Refunding Series 2010.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Irvine Ranch Water District Improvement Corporation (Continued)

The Corporation is governed by the five members of the Board of Directors of the District. 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. There is no current activity for the Corporation.

(b) Basic Financial Statements

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, 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 basic financial statements.

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.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

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

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

Net position of the District is classified into two components: (1) net investment in capital assets and (2) restricted net position. These classifications are defined as follows:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.

Restricted net position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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.

(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.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(d) Property Taxes (Continued)

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 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.

(g) Real Estate Investments

Real estate investments consist of a wholly-owned apartment complex and three 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 cost method of accounting.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(h) Inventory and Prepaid Items

Water inventory is stated at its purchase cost using the first in, first out method. 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 and Depreciation

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:

Buildings and Structures	3 to 100 years
Transmissions and Distributions	10 to 75 years
Machinery and Equipment	3 to 50 years

(j) Capitalized Interest

Interest costs on related borrowings are capitalized during the construction period of major capital asset additions. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset.

(k) Unamortized Debt Issuance Expense

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

(l) Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits up to certain limits. Earned vacations pay to a maximum of 320 hours (or more with written approval of the General Manager).

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(l) 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. 50% of accumulated sick leave up to a maximum of 960 hours may be paid upon termination of employment. All accumulated vacation and vested sick leave pay is recorded as expense at the time the benefit is earned.

(m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(n) 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.

(o) Adopted GASB Pronouncements

**GASB Statement No. 61** – The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus; and amendment of GASB Statements No. 14 and No. 34*. The Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blended vs. discrete) presentation, and certain disclosure requirements. The Statement was implemented effective July 1, 2012, which had no impact on the District.

**GASB Statement No. 62** – The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement codifies into GASB accounting and financial reporting standards the “legacy” standards from the private-sector. The Statement was implemented effective July 1, 2012, which had no impact on the District.



**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(o) Adopted GASB Pronouncements (Continued)

**GASB Statement No. 63** – The GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The Statement was implemented effective July 1, 2012.

(2) Cash and Investments

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows (in thousands):

Cash and investments	\$	275,905
Debt service cash and investments		29,083
Investments-Swap collateral		14,536
Subtotal		319,524
JPA investment program, current portion		620,895
Subtotal JPA investments*		620,895
Total cash and investments	\$	940,419

\*See note 9 for corresponding JPA long-term liabilities.

Cash and investments as of June 30, 2013 consist of the following (in thousands):

Cash on hand	\$	3
Deposits with financial institutions		2,073
Investments		938,343
Total cash and investments	\$	940,419

Investments-Swap Collateral funds are held in separate trust accounts and earn the Federal Funds Effective Rate which was 0.07% as of June 30, 2013.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(2) Cash and Investments (Continued)

Authorized 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 that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee.

<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
Bankers 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, 2013  
(Continued)

(2) Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the 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  
Bankers 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

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(2) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

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>
Federal Agency Securities	\$ 199,464	\$ 30,108	\$ 169,356
Local Agency Investment Fund	103,447	103,447	
Treasury Equivalents*	14,536		14,536
JPA Cash and Investments:			
Federal Agency Securities	238,688	238,688	
Investment contract	382,208	382,208	
Total	<u>\$ 938,343</u>	<u>\$ 754,451</u>	<u>\$ 183,892</u>

\*Treasury Equivalents represent invested swap collateral earning the Effective Federal Funds Rate of interest which was 0.07% as of June 30, 2013.

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 actual rating as of year-end for each investment type (in thousands).

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>	
		<u>Between AA- and AA+</u>	<u>Not Rated</u>
Federal Agency Securities	\$ 199,464	\$ 199,464	\$ -
Local Agency Investment Fund	103,447		103,447
Treasury Equivalents	14,536		14,536
JPA cash and investments:			
Federal Agency Securities	238,688	238,688	
Investment Contract	382,208		382,208
Total	<u>\$ 938,343</u>	<u>\$ 438,152</u>	<u>\$ 500,191</u>

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk

The District did not have any minimum legal ratings at June 30, 2013.

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.

The credit rating of AIG at June 30, 2013 is A-/BBB/Baa1. 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 JPA 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.

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>Amount</u>
FNMA	Federal Agency Securities	\$ 293,472
FFCB	Federal Agency Securities	84,718
FHLB	Federal Agency Securities	39,931
FHLMC	Federal Agency Securities	20,031
	Total Federal Agency Securities	438,152
AIG	Investment Contract	382,208
	Total	<u>\$ 820,360</u>

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(3) Interest Rate Swap Agreements

In September 2003, the District's Board of Directors approved 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. 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. The District is compliant with all recently enacted Dodd-Frank Protocol provisions implemented during FY 2012-13 regarding swap advisor representation and transparency.

All outstanding interest rate swaps are pay-fixed, receive variable swaps ("fixed payer swaps"). As of June 30, 2013, the notional amount and fair value balance of the District's interest rate swaps is \$130.0 million and \$(37.5) million, respectively. For the year ended June 30, 2013, the increase in fair market value of the fixed payer interest rate swaps was \$15.5 million.

The fair value of the swap agreements at June 30, 2013 is calculated 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 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 District's fixed payer swaps were executed in 2004, and became effective in 2006 and 2007. The purpose of the fixed payer swaps was to hedge a portion of the interest rate risk exposure associated with the District's 100% variable rate debt structure at the time the swaps were executed. The interest rate swap notional amounts and maturities are not specifically related to a particular District debt issue, however are considered a hedge of a pooled portion of the District's variable rate debt exposure. The following table displays the objective and terms of the District's interest rate swaps outstanding at June 30, 2013, along with the credit rating of the associated counterparty.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(3) Interest Rate Swap Agreements (Continued)

Current Year Active Interest Rate Swaps (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	\$ 20,000	6/04/06	6/04/19	Pay 6.200%; receive 1-Mo. LIBOR	A3/A/A
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	20,000	6/04/06	6/04/19	Pay 6.200%; receive 1-Mo. LIBOR	Baa2/A-/A
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	30,000	6/17/06	6/17/19	Pay 6.140%; receive 1-Mo. LIBOR	A3/A/A
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	Baa2/A-/A
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	A3/A/A

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, including any current outstanding swap accruals, exceed a threshold of (\$15.0) million. The amount of the collateral posted shall be the amount of the mark-to-market value plus outstanding swap accrual amounts in excess of (\$15.0) million. As of June 30, 2013, the mark-to-market value of the total interest rate swaps with Citibank N.A. as counterparty exceeded the threshold amount requiring a collateral deposit in the amount of \$11.9 million, and the mark-to-market value of the total interest rate swaps with Merrill Lynch Capital Services, Inc. as counterparty exceeded the threshold amount requiring a collateral deposit in the amount of \$2.6 million. The collateral funds are held in separate trust accounts and earn interest at the Federal Funds Effective Rate (0.07% as of June 30, 2013). Swap collateral funds totaling \$14.5 million are included as non-current Investment-Swap Collateral on the Statement of Net Position as of June 30, 2013.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(3) Interest Rate Swap Agreements (Continued)

*Credit risk:* The District is exposed to credit risk on interest rate swaps. To minimize its exposure to loss related to credit risk, the District's policy requires that the Finance and Personnel Committee evaluate and approve the counterparty creditworthiness of each counterparty prior to executing an ISDA Agreement, and all current swap agreements include collateral posting provisions. These terms require full collateralization of the fair value of interest rate swaps in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below BBB+ as issued by Fitch Ratings and Standard & Poor's or Baa1 as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasuries, or other approved securities, held by a third-party custodian.

The District has executed interest rate swap transactions with two counterparties. Their ratings are A3/A/A (62% of net exposure to credit risk) and Baa2/A-/A (38% of net exposure to credit risk).

*Interest rate risk:* The District is exposed to interest rate risk on its interest rate swaps. On its fixed payer swaps, as LIBOR's swap index decreases, the District's net payment on the swap increases. Alternatively, on its fixed payer swaps, as LIBOR's swap index increases, the District's net payment on the swap decreases.

*Basis risk:* The District is exposed to basis risk on its fixed payer swaps because the variable-rate payments received by the District on these swaps are based on a rate or index other than interest rates the District pays on its variable-rate debt, which is remarketed daily or weekly.

*Termination risk:* The District or its counterparties may terminate an interest rate swap if the other party fails to perform under the terms of the contract. If at the time of termination, an interest rate swap is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

*Collateral requirements:* All of the District's interest rate swaps include provisions that require the District to post collateral in the event its credit rating falls below A as issued by Fitch Ratings and Standard & Poor's or A2 as issued by Moody's Investors Service.

The collateral posted is to be in the form of U.S. Treasuries or other approved securities in the amount of the fair value of interest rate swaps in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the swaps may be terminated by the counterparty. The District's credit rating is Aa1/AAA/AAA; therefore, no additional collateral has been posted at June 30, 2013, other than the collateral posted as a result of the mark-to-market valuations at June 30, 2013.



**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(4) Inventories

Inventories consist of available water in storage and materials and supplies in the District's warehouse facility. As of June 30, 2013, the District had 3,367 acre-feet of untreated water stored in the Irvine Lake in the amount of \$2.0 million. In addition, the District had 23,351 acre-feet of banked water in various water bank facilities in the amount of \$0.7 million. Inventories at June 30, 2013 consisted of the following (in thousands):

Water in Storage	\$ 2,742
Materials and Supplies	<u>1,499</u>
Total	<u>\$ 4,241</u>

(5) Capital Assets

Capital Asset activity for the year ended June 30, 2013 is as follows (in thousands):

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets:				
Land Leasehold	\$ 4,860	\$ -	\$ -	\$ 4,860
Buildings and Structures	611,223	55,240	(49,519)	616,944
Transmissions and Distributions	896,462	40,926	(664)	936,724
Machinery and Equipment	223,148	29,314	(344)	252,118
Sub-total	<u>1,735,693</u>	<u>125,480</u>	<u>(50,527)</u>	<u>1,810,646</u>
Less: Accumulated depreciation:				
Land Leasehold	(680)	(97)		(777)
Buildings and Structures	(192,340)	(18,610)	28	(210,922)
Transmissions and Distributions	(268,004)	(19,885)	607	(287,282)
Machinery and Equipment	(90,183)	(8,947)	337	(98,793)
Sub-total	<u>(551,207)</u>	<u>(47,539)</u>	<u>972</u>	<u>(597,774)</u>
Total depreciable capital assets, net	1,184,486	77,941	(49,555)	1,212,872
Capital assets, non-depreciable:				
Land and Water Rights	66,162	19,407		85,569
Construction In Progress	258,177	67,148	(117,712)	207,613
Total capital assets, net	<u>\$ 1,508,825</u>	<u>\$ 164,496</u>	<u>\$ (167,267)</u>	<u>\$ 1,506,054</u>

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(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. The amount of administrative and general expenses and net interest costs capitalized to construction-in-progress for the year ended June 30, 2013 is as follows (in thousands):

Administrative and general expenses, capitalized	\$ 8,236
Interest expenses, capitalized*	<u>3,985</u>
	<u>\$ 12,221</u>

\* The total amount of interest cost incurred for the year ended June 30, 2013 (both the amounts expensed and the amounts capitalized) was \$49,639, including \$28,884 of interest on JPA Bonds.

(7) Real Estate Investments

Real estate investments are as follows at June 30, 2013 (in thousands):

Wood Canyon Villas, L.P.	\$ 6,000
Sycamore Canyon Apartments	19,884
230 Commerce Office Property	4,108
Waterworks Way Business Park	8,260
Sand Canyon Professional Center	<u>8,559</u>
Total	<u>\$ 46,811</u>

Included in real estate investments are two apartment properties and three commercial office buildings. The District, through Bardeen Partners, Inc., is the sole limited partner in Wood Canyon Villas, L.P. (Wood Canyon), and the sole owner of both Sycamore Canyon Apartments and a commercial office building (230 Commerce). Separate from Bardeen Partners, Inc., the District is the sole owner of two other commercial office buildings (Waterworks Way Business Park and Sand Canyon Office Property).

The construction of Wood Canyon, a 230-unit apartment complex, was completed in 1993. The complex is located in Orange County, California, and was 95% occupied at June 30, 2013. The Wood Canyon partnership agreement provides the District with a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement (initially \$6.0 million). The District's capital contributions and preferred return are guaranteed by the principals of the general partner.

In 1992, the District acquired a 450-unit apartment property (original cost, \$34.1 million) in Orange County, California known as Sycamore Canyon Apartments. The property was 95% occupied at June 30, 2013. In addition, the Sycamore Canyon Apartments completed a renovation project in 2007 for a total cost of \$9.6 million.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(7) Real Estate Investments (Continued)

In 2003, the District completed construction of the 41,000 square foot for-lease 230 Commerce general office building located in Irvine, California. Land and construction costs for the project totaled \$5.6 million and the building was 90% occupied as of June 30, 2013.

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 the purchase agreement for land acquired for an adjacent District water treatment facility. Land and construction costs for the office project totaled \$9.0 million. As of June 30, 2013 the building was 100% occupied.

In April 2012, the District completed construction of a 16,350 square foot for-lease medical office building located in Irvine, California known as the Sand Canyon Professional Center. Land and construction cost for the project totaled \$8.4 million and the building was 74% occupied as of June 30, 2013.

Net real estate income as of June 30, 2013 was as follows (in thousands):

Real estate income	\$ 10,789
Real estate expense	(4,223)
Depreciation	(1,824)
	\$ 4,742
	\$ 4,742

(8) Allen-McColloch Pipeline

For several years prior to 1995, the District was a part owner and participant in a 27-mile pipeline through which it 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 \$45.8 million over 37 years, representing the District's ownership of approximately 42% of the pipeline project. In addition to the initial cash payment, the District has received \$43.1 million in payments under the agreement of which \$0.6 million was received for the fiscal year ended June 30, 2013. The District's receivable at June 30, 2013 of \$2.4 million is presented net of deferred imputed interest of \$0.3 million.

The sales agreement 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.

**Irvine Ranch Water District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**  
(Continued)

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 is as follows (in thousands):

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due within One Year	Due in more than One Year
<b>General Obligation Bonds:</b>						
1989 C Consolidated	\$ 5,000	\$ -	\$ (2,400)	\$ 2,600	\$ 2,500	\$ 100
1991 Consolidated	6,400	-	(1,100)	5,300	1,200	4,100
1993 C Consolidated	37,500	-	-	37,500	1,400	36,100
1995 Consolidated	19,900	-	(1,800)	18,100	1,900	16,200
2008A Refunding	57,600	-	(1,200)	56,400	1,200	55,200
2009A Consolidated	75,000	-	(2,500)	72,500	2,500	70,000
2009B Consolidated	75,000	-	(2,500)	72,500	2,500	70,000
2010B BABS	175,000	-	-	175,000	-	175,000
2011A-1 Refunding	59,075	-	(1,655)	57,420	1,380	56,040
2011A-2 Refunding	39,385	-	(1,105)	38,280	920	37,360
Unamortized Deferred Loss on Refunding	(1,311)	-	55	(1,256)	(54)	(1,202)
<b>Total General Obligation Bonds</b>	<b>548,549</b>	<b>-</b>	<b>(14,205)</b>	<b>534,344</b>	<b>15,446</b>	<b>518,898</b>
<b>JPA Revenue Bonds:</b>						
1998 Taxable Refunding No. 1	246,775	-	(246,775)	-	-	-
2010 Taxable Refunding No. 2	407,430	-	(33,805)	373,625	373,625	-
2012 Taxable Refunding No. 1	-	257,355	(13,850)	243,505	243,505	-
Unamortized Amounts	(15,683)	(178)	9,299	(6,562)	(6,562)	-
<b>Total JPA Revenue Bonds</b>	<b>638,522</b>	<b>257,177</b>	<b>(285,131)</b>	<b>610,568</b>	<b>610,568</b>	<b>-</b>
<b>Certificates of Participation:</b>						
2010 Refunding Certificates	77,190	-	(4,700)	72,490	5,300	67,190
Unamortized Premium	7,095	-	(361)	6,734	361	6,373
Unamortized Deferred Loss on Refunding	(670)	-	144	(526)	(144)	(382)
<b>Total Certificates</b>	<b>83,615</b>	<b>-</b>	<b>(4,917)</b>	<b>78,698</b>	<b>5,517</b>	<b>73,181</b>
<b>Notes Payable</b>	<b>2,494</b>	<b>-</b>	<b>(254)</b>	<b>2,240</b>	<b>256</b>	<b>1,984</b>
<b>Other Long-Term Liabilities:</b>						
Compensated Absences	3,089	3,981	(3,786)	3,284	1,295	1,989
Other Long-Term Liabilities	1,306	1,691	(2,185)	812	85	727
<b>Total Other Long-Term Liabilities</b>	<b>4,395</b>	<b>5,672</b>	<b>(5,971)</b>	<b>4,096</b>	<b>1,380</b>	<b>2,716</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 1,277,575</b>	<b>\$ 262,849</b>	<b>\$ (310,478)</b>	<b>\$ 1,229,946</b>	<b>\$ 633,167</b>	<b>\$ 596,779</b>

**Irvine Ranch Water District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**  
(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>Revenue Sources</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>
<b>General Obligation Bonds:</b>					
1989 Consolidated	June 1, 1989	\$ 35,000	(1)(3)	June 1, 2015	Variable
1991 Consolidated	August 1, 1991	19,100	(1)(3)	August 1, 2016	Variable
1993 Consolidated	May 1, 1993	38,300	(1)(3)	April 1, 2033	Variable
1995 Consolidated	December 1, 1995	40,000	(1)(3)	January 1, 2021	Variable
2008A Refunding	April 1, 2008	60,215	(1)(3)	July 1, 2035	Variable
2009A Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	Variable
2009B Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	Variable
2010B BABS	December 16, 2010	175,000	(1)(2)(3)	May 1, 2040	6.6%
2011A-1 Refunding	April 15, 2011	60,545	(1)(3)	October 1, 2037	Variable
2011A-2 Refunding	April 15, 2011	40,370	(1)(3)	October 1, 2037	Variable
<b>JPA Revenue Bonds:</b>					
2010 Taxable					
Refunding No. 2	April 20, 2010	436,955	(4)	March 15, 2014	0.9-2.6%
2012 Taxable					
Refunding No.1	September 12, 2012	257,355	(4)	March 15, 2014	2.4%
<b>Certificates of Participation:</b>					
2010 Certificates	February 23, 2010	85,145	(2)	March 1, 2032	3.8%

- (1) Ad valorem assessments or, in lieu of assessments, in the District's discretion, charges for water or sewer service
- (2) Available water, sewer, and recycled water revenues
- (3) Proceeds from the sale of property
- (4) JPA investment earnings and principal amounts

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(9) Long-Term Liabilities (Continued)

General Obligation Bonds

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

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on variable interest rates at June 30, 2013 ranging from 0.04% to 0.08% and the fixed rate for the 2010B BABs issue) are as follows (in thousands):

Fiscal Year	Principal	Interest	Hedging Investments, Net	BAB Federal Subsidy	Total
2014	\$ 15,500	\$ 11,875	\$ 7,500	\$ (3,764)	\$ 31,111
2015	13,500	11,863	7,500	(3,764)	29,099
2016	14,000	11,852	7,500	(3,764)	29,588
2017	14,300	11,841	7,500	(3,764)	29,877
2018	13,100	11,830	7,500	(3,764)	28,666
2019-2023	65,000	58,175	20,550	(18,820)	124,905
2024-2028	77,635	56,927	16,521	(18,431)	132,652
2029-2033	98,915	51,466	2,570	(16,674)	136,277
2034-2038	148,190	36,868	-	(11,953)	173,105
2039-2042	75,460	5,569	-	(1,804)	79,225
Subtotal	\$535,600	268,266	77,141	(86,502)	794,505
Less:					
Unamortized amounts	(1,256)	-	-	-	(1,256)
Total	<u>\$ 534,344</u>	<u>\$ 268,266</u>	<u>\$ 77,141</u>	<u>\$ (86,502)</u>	<u>\$ 793,249</u>

The above table incorporates the net receipts/payments of the hedging instruments that are associated with the variable rate debt issue(s). The amounts assume that current interest rates on variable rate bonds and the current reference rates of the hedging instruments will remain the same for their term. As these rates vary, interest payments on variable rate bonds and net receipts/payments on the hedging instruments will vary. Additionally, the above table includes the most recent BABs subsidy reduction of 7.2% under the Congressionally-mandated sequestration which began in FY 2012-13. Refer to Note 3 for additional information regarding the hedging instruments associated with the debt of the District.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(9) Long-Term Liabilities (Continued)

Joint Powers Agency (JPA) Revenue Bonds

The Irvine Ranch Water District Joint Powers Agency, established as a separate entity by an agreement between the District and Community Facilities District No. 1 of the District, issued \$400 million during fiscal 1988 and \$500 million 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. Principal and interest on revenue bonds were secured solely by the respective separate trust estates.

In April 2010, the JPA issued \$437.0 million of Taxable Refunding Bonds Issue #2, which were used to refund a portion of the outstanding 1998 Taxable Refunding Bonds Issue #2. The Taxable Refunding Bonds Issue #2 are due semi-annually on March 15 and September 15 in varying amounts.

In September 2012, the JPA issued \$257.4 million of Taxable Refunding Bonds Issue #1, which were used to refund the outstanding 1998 Taxable Refunding Bonds Issue #1. The Taxable Refunding Bonds Issue #1 are due semi-annually on March 15 and September 15.

Proceeds of the refunding debt were deposited in an escrow fund pursuant to the Escrow Deposit Agreement to provide for the debt service payment due in September 2012, and to call the remaining refunded portion of 1998 Taxable Refunding Bonds Issue #1 at par.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$0.2 million. This difference, reported in the accompanying basic financial statements as a deduction from bonds payable, is being charged to operations through the fiscal year 2014 using the straight-line method. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt was \$17.4 million. The economic gain (difference between the present values of the old and new debt service payments) resulting from the transaction was \$17.3 million.

At June 30, 2013, the aggregate of the JPA taxable refunding bond issues (excluding amortizations) due are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2014	\$ 617,130	\$ 15,121	\$ 632,251
Less: Unamortized amounts	(6,562)	-	(6,562)
Total	<u>\$ 610,568</u>	<u>\$ 15,121</u>	<u>\$ 625,689</u>

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(9) Long-Term Liabilities (Continued)

Joint Powers Agency (JPA) Revenue Bonds (Continued)

At June 30, 2013, the cash flow of the underlying JPA investments securing the JPA taxable refunding bond issues is as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2014	\$ 620,895	\$ 47,618	\$ 668,513

\* Amount includes accumulated increase in fair value of investments of \$16,906.

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):

	Principal	Interest	Total
Net Cash Flow to District	\$ (13,141)	\$ 32,497	\$ 19,356

Certificates of Participation

In February 2010, the Irvine Ranch Water District Service Corporation issued \$85.1 million of Certificates of Participation Refunding Series 2010 (the Series 2010 Certificates) to refinance the cost of certain capital improvements by refunding the outstanding principal amount of the Certificates of Participation Series 1986 and Series 2008.

The annual debt service requirements for the Certificates of Participation, including principal and interest payments, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2014	\$ 5,300	\$ 3,453	\$ 8,753
2015	5,910	3,188	9,098
2016	6,545	2,941	9,486
2017	7,135	2,677	9,812
2018	1,615	2,380	3,995
2019-2023	10,875	10,505	21,380
2024-2028	16,520	7,258	23,778
2029-2032	18,590	2,410	21,000
Subtotal	72,490	34,812	107,302
Plus: Unamortized amounts	6,208	-	6,208
Total	\$ 78,698	\$ 34,812	\$ 113,510



**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(9) Long-Term Liabilities (Continued)

Notes Payable (Continued)

The District has one outstanding loan from the State of California to fund reclaimed water projects. The balance on the 2000 loan was \$1.4 million at June 30, 2013. The annual interest rate is 0.00%, however, the loan agreement required the District to prepay interest of \$0.6 million, which is amortized over the life of the loan. The loan is payable annually in fixed installments of \$0.2 million through 2020.

The District also has one outstanding loan which was assumed as a result of its consolidation with the Santiago County Water District. The original loan amount was \$1.3 million. 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, 2013 was \$0.8 million.

Amounts required to amortize notes payable at June 30, 2013 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2014	\$ 256	\$ 52	\$ 308
2015	257	51	308
2016	258	50	308
2017	260	48	308
2018	262	46	308
2019-2023	750	111	861
2024-2026	197	8	205
Total	<u>\$ 2,240</u>	<u>\$ 366</u>	<u>\$ 2,606</u>

(10) Deferred Revenue

Deferred revenue at June 30, 2013 consisted of the following (in thousands):

South County Water Agencies	\$ 9,425
Deferred revenue, current portion	<u>525</u>
Deferred revenue, net of current portion	<u>\$ 8,900</u>

On November 10, 2008, the Board approved the South Orange County – Irvine Ranch Water District Interconnection Projects Participation Agreement (Agreement). The Agreement was effective on November 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). The purpose of the Agreement is to allow the South County water agencies (CSC, LBCWD, MNWD, SMWD, and SCWD) to buy capacity in the

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(10) Deferred Revenue (Continued)

District system and reimburse the District for various new intertie facilities which ensure that up to 30 cfs of water supply is available in an emergency. The total cost of the agreement was paid in full by each party in the fiscal year ended June 30, 2009. The amount of deferred revenue related to the South County Water Agencies is amortized over 20 years, the term of the Agreement. The amount of amortization for the fiscal year ended June 30, 2013 was \$0.5 million.

(11) Letters of Credit

The District has letters of credit securing the payment of principal and interest on General Obligation Bonds. 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.

The terms of the letters of credit, as of June 30, are summarized as follows (in thousands):

<u>Letter of Credit</u>	<u>Trustee</u>	<u>Amount</u>	<u>Expiration Date</u>
Bank of America:			
2009 Series B Consolidated	U.S. Bank	\$ 73,310	December 3, 2013
Bank of New York:			
1989 Consolidated	Bank of New York Mellon	2,635	June 2, 2014
1991 Consolidated	Bank of New York Mellon	5,371	August 2, 2014
1993 Consolidated	Bank of New York Mellon	38,013	June 2, 2014
Sumitomo Mitsui:			
1995 Consolidated	Bank of New York Mellon	18,368	April 15, 2014
2008 Series A Refunding	Bank of New York Mellon	57,234	April 15, 2014
U.S. Bank:			
2009 Series A Consolidated	U.S. Bank	73,310	November 10, 2013

In June 2013, the Board of Directors approved agreements to extend certain letters of credit with existing providers, with the resulting extensions taking effect July 2013. Two letters of credit originally scheduled to expire in late 2013 were extended three years to 2016, and two letters of credit scheduled to expire April 2014 were extended to April 2017. The extensions will provide a reduction in the average credit support fee for these issues of 0.29%.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(12) Net Position

Net position at June 30, 2013 consisted of the following (in thousands):

Net investment in capital assets:	
Property, plant and equipment, net	\$ 1,506,054
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(534,343)
Certificates of participation	(78,698)
Notes payable	(2,240)
Add back unspent portion of debt applicable to unspent bond proceeds	29,083
Total net investment in capital assets	919,856
Restricted net position:	
Restricted for water services	207,922
Restricted for sewer services	233,399
Total restricted net position	441,321
Total net position	\$ 1,361,177

(13) 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 up to 8% of their annual covered salary. During the fiscal year ending June 30, 2013, the District made up to 3% of the contributions required of District employees, while the District employees made up to 6% of the contribution.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(13) Defined Benefit Pension Plan (PERS) (Continued)

In addition, the District is required to contribute an actuarially determined rate applied to annual covered payroll. The District's contribution rate for the indicated period is 16.106%. The contribution rates for the fiscal year 2013-14 and 2014-15 are 16.795% and 18.0%, respectively.

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, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010.

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

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	18 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	3.55% 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, 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, 2013  
(Continued)

(13) 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.

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Actuarial Value	Status Market Value	Annual Covered Payroll	UAAL As a % of Payroll
6/30/09	\$ 149,825	\$ 110,923	\$ 38,902	74.0%	54.3%	\$ 24,307	160.0%
6/30/10	158,904	124,553	34,351	78.4%	63.0%	24,929	137.8%
6/30/11	170,392	140,716	29,676	82.6%	75.6%	24,379	121.7%

Since 2009, the District has made contributions totaling \$15.1 million in excess of the ARC to PERS to reduce the overall unfunded liability. The District's annual pension cost and net pension asset, computed in accordance with GASB 27, for the year ended June 30, 2013, were as follows (in thousands):

Annual required contribution	\$ 4,200
Interest on beginning pension asset	(899)
Adjustment to annual required contribution	996
Annual pension cost	<u>4,297</u>
Contribution made	<u>7,840</u>
Increase (decrease) in pension asset	3,543
Net pension asset, beginning of year	<u>11,605</u>
Net pension asset, end of year	<u><u>\$ 15,148</u></u>

The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue by funding a significant portion of its future pension obligation. In the fiscal year ended June 30, 2013, the District established and funded \$35 million to the Irvine Ranch Water District Post-Employment Benefits Trust "Benefits Trust". The Benefits Trust was established to "pre-fund" a portion of the CalPERS unfunded liability, providing the District with an alternative to CalPERS that allows for investment by a professional fund management team selected and monitored by the District. Future contributions will be transferred to CalPERS for payments to employees at the District's discretion. The District intends to reduce its future liability by the amount pre-funded in the Benefits Trust. As of June 30, 2013, the Benefits Trust holds the pre-funding contributions from the District pending future remittance to the CalPERS pension trust fund. As of June 30, 2013, all Benefits Trust assets were invested in the Federated Government Obligations Fund - Institutional Shares, pending completion and approval of the Benefits Trust's Investment Policy. As of June 30, 2013, the Federated Government Obligations Fund had money market fund ratings of AAAM, Aaa-

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(13) Defined Benefit Pension Plan (PERS) (Continued)

mf and AAmmf from S&P, Moody's and Fitch, respectively. The CalPERS pension trust fund pays all retiree benefit payments associated with the plan.

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, 2013 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 Asset
6/30/11	\$ 1,728	\$ 9,480	\$ 11,208	\$ 3,012	314.7%	\$ 11,283
6/30/12	1,025	4,643	5,668	4,321	107.5%	11,605
6/30/13	609	7,840	8,449	4,297	182.5%	15,148

(14) Other Post Employment Benefits

The District administers three other post employment benefits (OPEB) plans which are subject to changes based on the discretion of the Board:

- PEMHCA: The District provides an agent multiple-employer defined benefit healthcare 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. Employees are eligible for this lifetime benefit if they retire from the District and are eligible to begin drawing a PERS pension.
- Retiree Health Cost Benefits: The District also administers a single-employer defined benefit health cost reimbursement plan which provides medical benefits to covered employees and their eligible dependents. 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 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), to a maximum of \$600 per month after 25 years of service.
- Retiree Death Benefit Only Plan: The District administers a single-employer defined benefit plan. 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 are not currently eligible for this plan.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(14) Other Post Employment Benefits (Continued)

Membership of the plan consisted of the following at June 30, 2013:

	<u>PEMHCA</u>	<u>Retiree Health Costs Reimbursement</u>	<u>Retiree Death Benefit Only</u>
Retirees and beneficiaries receiving benefits	64	48	82
Terminated plan members entitled to but not yet receiving benefits	-	<u>5</u>	-
Active plan members	<u>304</u>	<u>304</u>	<u>236</u>
Total	<u>368</u>	<u>357</u>	<u>318</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. The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2013, the amount actually contributed for each OPEB benefit, and the changes in the District's net OPEB obligation:

	<u>PEMHCA</u>	<u>Retiree Health Costs Reimbursement</u>	<u>Retiree Death Benefit Only</u>	<u>Total</u>
Annual OPEB cost (expense):				
Annual required contribution	\$ 326,630	\$ 314,239	\$ 25,966	\$ 666,835
Interest on net OPEB obligation	39,168	19,946	29,273	88,387
Adjustment to annual required contribution	<u>(56,627)</u>	<u>(28,837)</u>	<u>(42,322)</u>	<u>(127,786)</u>
Annual OPEB cost (expense)	309,171	305,348	12,917	627,436
Contribution made	<u>(90,329)</u>	<u>(291,320)</u>	<u>(11,585)</u>	<u>(393,234)</u>
Increase in net OPEB obligation	218,842	14,028	1,332	234,202
Net OPEB obligation - beginning of year	979,197	498,653	731,829	2,209,679
<b>Net OPEB obligation - end of year</b>	<b><u>\$ 1,198,039</u></b>	<b><u>\$ 512,681</u></b>	<b><u>\$ 733,161</u></b>	<b><u>\$ 2,443,881</u></b>

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(14) Other Post Employment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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, 2013 and the two preceding years were as follows:

*Schedule of Employer Contributions*

Plan	Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
PEMHCA	6/30/2011	\$258,454	22.30%	\$790,537
	6/30/2012	255,431	26.14%	979,197
	6/30/2013	309,171	29.22%	1,198,039
Retiree Health Costs Reimbursement	6/30/2011	284,575	64.36%	464,884
	6/30/2012	283,049	88.07%	498,653
	6/30/2013	305,348	95.41%	512,681
Retiree Death Benefit Only	6/30/2011	13,312	56.61%	728,730
	6/30/2012	13,224	76.56%	731,829
	6/30/2013	12,917	89.69%	733,161
Total - All Plans	6/30/2011	556,341	44.63%	1,984,150
	6/30/2012	551,704	59.12%	2,209,679
	6/30/2013	627,436	62.67%	2,443,881

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 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.



**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(14) Other Post Employment Benefits (Continued)

Funded Status and Progress (Continued)

*Required Supplementary Information (in thousands)*

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
							% of Covered Payroll ((b-a)/c)
PEMHCA	1/1/2009	\$ -	\$ 2,140	\$ 2,140	0.00%	\$ 23,733	9.0%
	1/1/2011	-	2,484	2,484	0.00%	24,695	10.1%
	7/1/2012	-	3,202	3,202	0.00%	24,836	12.9%
Retiree Health Costs Reimbursement Plan	1/1/2009	-	2,357	2,357	0.00%	23,733	9.9%
	1/1/2011	-	2,541	2,541	0.00%	24,695	10.3%
	7/1/2012	-	3,009	3,009	0.00%	24,836	12.1%
Retiree Death Benefit Only Plan	1/1/2009	-	402	402	0.00%	23,733	1.7%
	1/1/2011	-	365	365	0.00%	24,695	1.5%
	7/1/2012	-	439	439	0.00%	24,836	1.8%

Actuarial Methods and Assumptions

The actuarial methods and assumptions used include techniques 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. The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 4.0% 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 8.0% initially, reduced by decrements of 1% per year to an ultimate rate of 5% after the third year. Both rates included a 4.0% 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.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(15) 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, 2013, the District's payroll covered by the plan was \$449,059. The District made no employee contributions. Employees contributed \$33,679 (7.5% of current covered payroll) for the year ended June 30, 2013.

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 2012 is \$17,500. After 2008, the limit is being indexed to inflation in \$500 increments.

Effective January 1, 2008, 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, 2013, the District contributed \$528,011 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.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

(16) Commitments and Contingencies

Orange County Sanitation District (OCSD)

The District, with OCSD, negotiated an agreement as of July 1, 1985, which has been amended from time to time. 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, 2013 totaled \$2.1 million. The District's share of the jointly funded CORF and capital improvements is included in capital assets in the District's basic financial statements. The accompanying basic financial statements reflect management's best estimate of balances pertaining to this agreement based upon information provided by OCSD. Periodically this information is subjected to further review by the performance of agreed upon procedures when the records for such review have been made available to the District. Adjustments pertaining to the accounting estimates associated with this agreement are recognized as the information for such adjustments becomes available.

The District, with OCSD, negotiated an agreement as of April 2010, providing for treatment and disposal by OCSD of District solids and the temporary lease of capacity in OCSD's solids treatment and disposal facilities through December 31, 2016 with a retroactive component for the lease of capacity back to July 1, 2008. The capacity lease for fiscal year 2012-13, estimated at \$3.1 million, is included in Sewer Services as an operating expense.

As of June 30, 2013 \$8.7 million is being held by OCSD to meet the District's share of OCSD budget requirements and is reflected as deposits in the District's basic financial statements. An additional \$38.7 million is being held by OCSD and is reflected as due from other agency in the District's basic financial statements. These funds will be applied by OCSD as payment of operation and maintenance and CORF invoices in subsequent fiscal years, and continue to earn interest at OCSD's rate of return, for the benefit of the District.

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, 2013  
(Continued)

(17) 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 by a policy with Affiliated FM Insurance Company. 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 pay-outs), 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. Excess coverage insurance policies cover individual general liability claims in excess of \$100,000 and workers compensation claims in excess of \$125,000. Settlements have not exceeded excess coverage for each of the past three fiscal years.

Changes in the reported liability resulted from the following:

Fiscal Year Ended June 30	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2013	\$ -	\$ 1,088	\$ -	\$ 1,088

# Supplementary Information

**Irvine Ranch Water District**  
**Combining Schedule of Net Position - Water Subfunds**  
**June 30, 2013**

(in thousands)

	<b><u>100/101/</u></b>					
	<b><u>199</u></b>	<b><u>112</u></b>	<b><u>113</u></b>	<b><u>115</u></b>	<b><u>120</u></b>	<b><u>121</u></b>
<b>ASSETS:</b>						
Current Assets:						
Cash and investments	\$ (12,307)	\$ (2,346)	\$ 2,890	\$(7,307)	\$ 9,031	\$ 6,261
Receivables:						
Customer accounts receivable	8,309	-	-	-	-	-
Interest receivable	35	(3)	2	(7)	9	3
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-
Notes receivable, current portion	-	-	-	-	-	-
Allen-McColloch Pipeline receivable, current portion	-	-	-	-	-	74
Due from other agencies	-	-	-	-	-	-
Other receivables	1,879	77	93	132	-	272
Total receivables	10,223	74	95	125	9	349
Other Current Assets:						
Inventories	2,265	-	-	-	-	-
Prepaid items and deposits	139	-	-	-	-	-
JPA investment program, current portion	-	-	-	-	-	-
Total other current assets	2,404	-	-	-	-	-
Total current assets	320	(2,272)	2,985	(7,182)	9,040	6,610
Noncurrent Assets:						
Capital Assets:						
Waterworks in service	150,397	6,809	18,849	5,062	18,803	75,164
Less accumulated depreciation	(53,407)	(679)	(1,496)	(132)	(11,519)	(21,564)
Total capital assets being depreciated, net	96,990	6,130	17,353	4,930	7,284	53,600
Land and water rights	10,773	1,405	1,709	2,173	246	5,775
Construction in progress	12,185	1,939	2,577	1,953	-	4,489
Total capital assets, net	119,948	9,474	21,639	9,056	7,530	63,864
Other Noncurrent Assets:						
Debt service cash and investments	220	-	772	-	-	12
Investments - swap collateral	-	104	363	-	-	225
Unamortized debt issuance expense	17	20	58	-	-	96
Notes receivable, net of current portion	-	-	-	-	-	-
Allen-McColloch Pipeline receivable, net	-	-	-	-	-	259
JPA investment program, net of current portion	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-
Net pension asset	7,527	-	-	-	-	-
Benefits trust asset	17,500	-	-	-	-	-
Total other noncurrent assets	25,264	124	1,193	-	-	592
Interdistrict receivable	42,177	-	-	-	-	-
Total noncurrent assets	187,389	9,598	22,832	9,056	7,530	64,456
<b>TOTAL ASSETS</b>	<b>187,709</b>	<b>7,326</b>	<b>25,817</b>	<b>1,874</b>	<b>16,570</b>	<b>71,066</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>						
Accumulated decrease in fair value of swap agreements	-	274	938	-	-	581

<u>130</u>	<u>135</u>	<u>140</u>	<u>150</u>	<u>153/154/ 155</u>	<u>156</u>	<u>160/161</u>	<u>182/184</u>	<u>186/188/ 189</u>	<u>300</u>	<u>801-806</u>	<u>Total</u>
\$ 29,139	\$ 7,552	\$ 15,339	\$ 63,047	\$ (2,166)	\$(1,864)	\$ 20,488	\$ (917)	\$ 2,258	\$ 3	\$ -	\$ 129,101
-	-	-	45	-	-	-	-	-	-	-	8,354
25	9	14	55	(1)	(2)	18	(2)	2	-	-	157
-	-	-	-	-	-	-	-	-	9,051	-	9,051
-	-	-	-	-	-	-	-	-	-	-	-
54	98	17	151	62	-	47	20	7	-	-	530
-	-	-	-	-	-	-	-	-	-	-	-
212	341	74	601	89	(1,067)	142	102	34	-	-	2,981
291	448	105	852	150	(1,069)	207	120	43	9,051	-	21,073
-	-	-	1,976	-	-	-	-	-	-	-	4,241
-	-	-	-	106	-	-	-	-	-	-	245
-	-	-	-	-	-	-	-	-	310,448	-	310,448
-	-	-	1,976	106	-	-	-	-	310,448	-	314,934
29,430	8,000	15,444	65,875	(1,910)	(2,933)	20,695	(797)	2,301	319,502	-	465,108
71,196	83,206	56,793	252,831	17,565	3,750	71,243	39,848	18,472	-	-	889,988
(25,293)	(41,171)	(18,966)	(57,177)	(5,164)	(629)	(21,963)	(12,824)	(6,306)	-	-	(278,290)
45,903	42,035	37,827	195,654	12,401	3,121	49,280	27,024	12,166	-	-	611,698
4,934	1,504	1,621	13,575	1,643	1	3,465	3,697	928	-	-	53,449
4,546	(59)	1,317	10,175	1,222	3,106	2,089	1,522	512	-	-	47,573
55,383	43,480	40,765	219,404	15,266	6,228	54,834	32,243	13,606	-	-	712,720
320	-	-	-	-	-	(65)	162	199	-	-	1,622
205	185	440	4,082	-	-	180	125	96	-	-	6,007
80	-	58	482	-	-	89	38	37	-	-	977
-	-	-	-	-	-	-	-	-	-	-	-
189	341	61	526	217	-	166	69	26	-	-	1,854
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	46,811	46,811
-	-	-	-	-	-	-	-	-	-	-	7,527
-	-	-	-	-	-	-	-	-	-	-	17,500
794	526	559	5,090	217	-	370	394	358	-	46,811	82,298
-	-	-	-	-	-	-	-	-	-	-	42,177
56,177	44,006	41,324	224,494	15,483	6,228	55,204	32,637	13,964	-	46,811	837,195
85,607	52,006	56,768	290,369	13,573	3,295	75,899	31,840	16,265	319,502	46,811	1,302,303
529	476	1,136	10,528	-	-	465	322	247	-	-	15,496

**Irvine Ranch Water District**  
**Combining Schedule of Net Position - Water Subfunds**  
**June 30, 2013**

(in thousands)

	<b><u>100/101/</u></b>	<b><u>112</u></b>	<b><u>113</u></b>	<b><u>115</u></b>	<b><u>120</u></b>	<b><u>121</u></b>
	<b><u>199</u></b>					
<b>LIABILITIES AND NET POSITION:</b>						
Current Liabilities:						
Account payable and accrued expenses	\$ 10,302	\$ 14	\$ (16)	\$ (10)	\$ -	\$ (48)
Customer deposits and advance payments	264	-	-	-	-	-
Accrued interest:						
General obligation bonds	-	26	46	-	-	113
JPA revenue bonds	-	-	-	-	-	-
Other accrued interest payable	746	-	-	-	7	10
Current portion of long-term liabilities:						
General obligation bonds	-	92	243	-	-	194
Certificates of participation	1,183	-	-	-	34	49
JPA revenue bonds	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Other long-term liabilities	1,364	-	-	-	-	-
Deferred revenue	-	10	15	7	-	43
Claims liability	562	-	-	-	-	-
Total current liabilities	<u>14,421</u>	<u>142</u>	<u>288</u>	<u>(3)</u>	<u>41</u>	<u>361</u>
Long-Term Liabilities:						
General obligation bonds, net of current portion	-	5,562	14,102	-	-	19,818
Certificates of Participation, net of current portion	1,450	-	-	-	41	60
JPA revenue bonds, net of current portion	-	-	-	-	-	-
Notes payable, net of current portion	-	-	-	-	-	-
Other long-term liabilities, net of current portion	2,021	-	-	-	-	-
Deferred revenue, net of current portion	-	186	260	153	-	767
Claims liability, net of current portion	526	-	-	-	-	-
Net OPEB obligation	2,444	-	-	-	-	-
Swap liability	-	274	937	-	-	581
Total long-term liabilities	<u>6,441</u>	<u>6,022</u>	<u>15,299</u>	<u>153</u>	<u>41</u>	<u>21,226</u>
Interdistrict payable	<u>23,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>44,322</u>	<u>6,164</u>	<u>15,587</u>	<u>150</u>	<u>82</u>	<u>21,587</u>
<b>NET POSITION:</b>						
Change in net position	(8,340)	329	1,316	104	197	(365)
Net position at beginning of year	<u>151,730</u>	<u>1,110</u>	<u>9,857</u>	<u>1,619</u>	<u>16,292</u>	<u>50,425</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 143,390</u>	<u>\$ 1,439</u>	<u>\$ 11,173</u>	<u>\$ 1,723</u>	<u>\$ 16,489</u>	<u>\$ 50,060</u>



<u>130</u>	<u>135</u>	<u>140</u>	<u>150</u>	<u>153/154/ 155</u>	<u>156</u>	<u>160/161</u>	<u>182/184</u>	<u>186/188/ 189</u>	<u>300</u>	<u>801-806</u>	<u>Total</u>
\$ 416	\$ 905	\$ (13)	\$ (71)	\$ (12)	\$ -	\$ (25)	\$ (18)	\$ (6)	\$ -	\$ -	\$ 11,418
-	-	-	-	-	-	-	-	-	-	-	264
93	8	13	266	-	-	58	47	12	-	-	682
-	-	-	-	-	-	-	-	-	2,260	-	2,260
35	-	12	53	10	-	24	-	-	-	-	897
177	98	1,261	3,449	-	-	142	104	693	-	-	6,453
180	-	44	170	-	-	56	-	-	-	-	1,716
-	-	-	-	-	-	-	-	-	305,284	-	305,284
-	-	-	-	62	-	-	-	-	-	-	62
-	-	-	-	-	16	-	-	-	-	-	1,380
33	59	12	297	5	-	22	17	5	-	-	525
-	-	-	-	-	-	-	-	-	-	-	562
934	1,070	1,329	4,164	65	16	277	150	704	307,544	-	331,503
16,642	4,532	9,080	121,649	-	-	11,362	8,780	2,432	-	-	213,959
220	-	3,648	20,278	-	-	13,378	-	-	-	-	39,075
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	818	-	-	-	-	-	-	818
-	-	-	-	555	140	-	-	-	-	-	2,716
582	1,038	206	4,835	101	-	391	296	85	-	-	8,900
-	-	-	-	-	-	-	-	-	-	-	526
-	-	-	-	-	-	-	-	-	-	-	2,444
529	476	1,136	10,529	-	-	465	322	247	-	-	15,496
17,973	6,046	14,070	157,291	1,474	140	25,596	9,398	2,764	-	-	283,934
-	-	-	-	-	-	-	-	-	-	18,717	42,177
18,907	7,116	15,399	161,455	1,539	156	25,873	9,548	3,468	307,544	18,717	657,614
3,130	(1,988)	2,007	9,066	(423)	539	1,183	(84)	274	(13,805)	(1,233)	(8,093)
64,102	47,352	40,500	130,370	12,455	2,600	49,310	22,698	12,769	25,762	29,327	668,278
\$ 67,232	\$ 45,364	\$ 42,507	\$ 139,436	\$ 12,032	\$ 3,139	\$ 50,493	\$ 22,614	\$ 13,043	\$ 11,957	\$ 28,094	\$ 660,185

**Irvine Ranch Water District**  
**Combining Schedule of Net Position - Sewer Subfunds**  
**June 30, 2013**

(in thousands)

	<u>200/210/ 211/299</u>	<u>212</u>	<u>213</u>	<u>215</u>	<u>220</u>	<u>221</u>
<b>ASSETS:</b>						
Current Assets:						
Cash and investments	\$ 102,068	\$(4,846)	\$ 6,399	\$(1,167)	\$10,792	\$ 8,821
Receivables:						
Customer accounts receivable	-	-	-	-	-	-
Interest receivable	112	(5)	7	(1)	11	10
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-
Notes receivable, current portion	12	-	-	-	-	-
Allen-McColloch Pipeline receivable, current portion	-	-	-	-	-	-
Due from other agencies	17,305	181	364	-	3,427	(393)
Other receivables	793	2	197	-	-	257
Total receivables	18,222	178	568	(1)	3,438	(126)
Other Current Assets:						
Inventories	-	-	-	-	-	-
Prepaid items and deposits	9,233	78	192	-	-	603
JPA investment program, current portion	-	-	-	-	-	-
Total other current assets	9,233	78	192	-	-	603
Total current assets	129,523	(4,590)	7,159	(1,168)	14,230	9,298
Noncurrent Assets:						
Capital Assets:						
Sewer plant in service	185,374	12,694	27,224	475	29,917	87,362
Less accumulated depreciation	(60,259)	(2,153)	(2,766)	(35)	(19,488)	(32,114)
Total capital assets being depreciated, net	125,115	10,541	24,458	440	10,429	55,248
Land and water rights	18,649	949	398	57	-	1,962
Construction in progress	22,085	11,183	4,233	573	141	26,511
Total capital assets, net	165,849	22,673	29,089	1,070	10,570	83,721
Other Noncurrent Assets:						
Debt service cash and investments	-	(202)	-	-	-	-
Investments - swap collateral	-	283	903	-	-	605
Unamortized debt issuance expense	20	56	29	-	1	42
Notes receivable, net of current portion	127	-	-	-	-	-
Allen-McColloch Pipeline receivable, net of current portion	-	-	-	-	-	-
JPA investment program, net of current portion	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-
Net pension asset	7,621	-	-	-	-	-
Benefits trust asset	17,500	-	-	-	-	-
Total other noncurrent assets	25,268	137	932	-	1	647
Interdistrict receivable	23,460	-	-	-	-	-
Total noncurrent assets	214,577	22,810	30,021	1,070	10,571	84,368
<b>TOTAL ASSETS</b>	<b>344,100</b>	<b>18,220</b>	<b>37,180</b>	<b>(98)</b>	<b>24,801</b>	<b>93,666</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>						
Accumulated decrease in fair value of swap agreements	-	731	2,328	-	-	1,560

<u>230</u>	<u>235</u>	<u>240</u>	<u>250</u>	<u>252/253</u>	<u>256</u>	<u>260/261</u>	<u>282/284</u>	<u>286/288/ 289</u>	<u>400</u>	<u>Total</u>
\$ 10,360	\$(19,106)	\$ 731	\$ 22,481	\$ (914)	\$ 159	\$ 8,658	\$ 4,147	\$(1,782)	\$ 3	\$ 146,804
-	-	-	-	-	-	-	-	-	-	-
9	(20)	1	18	(1)	-	9	4	(1)	-	153
-	-	-	-	-	-	-	-	-	9,051	9,051
-	-	-	-	-	-	-	-	-	-	12
-	-	-	-	-	-	-	-	-	-	-
4,461	-	-	9,389	-	-	1,424	2,511	-	-	38,669
5	2	-	31	-	-	3	2	-	-	1,292
4,475	(18)	1	9,438	(1)	-	1,436	2,517	(1)	9,051	49,177
-	-	-	-	-	-	-	-	-	-	-
408	-	23	1,034	-	-	268	148	-	-	11,987
-	-	-	-	-	-	-	-	-	310,447	310,447
408	-	23	1,034	-	-	268	148	-	310,447	322,434
15,243	(19,124)	755	32,953	(915)	159	10,362	6,812	(1,783)	319,501	518,415
81,964	77,221	87,442	223,085	49	-	74,152	28,057	5,642	-	920,658
(35,619)	(36,162)	(31,345)	(61,686)	(7)	-	(24,716)	(11,703)	(1,431)	-	(319,484)
46,345	41,059	56,097	161,399	42	-	49,436	16,354	4,211	-	601,174
1,944	2,391	817	3,423	-	-	1,236	264	30	-	32,120
20,097	710	5,620	50,029	994	6	12,692	4,320	846	-	160,040
68,386	44,160	62,534	214,851	1,036	6	63,364	20,938	5,087	-	793,334
6,822	-	-	13,618	-	-	5,312	1,911	-	-	27,461
689	112	1,089	4,367	-	-	347	103	31	-	8,529
171	-	113	622	-	-	131	46	-	-	1,231
-	-	-	-	-	-	-	-	-	-	127
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	7,621
-	-	-	-	-	-	-	-	-	-	17,500
7,682	112	1,202	18,607	-	-	5,790	2,060	31	-	62,469
-	-	-	-	-	-	-	-	-	-	23,460
76,068	44,272	63,736	233,458	1,036	6	69,154	22,998	5,118	-	879,263
91,311	25,148	64,491	266,411	121	165	79,516	29,810	3,335	319,501	1,397,678
1,777	289	2,808	11,263	-	-	896	266	79	-	21,997

**Irvine Ranch Water District**  
**Combining Schedule of Net Position - Sewer Subfunds**  
**June 30, 2013**

(in thousands)

	<u>200/210/ 211/299</u>	<u>212</u>	<u>213</u>	<u>215</u>	<u>220</u>	<u>221</u>
<b>LIABILITIES AND NET POSITION:</b>						
Current Liabilities:						
Account payable and accrued expenses	\$ 2,596	\$ 577	\$ 123	\$ 26	\$ (41)	\$ 1,248
Customer deposits and advance payments	-	-	-	-	-	-
Accrued interest:						
General obligation bonds	-	72	29	-	-	68
JPA revenue bonds	-	-	-	-	-	-
Other accrued interest payable	978	-	-	-	18	44
Current portion of long-term liabilities:						
General obligation bonds	-	244	574	-	-	520
Certificates of participation	1,360	-	-	-	89	223
JPA revenue bonds	-	-	-	-	-	-
Notes payable	6	24	15	-	-	46
Other long-term liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Claims liability	-	-	-	-	-	-
Total current liabilities	<u>4,940</u>	<u>917</u>	<u>741</u>	<u>26</u>	<u>66</u>	<u>2,149</u>
Long-Term Liabilities:						
General obligation bonds, net of current portion	-	15,218	21,941	-	-	20,460
Certificates of Participation, net of current portion	1,665	-	-	-	109	273
JPA revenue bonds, net of current portion	-	-	-	-	-	-
Notes payable, net of current portion	35	147	90	-	-	274
Other long-term liabilities, net of current portion	-	-	-	-	-	-
Deferred revenue, net of current portion	-	-	-	-	-	-
Claims liability, net of current portion	-	-	-	-	-	-
Net OPEB obligation	-	-	-	-	-	-
Swap liability	-	731	2,328	-	-	1,560
Total long-term liabilities	<u>1,700</u>	<u>16,096</u>	<u>24,359</u>	<u>-</u>	<u>109</u>	<u>22,567</u>
Interdistrict payable	<u>23,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>30,100</u>	<u>17,013</u>	<u>25,100</u>	<u>26</u>	<u>175</u>	<u>24,716</u>
<b>NET POSITION:</b>						
Change in net position	34,426	227	790	(1)	(605)	(475)
Net position at beginning of year	<u>279,575</u>	<u>1,712</u>	<u>13,619</u>	<u>(123)</u>	<u>25,235</u>	<u>70,982</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 314,001</u>	<u>\$ 1,939</u>	<u>\$ 14,409</u>	<u>\$ (124)</u>	<u>\$ 24,630</u>	<u>\$ 70,507</u>

<u>230</u>	<u>235</u>	<u>240</u>	<u>250</u>	<u>252/253</u>	<u>256</u>	<u>260/261</u>	<u>282/284</u>	<u>286/288/ 289</u>	<u>400</u>	<u>Total</u>
\$ 2,056	\$ (22)	\$ 179	\$ 1,965	\$ 44	\$ -	\$ 607	\$ 185	\$ 453	\$ -	\$ 9,996
-	-	-	-	-	-	-	-	-	-	-
181	5	32	420	-	-	138	55	1	-	1,001
-	-	-	-	-	-	-	-	-	2,259	2,259
336	-	3	78	-	-	30	-	-	-	1,487
757	59	2,320	4,118	-	-	285	89	27	-	8,993
1,703	-	(5)	301	-	-	130	-	-	-	3,801
-	-	-	-	-	-	-	-	-	305,284	305,284
34	-	20	27	-	-	22	-	-	-	194
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
5,067	42	2,549	6,909	44	-	1,212	329	481	307,543	333,015
37,468	2,726	24,121	147,291	-	-	25,480	9,492	742	-	304,939
2,086	-	4,396	20,411	-	-	5,166	-	-	-	34,106
-	-	-	-	-	-	-	-	-	-	-
206	-	120	160	-	-	134	-	-	-	1,166
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
1,777	289	2,808	11,263	-	-	896	266	79	-	21,997
41,537	3,015	31,445	179,125	-	-	31,676	9,758	821	-	362,208
-	-	-	-	-	-	-	-	-	-	23,460
46,604	3,057	33,994	186,034	44	-	32,888	10,087	1,302	307,543	718,683
1,594	(1,249)	(439)	2,411	26	(8)	(594)	(914)	(73)	(13,805)	21,311
44,893	23,631	33,740	89,229	50	172	48,117	20,903	2,184	25,762	679,681
\$ 46,487	\$ 22,382	\$ 33,301	\$ 91,640	\$ 76	\$ 164	\$ 47,523	\$ 19,989	\$ 2,111	\$ 11,957	\$ 700,992

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# Statistical Section

Irvine Ranch Water District  
Fiscal Year Ended June 30, 2013

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 Position by Improvement District  
Changes in Net Position by Improvement District

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  
Largest Water Customers  
Sewer Rates  
Largest 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 and 1% Property Tax Revenue  
Direct and Overlapping Property Tax Rates  
Principal Property Taxpayers  
Property Tax Collections/Delinquency  
Outstanding Debt by Type  
Outstanding General Obligation Bonds by Improvement District  
Ratio of General Obligation Debt to Assessed Values  
Ratio 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

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 by Function – Water and Sewer Service Connections  
Operating Indicators by Function – New Service Connections  
Operating Indicators by Function – Average Monthly Usage  
Capital Asset Statistics  
Full-Time Employees



**Irvine Ranch Water District**  
**Net Position**  
**For the Past Ten Fiscal Years**  
(in millions)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Assets</b>										
Current & other assets	\$ 1,327.1	\$ 1,250.6	\$ 1,162.1	\$ 1,088.9	\$ 1,103.8	\$ 1,224.1	\$ 1,172.3	\$ 1,300.0	\$ 1,167.0	\$ 1,128.2
Capital assets	950.7	1,017.4	1,111.1	1,224.3	1,346.1	1,423.1	1,396.6	1,430.3	1,508.8	1,506.1
Total assets	2,277.8	2,268.0	2,273.2	2,313.2	2,449.9	2,647.2	2,568.9	2,730.3	2,675.8	2,634.3
<b>Deferred Outflow of Resources</b>										
Accumulated decrease in fair value of swaps agreements	-	-	-	-	-	-	37.4	32.7	53.0	37.5
<b>Liabilities</b>										
Current and other liabilities	78.0	82.8	91.5	95.3	96.5	99.4	67.3	97.7	99.0	664.5
Long-term liabilities	1,109.1	1,058.6	1,068.9	1,022.2	1,074.7	1,190.8	1,204.3	1,323.7	1,281.8	646.1
Total liabilities	1,187.1	1,141.4	1,160.4	1,117.5	1,171.2	1,290.2	1,271.6	1,421.4	1,380.8	1,310.6
<b>Net Position</b>										
Net investment in capital assets	648.0	730.2	791.0	927.6	977.7	994.3	929.5	900.6	943.1	919.8
Restricted for water services	298.1	280.4	231.2	229.2	253.8	294.4	271.3	234.3	203.4	208.0
Restricted for sewer services	144.6	116.0	90.6	38.9	47.2	68.3	133.9	206.7	201.5	233.4
Total net position	\$ 1,090.7	\$ 1,126.6	\$ 1,112.8	\$ 1,195.7	\$ 1,278.7	\$ 1,357.0	\$ 1,334.7	\$ 1,341.6	\$ 1,348.0	\$ 1,361.2

Source: IRWD Basic Financial Statements

## Irvine Ranch Water District

### Changes in Net Position For the Past Ten Fiscal Years

(in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Operating Revenues</b>										
Water sales and service charges	\$ 31,700	\$ 33,105	\$ 39,256	\$ 45,138	\$ 48,516	\$ 50,940	\$ 51,268	\$ 54,796	\$ 57,558	\$ 62,565
Sewer sales and service charges	23,346	24,622	29,248	37,649	39,811	41,157	45,344	45,375	49,234	53,085
Total operating revenues	<u>55,046</u>	<u>57,727</u>	<u>68,504</u>	<u>82,787</u>	<u>88,327</u>	<u>92,097</u>	<u>96,612</u>	<u>100,171</u>	<u>106,792</u>	<u>115,650</u>
<b>Operating Expenses</b>										
Water										
Water services	26,139	25,198	29,813	33,281	37,030	40,333	41,328	43,719	42,741	48,911
General and administrative	7,035	7,308	8,625	10,267	11,257	12,536	13,349	12,327	12,305	14,619
Customer accounts	1,384	1,446	1,572	1,698	1,999	1,940	2,263	2,242	2,142	2,252
Sewer										
Sewer services	19,052	19,055	18,480	23,439	26,032	27,402	29,483	31,887	31,754	36,688
General and administrative	5,266	5,571	5,556	6,328	7,259	7,712	6,651	6,569	7,792	8,048
Customer accounts	923	964	1,048	1,131	1,179	1,294	1,509	1,495	1,332	1,501
Depreciation	25,091	26,395	27,135	28,449	31,595	34,699	39,444	43,592	41,378	47,539
Total operating expenses	<u>84,890</u>	<u>85,937</u>	<u>92,229</u>	<u>104,593</u>	<u>116,351</u>	<u>125,916</u>	<u>134,027</u>	<u>141,831</u>	<u>139,444</u>	<u>159,558</u>
Operating income (loss)	<u>(29,844)</u>	<u>(28,210)</u>	<u>(23,725)</u>	<u>(21,806)</u>	<u>(28,024)</u>	<u>(33,819)</u>	<u>(37,415)</u>	<u>(41,660)</u>	<u>(32,652)</u>	<u>(43,908)</u>
<b>Nonoperating Revenues (Expenses)</b>										
Property taxes	15,304	7,725	15,237	30,667	34,245	36,240	38,392	38,679	38,062	41,068
Investment income	7,700	7,695	9,115	10,768	10,674	4,365	2,191	2,599	3,132	224
Increase (decrease) in fair value of investm	(56,999)	8,864	(53,542)	(3,996)	26,976	9,837	(7,782)	(20,172)	(23,586)	(29,180)
JPA investment income	63,741	64,870	63,427	61,793	59,854	57,676	55,726	53,708	51,530	49,178
Gain (loss) on sale of capital assets	2,283									
Real estate income	8,460	9,076	9,118	9,483	10,478	10,792	9,701	9,719	11,039	10,789
Other income	7,475	9,753	8,494	10,457	11,130	9,918	10,706	7,987	6,141	8,323
Interest expense	(3,929)	(5,092)	(9,286)	(12,762)	(8,515)	(6,061)	(9,962)	(14,174)	(16,924)	(16,770)
JPA interest expense	(63,014)	(61,593)	(60,060)	(58,404)	(56,616)	(54,686)	(51,530)	(41,264)	(39,603)	(28,884)
Real estate expense	(3,919)	(4,131)	(4,493)	(4,562)	(5,149)	(5,698)	(6,186)	(6,004)	(6,016)	(6,047)
Other expenses	(1,526)	(430)	(666)	(883)	(2,288)	(1,535)	(1,286)	(989)	(10,713)	(6,110)
Total nonoperating revenue (expenses)	<u>(24,424)</u>	<u>36,737</u>	<u>(22,656)</u>	<u>42,561</u>	<u>80,789</u>	<u>60,848</u>	<u>39,970</u>	<u>30,089</u>	<u>13,062</u>	<u>22,591</u>
Income (loss) before capital contributions	<u>(54,268)</u>	<u>8,527</u>	<u>(46,381)</u>	<u>20,755</u>	<u>52,765</u>	<u>27,029</u>	<u>2,555</u>	<u>(11,571)</u>	<u>(19,590)</u>	<u>(21,317)</u>
Contributed capital assets	27,610	27,374	32,525	52,672	29,319	32,517	17,963	18,506	25,948	34,535
Increase (decrease) in net position	<u>(26,658)</u>	<u>35,901</u>	<u>(13,856)</u>	<u>73,427</u>	<u>82,084</u>	<u>59,546</u>	<u>20,518</u>	<u>6,935</u>	<u>6,358</u>	<u>13,218</u>
Net position at beginning of year	1,117,412	1,090,754	1,126,655	1,112,799	1,195,761	1,278,703	1,357,046	1,334,666	1,341,601	1,347,959
SCWD Retained Earnings at 6/30/06				9,535						
OPA Net Assets at 6/1/08					858					
Prior period adjustments						18,797	(42,898)			
Net position at end of year	<u>\$ 1,090,754</u>	<u>\$ 1,126,655</u>	<u>\$ 1,112,799</u>	<u>\$ 1,195,761</u>	<u>\$ 1,278,703</u>	<u>\$ 1,357,046</u>	<u>\$ 1,334,666</u>	<u>\$ 1,341,601</u>	<u>\$ 1,347,959</u>	<u>\$ 1,361,177</u>

Source: IRWD Basic Financial Statements

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

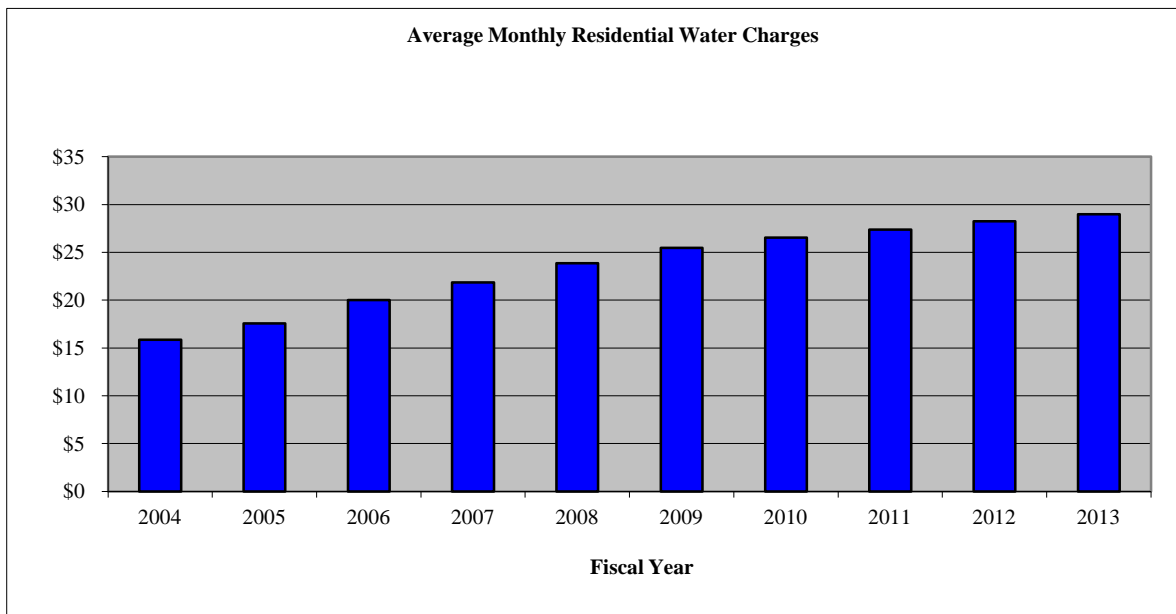
	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Residential	31,136	30,681	31,514	34,097	33,771	34,189	31,721	31,127	32,262	33,166
Commercial	7,544	7,602	8,037	8,710	8,710	8,382	7,586	7,632	8,021	8,353
Industrial	6,222	6,047	5,714	5,438	5,353	5,009	4,711	4,733	4,713	4,783
Public Authority	2,601	2,842	2,795	2,474	2,588	2,571	2,293	2,305	2,373	2,458
Construction & Temporary	931	489	790	696	513	133	127	174	275	378
Treated - Landscape Irrigation	5,464	4,953	5,322	6,249	6,039	5,789	4,712	4,252	4,741	5,316
Treated - Agricultural	1,709	1,177	1,018	1,009	820	563	210	183	229	206
Untreated - Agricultural	7,606	5,973	7,621	7,583	6,211	6,452	5,024	3,025	2,204	2,543
Recycled - Landscape/Agricultural	19,551	18,620	19,504	24,624	24,564	24,415	20,951	20,147	25,011	28,259
Total	<b>82,764</b>	<b>78,384</b>	<b>82,315</b>	<b>90,880</b>	<b>88,569</b>	<b>87,503</b>	<b>77,335</b>	<b>73,578</b>	<b>79,829</b>	<b>85,462</b>

Source: Irvine Ranch Water District

**Irvine Ranch Water District**  
**Water Rates\***  
**For the Past Ten Fiscal Years**

	<u>Fixed Service Charge</u>	<u>Commodity Rate (per ccf)</u>	<u>Average monthly residential charge</u>
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
2010	7.75	1.15	26.53
2011	8.00	1.21	27.38
2012	8.75	1.22	28.23
2013	9.30	1.24	28.98

\* Water rates are for the Irvine Ranch rate area which comprises approximately 85 percent of the total District. 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 \$0.36 less than the commodity base rate. The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.



Source: Irvine Ranch Water District

**Irvine Ranch Water District**  
**Largest Water Customers**  
**Fiscal Year Ended June 30, 2013**

<u>Customer Name</u>	<u>Total Paid</u>	<u>Percentage of Water Sales Revenues</u>
1. The Irvine Company	\$ 2,484,698	3.97%
2. University of CA Irvine	1,171,157	1.87%
3. Jazz Semiconductor	737,679	1.18%
4. B Braun Medical Inc	557,710	0.89%
5. Woodbridge Village Assn	332,257	0.53%
6. City of Irvine	277,852	0.44%
7. ERP Operating LP	231,458	0.37%
8. Allergan Sales, LLC	228,426	0.37%
9. County of Orange	216,615	0.35%
10. Irvine Unified School District	212,041	0.34%
<b>Total</b>	<u>\$ 6,449,893</u>	<u>10.31%</u>

Source: Irvine Ranch Water District

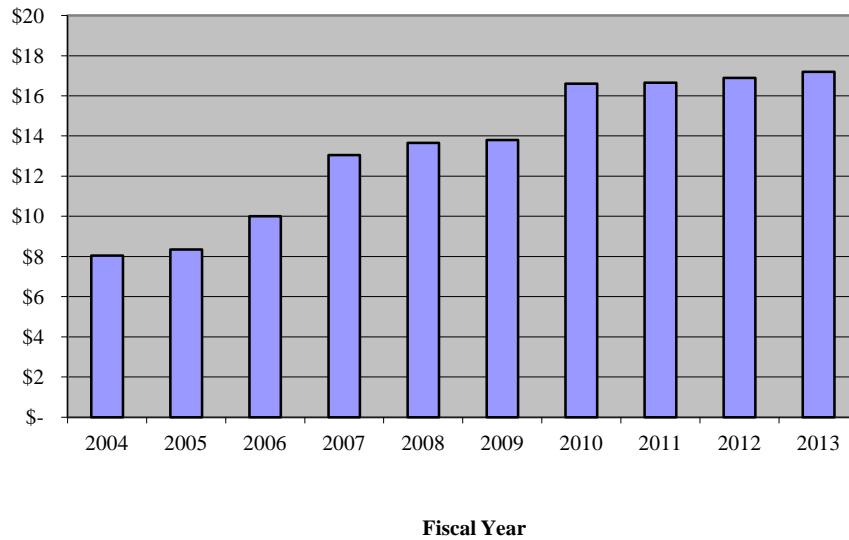
**Irvine Ranch Water District**  
**Sewer Rates**  
**For the Past Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Fixed Monthly Service Charge</u>
2004	\$8.05
2005	\$8.35
2006	\$10.00
2007	\$13.05
2008	\$13.65
2009	\$13.80
2010	\$16.60
2011	\$16.65
2012	\$16.90
2013	\$17.20

Fixed monthly service charge for 2004-2006 are for the Irvine Ranch rate area only (excluding Los Alisos). For years 2007 and later, rates are uniform for all areas.

The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.

**Fixed Monthly Sewer Service Charge**



Source: Irvine Ranch Water District

**Irvine Ranch Water District**  
 Largest Sewer Customers  
 Fiscal Year Ended June 30, 2013

<u>Customer Name</u>	<u>Total Paid</u>	<u>Percentage of Sewer Sales Revenues</u>
1. The Irvine Company	\$ 3,143,384	5.92%
2. City of Irvine	1,707,500	3.22%
3. University of CA Irvine	1,676,987	3.16%
4. Caltrans District 12	1,078,792	2.03%
5. B Braun	505,642	0.95%
6. Irvine Unified School District	469,651	0.88%
7. Allergan Sales, LLC	288,928	0.54%
8. Royalty Carpet Mills	278,100	0.52%
9. Crystal Cove Community Assn	277,456	0.52%
10. The Park @ Spectrum Apartments	266,468	0.50%
<b>Total</b>	<u>\$ 9,692,906</u>	<u>18.26%</u>

Source: Irvine Ranch Water District

**Irvine Ranch Water District**  
**Ad Valorem Property Tax Rates**  
**For the Past Ten Fiscal Years**

<b>Improvement District</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
112	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
113	<sup>(1)</sup> N/A	N/A	N/A	0.01920	0.01920
120	0.00001	0.00001	0.01168	0.01168	0.01298
121	0.00001	0.00001	0.00001	0.00001	0.00001
130	0.00001	0.00001	0.00001	0.00001	0.00500
135	<sup>(2)</sup> 0.01500	0.00001	0.00001	0.00842	0.00842
140	0.00001	0.00001	0.00001	0.00001	0.00001
150	0.00001	0.00001	0.00001	0.00001	0.00780
160	0.00001	0.00001	0.01168	0.01168	0.01648
161	0.00001	0.00001	0.00001	0.00001	0.00001
182	0.00001	0.00001	0.00808	0.00808	0.01300
184	N/A	N/A	N/A	0.00001	0.00001
186	0.00001	0.00001	0.02051	0.02051	0.02700
188	0.00001	0.00001	0.02051	0.02051	0.02700
190	0.00001	0.00001	0.00001	0.00001	0.00500
210	0.00001	0.00001	0.00001	0.00001	0.00001
212	N/A	N/A	N/A	N/A	N/A
213	<sup>(1)</sup> N/A	N/A	N/A	0.14093	0.14093
220	0.00001	0.00001	0.01000	0.01000	0.01400
221	0.00001	0.00001	0.00001	0.00001	0.00001
230	0.00001	0.00001	0.01995	0.01995	0.02000
235	<sup>(2)</sup> 0.00001	0.00001	0.00001	0.00532	0.00532
240	0.00001	0.00001	0.02168	0.02168	0.02699
250	0.00001	0.00001	0.02602	0.03199	0.03200
252	N/A	N/A	N/A	N/A	0.00001
260	N/A	N/A	N/A	0.02030	0.02330
261	0.00001	0.00001	0.00001	0.00001	0.00001
282	0.00001	0.00001	0.01280	0.01280	0.01400
284	N/A	N/A	N/A	0.00001	0.02699
286	N/A	N/A	N/A	N/A	N/A
288	N/A	N/A	N/A	N/A	N/A
290	0.00001	0.00001	0.01995	0.01995	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**  
**Ad Valorem Property Tax Rates**  
**For the Past Ten Fiscal Years**  
**(Continued)**

<b>Improvement District</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
112	\$ N/A	\$ 0.07920	\$ 0.07920	\$ 0.03168	\$ 0.03168
113	0.01920	0.01980	0.01980	0.05940	0.05940
120	0.01298	0.01311	0.00001	0.00000	0.00000
121	0.00001	0.00001	0.01311	0.01311	0.01311
130	0.00500	0.00680	0.00680	0.00680	0.00680
135	0.00842	0.00842	0.00842	0.00421	0.00421
140	0.00001	0.00001	0.00001	0.01000	0.01000
150	0.00780	0.00990	0.00990	0.01980	0.01980
160	0.01648	0.01758	0.00001	0.00000	0.00000
161	0.00001	0.00001	0.01758	0.01758	0.01758
182	0.01300	0.01350	0.01350	0.02700	0.02700
184	0.00001	0.00001	0.00001	0.01350	0.01350
186	0.02700	0.03191	0.03191	0.04787	0.04787
188	0.02700	0.03590	0.03590	0.21540	0.21540
190	0.00500	N/A	N/A	N/A	N/A
210	0.00001	0.00001	0.00001	0.00000	0.00000
212	N/A	0.12420	0.12420	0.07452	0.07452
213	0.14093	0.14533	0.14533	0.08720	0.08720
220	0.01400	0.01800	0.00001	0.00000	0.00000
221	0.00001	0.00001	0.01800	0.01700	0.01700
230	0.02000	0.02200	0.02200	0.02200	0.02200
235	0.00532	0.00532	0.00532	0.00266	0.00266
240	0.02699	0.03140	0.03140	0.02140	0.02140
250	0.03200	0.03600	0.03600	0.03600	0.03600
252	0.00001	0.00001	0.00001	0.00001	0.00001
260	0.02330	0.02830	0.00001	0.00000	0.00000
261	0.00001	0.00001	0.02830	0.02830	0.02830
282	0.01400	0.01890	0.01890	0.01890	0.01890
284	0.02699	0.03239	0.03239	0.03239	0.03239
286	N/A	N/A	0.00001	0.00201	0.00201
288	N/A	N/A	0.00001	0.01000	0.01000
290	0.02000	N/A	N/A	N/A	N/A

## Irvine Ranch Water District

### Assessed Valuation and Estimated Actual Value of Taxable Property and 1% Property Tax Revenue For the Past Ten Fiscal Years (in thousands)

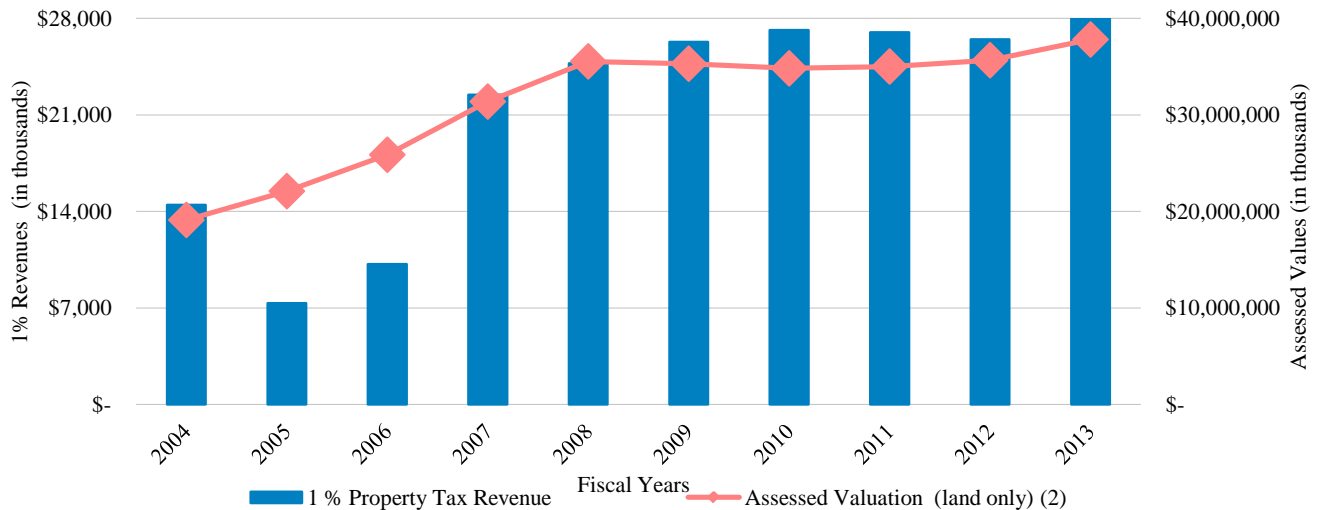
<u>Fiscal Year Ending</u>	<u>Assessed Valuation (land only) <sup>(2)</sup></u>	<u>1 % Property Tax Revenue</u>
2004	\$ 19,117,325	\$ 14,474
2005 <sup>(1)</sup>	22,101,916	7,335
2006	25,869,944	10,177
2007	31,378,053	22,444
2008	35,540,296	24,730
2009	35,298,830	26,283
2010	34,818,153	27,150 <sup>(3)</sup>
2011	35,008,276	26,989
2012	35,661,242	26,478
2013	37,809,660	29,265

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

- Notes:
- (1) The IRWD state mandated contribution to ERAF for FY 2004-05 and FY 2005-06 was \$9.7 million per year.
  - (2) Estimated market values for the land-only Assessed Values are not available.
  - (3) Of this amount, the State of California borrowed \$2.0 million, which was repaid in June 2013.

*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 Property Tax Rates**  
**Fiscal Year Ended June 30, 2013**

2012-13 Direct and Overlapping Tax Rate

Direct Rate:

Irvine Ranch Water District I.D. No. 1	\$ -
Irvine Ranch Water District I.D. No. 2	-
Irvine Ranch Water District I.D. No. 3	-
Irvine Ranch Water District I.D. No. 102	-
Irvine Ranch Water District I.D. No. 103	-
Irvine Ranch Water District I.D. No. 105/150	0.01980
Irvine Ranch Water District I.D. No. 106	-
Irvine Ranch Water District I.D. No. 109	-
Irvine Ranch Water District I.D. No. 112	0.03168
Irvine Ranch Water District I.D. No. 113	0.05940
Irvine Ranch Water District I.D. No. 121	0.01311
Irvine Ranch Water District I.D. No. 130	0.00680
Irvine Ranch Water District I.D. No. 140	0.01000
Irvine Ranch Water District I.D. No. 161	0.01758
Irvine Ranch Water District I.D. No. 182	0.02700
Irvine Ranch Water District I.D. No. 184	0.01350
Irvine Ranch Water District I.D. No. 186	0.04787
Irvine Ranch Water District I.D. No. 188	0.21540
Irvine Ranch Water District I.D. No. 206	-
Irvine Ranch Water District I.D. No. 212	0.07452
Irvine Ranch Water District I.D. No. 213	0.08720
Irvine Ranch Water District I.D. No. 221	0.01700
Irvine Ranch Water District I.D. No. 230	0.02200
Irvine Ranch Water District I.D. No. 240	0.02140
Irvine Ranch Water District I.D. No. 250	0.03600
Irvine Ranch Water District I.D. No. 252	0.00001
Irvine Ranch Water District I.D. No. 261	0.02830
Irvine Ranch Water District I.D. No. 282	0.01890
Irvine Ranch Water District I.D. No. 284	0.03239
Irvine Ranch Water District I.D. No. 286	0.00201
Irvine Ranch Water District I.D. No. 288	0.01000
Irvine Ranch Water District I.D. No. 290	-
135 (Formerly Los Alisos Water District)	0.00421
235 (Formerly Los Alisos Water District)	0.00266

Overlapping Rates:

School Districts:

Coast Community College District	0.01881
Rancho Santiago Community College District	0.03241
Laguna Beach Unified School District	0.01694
Newport Mesa Unified School District	0.02999
Saddleback Valley Unified School District	0.03265
Santa Ana Unified School District	0.07749
Tustin Unified School District SFID 2002-1	0.04292
Tustin Unified School District SFID 2008-1	0.02437

Cities:

Laguna Beach	0.00000
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**Irvine Ranch Water District**  
Principal Property Taxpayers  
Fiscal Year Ended June 30, 2013

<u>Property Owner's Name</u>	<u>Type of Business</u>	<u>Assessed Valuation of Property, including Land &amp; Improvements</u>	<u>Percentage of Total City Taxable Assessed Value</u>
The Irvine Company	Developer/Real Estate	\$ 5,834,686,074	12.38%
Irvine Apartment Communities	Real Estate	728,069,124	1.54%
Heritage Fields El Toro	Real Estate Developer	597,219,012	1.27%
B Braun Medical Inc.	Bio-Medical Manufacturing	334,855,985	0.64%
LBA IV-PPI LLC	Real Estate Investment and Management	301,697,574	0.71%
Allergan	Pharmaceutical (R&D/Marketing)	296,970,452	0.63%
Lakeshore Properties LLC	Real Estate	184,728,241	0.39%
Park Spectrum	Real Estate	176,840,570	0.38%
Capital Research Company	Real Estate Developer	159,869,700	0.34%
Kilroy Realty	Developer/Real Estate	129,013,117	0.27%
		<b><u>\$ 8,743,949,849</u></b>	<b><u>18.55%</u></b>

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2012)

Data was not yet available for FY2010/13 from the City of Irvine.  
The City of Irvine is only a part of the IRWD service area.

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

Fiscal Year Ended	Levied During Fiscal Year		Collected During Fiscal Year		Percentage Collected		Amount of Levy Collected in Subsequent Periods	
	1 Percent <sup>(1)</sup>	General <sup>(2)</sup>	1 Percent	General <sup>(3)</sup>	1 Percent	General	1 Percent	General
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
2010	24,166,600	10,503,249	23,636,793	10,802,992	97.81%	102.85%	1,493,752	634,095
2011	26,493,900	10,323,198	25,892,653	11,180,391	97.73%	108.30%	1,153,265	753,309
2012	26,749,900	10,558,510	25,953,788	11,716,056	97.02%	110.96%	733,450	118,691
2013	26,749,900	10,733,998	29,265,283	11,802,915	109.40%	109.96%	989,396	438,947
<b>Total</b>	<b>\$ 202,286,000</b>	<b>\$ 69,858,058</b>	<b>\$ 204,979,909</b>	<b>\$ 79,955,548</b>			<b>\$ 10,357,180</b>	<b>\$ 3,452,293</b>

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
- (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 <sup>(1)</sup>**  
**For the Past Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Service Connections <sup>(2)</sup></b>	<b>General Obligation Bonds <sup>(3)</sup></b>	<b>GO Debt per Connection</b>	<b>Certificates of Participation</b>	<b>COPS Debt per Connection</b>	<b>JPA Revenue Bonds</b>	<b>JPA Debt per Connection</b>	<b>Notes Payable</b>	<b>Notes Payable per Connection</b>	<b>Total Debt</b>	<b>Total Debt per Connection</b>
2004	166,897	\$ 209,227,990	\$ 1,254	\$ 118,800,000	\$ 712	\$ 813,397,384	\$ 4,874	\$ 4,589,000	\$ 27	\$ 1,146,014,374	\$ 6,867
2005	172,548	187,396,610	1,086	116,600,000	676	793,611,146	4,599	4,158,000	24	1,101,765,756	6,385
2006	177,325	224,585,230	1,267	114,200,000	644	772,359,906	4,356	6,650,000	38	1,117,795,136	6,304
2007	182,140	201,585,230	1,107	111,600,000	613	749,513,668	4,115	5,925,000	33	1,068,623,898	5,867
2008	185,359	280,947,000	1,516	106,934,000	577	724,962,000	3,911	5,549,000	30	1,118,392,000	6,034
2009	186,856	415,699,000	2,225	103,100,000	552	698,566,000	3,739	5,007,000	27	1,222,372,000	6,542
2010	188,049	399,152,800	2,123	92,005,200	489	690,263,700	3,671	4,553,000	24	1,185,974,700	6,307
2011	191,474	562,051,000	2,935	88,043,000	460	676,415,000	3,533	2,747,000	14	1,329,256,000	6,942
2012	193,381	548,549,000	2,837	83,616,000	432	638,521,000	3,302	2,494,000	13	1,273,180,000	6,584
2013	196,596	534,343,000	2,718	78,698,000	400	610,568,000	3,106	2,240,000	11	1,225,849,000	6,235

Notes:

(1) More detail about the District's long-term liabilities can be found at Note 9 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 total service connections.

(3) Includes unamortized discount.

Source: Irvine Ranch Water District

**Irvine Ranch Water District**  
**Outstanding General Obligation Bonds by Improvement District**  
**As of June 30, 2013**

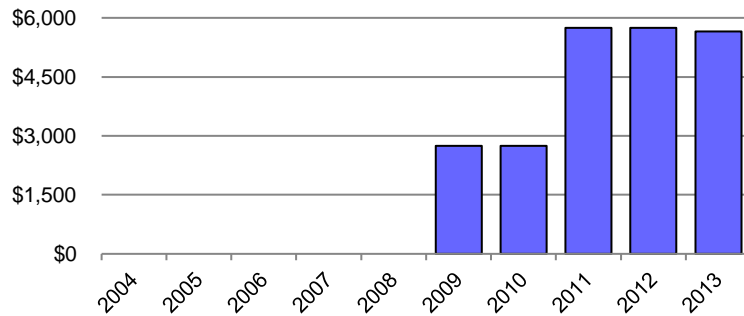
<b>Improvement District</b>	<b>General Obligation Bonds Authorized</b>	<b>General Obligation Bonds Issued</b>	<b>Remaining Unissued General Obligation Bonds Authorized</b>	<b>Amount Outstanding as of June 30, 2013</b>
112	\$ 28,512,300	\$ 5,740,000	\$ 22,772,300	\$ 5,653,000
113	25,769,500	14,800,000	10,969,500	14,395,000
120	26,805,000	26,805,000	-	-
121	35,437,000	32,182,000	3,255,000	20,012,000
130	110,465,000	55,161,000	55,304,000	16,819,000
135	20,010,000	20,010,000	-	4,670,000
140	117,130,000	32,326,100	84,803,900	10,341,000
150	188,734,000	188,678,600	55,400	125,598,000
153	237,300,000	-	237,300,000	-
154	4,839,000	-	4,839,000	-
160	22,895,000	22,569,000	326,000	-
161	40,786,000	12,435,000	28,351,000	11,512,000
182	74,653,000	12,407,000	62,246,000	4,977,000
184	79,065,000	3,950,000	75,115,000	3,910,000
186	19,266,000	6,632,700	12,633,300	1,411,000
188	8,174,000	4,437,000	3,737,000	1,714,000
<b>Total</b>	<b>\$ 1,039,840,800</b>	<b>\$ 438,133,400</b>	<b>\$ 601,707,400</b>	<b>\$ 221,012,000</b>
210	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
212	108,712,000	15,700,000	93,012,000	15,461,000
213	87,648,000	23,800,000	63,848,000	22,654,000
220	30,316,000	28,410,000	1,906,000	-
221	50,452,000	50,452,000	-	20,980,000
230	165,173,000	70,422,000	94,751,000	38,225,000
235	15,724,000	15,724,000	-	2,809,000
240	117,273,000	48,476,500	68,796,500	26,442,000
250	286,727,000	216,618,000	70,109,000	151,893,000
253	122,283,000	-	122,283,000	-
260	69,665,000	17,917,000	51,748,000	-
261	46,364,000	27,375,000	18,989,000	25,774,000
282	59,101,000	9,480,000	49,621,000	4,443,000
284	92,590,000	12,850,000	79,740,000	5,139,000
286	40,531,000	500,000	40,031,000	478,000
288	8,977,000	300,000	8,677,000	290,000
<b>Total</b>	<b>\$ 1,303,536,000</b>	<b>\$ 540,024,500</b>	<b>\$ 763,511,500</b>	<b>\$ 314,588,000</b>
	<b>\$ 2,343,376,800</b>	<b>\$ 978,157,900</b>	<b>\$ 1,365,218,900</b>	<b>\$ 535,600,000</b>

Source: Irvine Ranch Water District

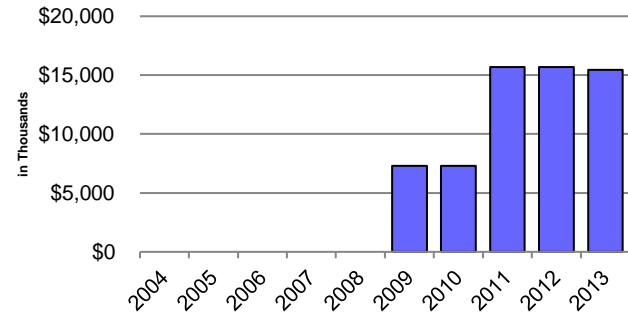
**Irvine Ranch Water District**  
 Ratio of General Obligation Debt to Assessed Values  
 for the Past Ten Fiscal Years

Fiscal Year Ending	Assessed Valuation	Improvement District 112		Assessed Valuation	Improvement District 212	
		General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation		General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
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
2010	521,318,307	2,745,000	0.00526550	521,318,307	7,305,000	0.01401255
2011	539,618,060	5,745,000	0.01064642	539,618,060	15,705,000	0.02910392
2012	504,820,526	5,745,000	0.01138028	504,820,526	15,705,000	0.03111007
2013	511,871,892	5,653,000	0.01104378	511,871,892	15,461,000	0.03020482

General Obligation Debt Outstanding - ID 112



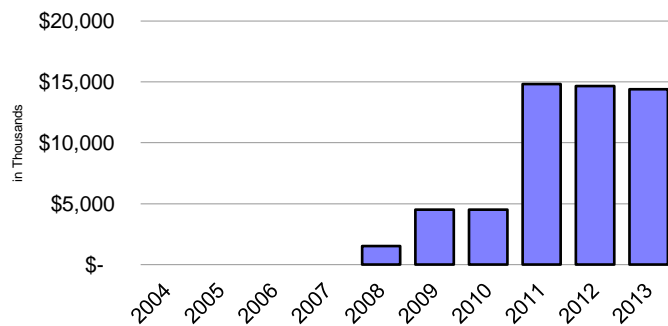
General Obligation Debt Outstanding - ID 212



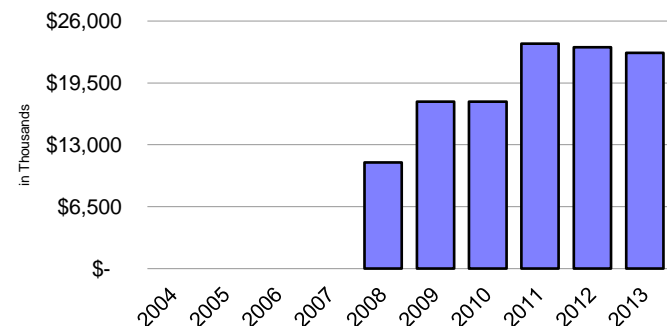
Fiscal Year	Improvement District 113		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2004	\$ -	\$ -	n/a
2005	-	-	n/a
2006	-	-	n/a
2007	-	-	n/a
2008	691,298,772	1,505,375	0.00217760
2009	609,156,504	4,505,375	0.00739609
2010	651,917,180	4,505,375	0.00691096
2011	553,458,157	14,816,000	0.02676986
2012	536,369,090	14,663,000	0.02733752
2013	562,239,093	14,395,000	0.02560299

Fiscal Year	Improvement District 213		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2004	\$ -	\$ -	n/a
2005	-	-	n/a
2006	-	-	n/a
2007	-	-	n/a
2008	691,298,772	11,139,775	0.01611427
2009	609,156,504	17,544,775	0.02880175
2010	651,917,180	17,544,775	0.02691258
2011	553,458,157	23,641,000	0.04271506
2012	536,369,090	23,264,000	0.04337312
2013	562,239,093	22,654,000	0.04029247

General Obligation Debt Outstanding - ID 113



General Obligation Debt Outstanding - ID 213

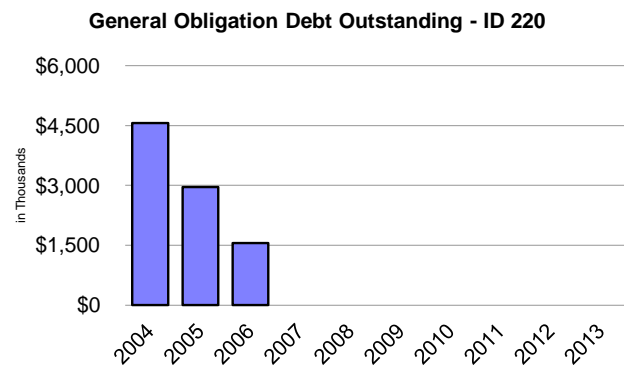
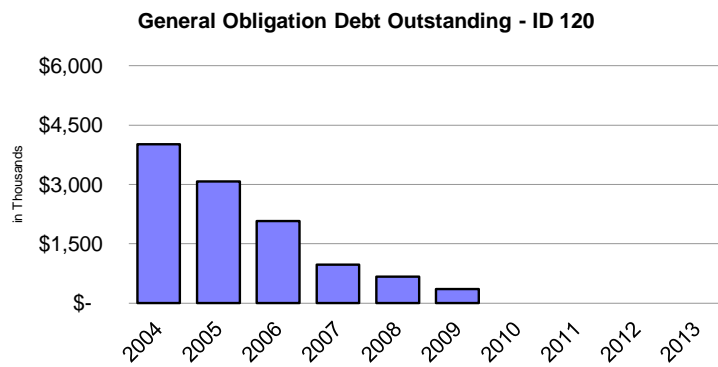




**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**for the Past Ten Fiscal Years**

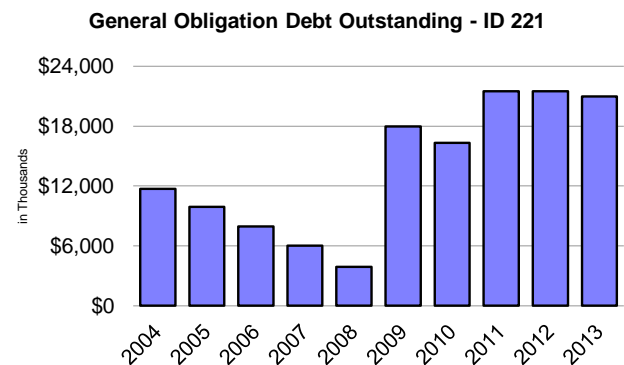
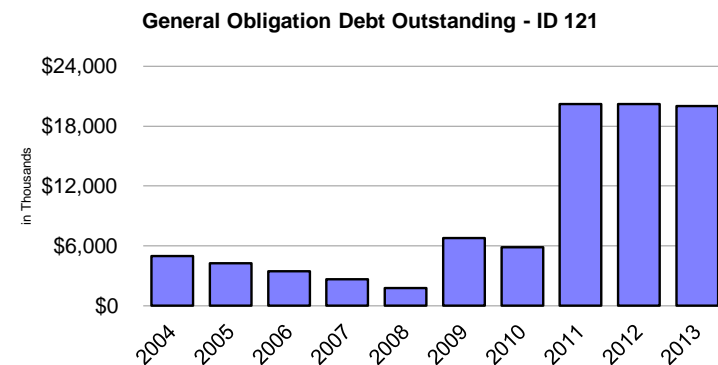
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 120</b>			
2004	\$ 2,655,750,823	\$ 4,014,721	0.00151171
2005	3,048,171,194	3,073,075	0.00100817
2006	3,296,099,817	2,079,199	0.00063081
2007	3,716,412,058	974,678	0.00026226
2008	3,999,440,197	673,414	0.00016838
2009	3,907,684,159	354,428	0.00009070
2010	3,889,246,597	-	-
2011	3,888,009,506	-	-
2012	3,940,518,873	-	-
2013	4,096,815,766	-	-

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 220</b>		
\$ 3,277,646,727	\$ 4,562,620	0.00139204
3,712,898,262	2,958,274	0.00079676
4,084,154,528	1,557,866	0.00038144
4,601,691,594	-	-
4,946,140,742	-	-
4,819,998,823	-	-
4,819,368,486	-	-
4,855,864,665	-	-
4,924,357,431	-	-
5,119,410,188	-	-



Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 121</b>			
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
2010	3,889,246,597	5,873,689	0.00151024
2011	3,888,009,506	20,205,000	0.00519675
2012	3,940,518,873	20,205,000	0.00512750
2013	4,096,815,766	20,012,000	0.00488477

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 221</b>		
\$ 2,633,056,001	\$ 11,709,055	0.00444694
2,991,737,859	9,901,563	0.00330964
3,270,481,689	7,941,236	0.00242815
3,688,965,082	6,007,654	0.00162855
3,971,444,282	3,907,194	0.00098382
3,876,394,631	17,989,776	0.00464085
3,859,829,277	16,330,283	0.00423083
3,860,526,608	21,500,000	0.00556919
3,912,486,315	21,500,000	0.00549523
4,068,229,161	20,980,000	0.00515703

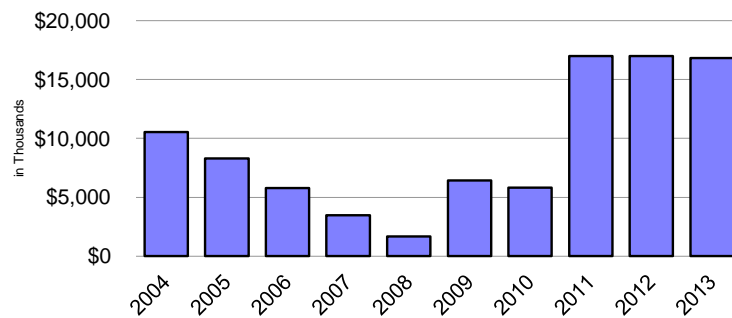


**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**for the Past Ten Fiscal Years**

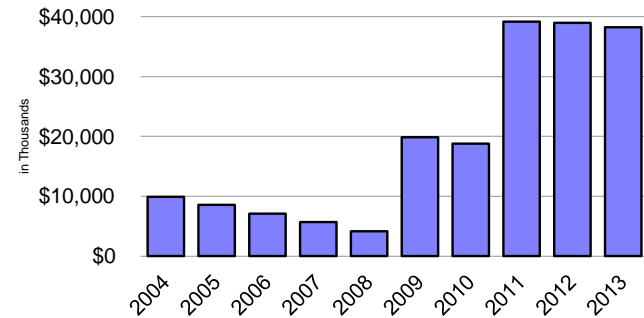
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 130</b>			
2004	\$ 932,620,903	\$ 10,542,893	0.01130459
2005	1,049,255,231	8,288,716	0.00789962
2006	1,153,678,462	5,767,709	0.00499941
2007	1,489,017,966	3,460,656	0.00232412
2008	1,660,025,116	1,678,813	0.00101132
2009	2,585,629,375	6,424,815	0.00248482
2010	2,390,684,306	5,834,412	0.00244048
2011	2,242,156,959	16,995,000	0.00757975
2012	2,307,116,191	16,995,000	0.00736634
2013	2,460,486,952	16,819,000	0.00683564

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 230</b>		
\$ 933,035,911	\$ 9,904,911	0.01061579
1,049,677,986	8,567,847	0.00816236
1,154,109,671	7,115,505	0.00616536
1,492,117,118	5,703,185	0.00382221
1,663,766,768	4,179,777	0.00251224
2,585,629,375	19,865,955	0.00768322
2,390,684,306	18,768,724	0.00785077
2,242,156,959	39,150,000	0.01746087
2,307,116,191	38,966,000	0.01688948
2,460,486,952	38,225,000	0.01553554

General Obligation Debt Outstanding - ID 130



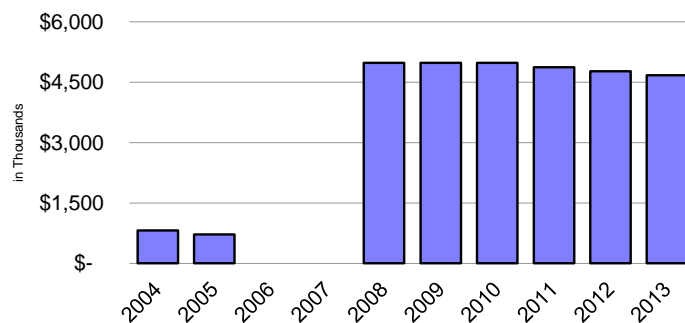
General Obligation Debt Outstanding - ID 230



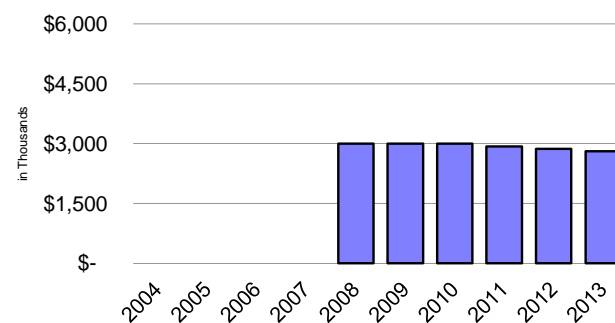
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 135</b>			
2004	\$ 2,062,480,035	\$ 820,000	0.00039758
2005	2,279,958,176	720,000	0.00031580
2006	2,553,323,737	-	-
2007	2,898,277,302	-	-
2008	3,154,824,099	4,985,802	0.00158037
2009	3,071,898,725	4,985,802	0.00162304
2010	3,083,700,261	4,985,802	0.00161682
2011	3,057,223,724	4,869,000	0.00159262
2012	3,139,556,068	4,769,000	0.00151900
2013	3,246,588,677	4,670,000	0.00143843

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 235</b>		
\$ 2,062,480,035	\$ -	-
2,279,958,176	-	-
2,553,323,737	-	-
2,898,277,302	-	-
3,154,824,099	2,998,707	0.00095051
3,071,898,725	2,998,707	0.00097617
3,083,700,261	2,998,707	0.00097244
3,057,223,724	2,928,000	0.00095773
3,139,556,068	2,868,000	0.00091350
3,246,588,677	2,809,000	0.00086522

General Obligation Debt Outstanding - ID 135



General Obligation Debt Outstanding - ID 235

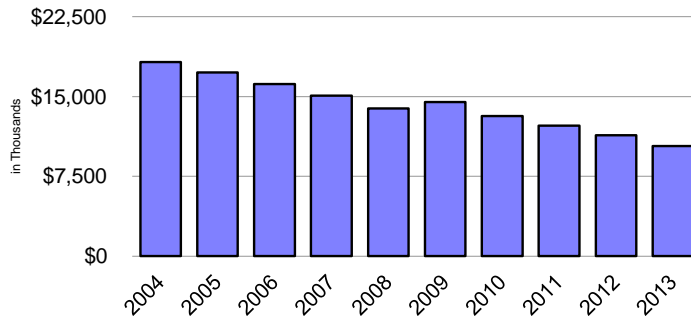


**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**for the Past Ten Fiscal Years**

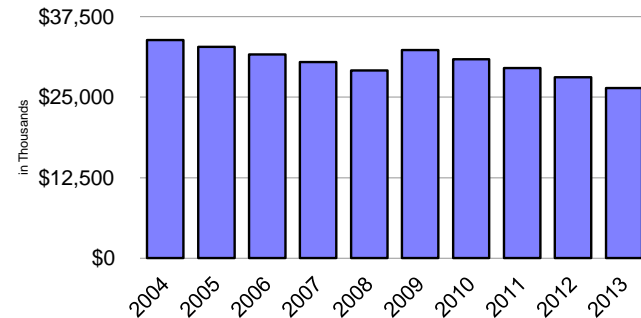
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 140</b>			
2004	\$ 2,294,454,249	\$ 18,246,359	0.00795237
2005	2,719,982,105	17,253,705	0.00634332
2006	3,446,887,473	16,181,977	0.00469466
2007	4,140,693,955	15,086,812	0.00364355
2008	4,642,366,023	13,892,372	0.00299252
2009	4,936,249,533	14,472,944	0.00293197
2010	4,871,225,527	13,161,947	0.00270198
2011	4,903,741,743	12,263,000	0.00250074
2012	4,973,007,663	11,348,000	0.00228192
2013	5,343,804,951	10,341,000	0.00193514

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 240</b>		
\$ 2,294,454,249	\$ 33,862,453	0.01475839
2,719,982,105	32,792,726	0.01205623
3,446,887,473	31,643,024	0.00918017
4,140,693,955	30,462,056	0.00735675
4,642,366,023	29,182,814	0.00628619
4,936,249,533	32,326,608	0.00654882
4,871,225,527	30,885,287	0.00634035
4,903,741,743	29,528,000	0.00602152
4,973,007,663	28,081,000	0.00564668
5,343,804,951	26,442,000	0.00494816

General Obligation Debt Outstanding - ID 140



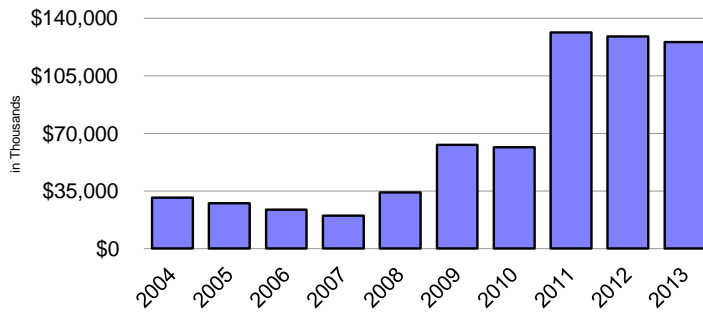
General Obligation Debt Outstanding - ID 240



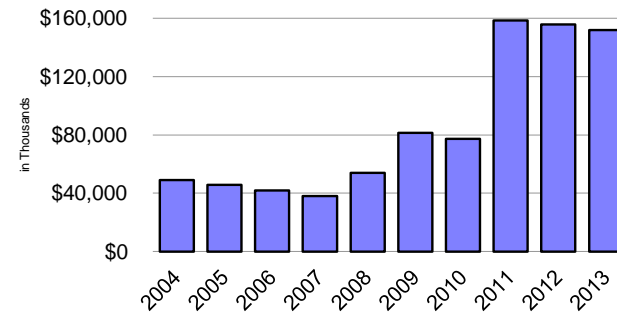
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 150</b>			
2004	\$ 3,134,625,172	\$ 31,004,136	0.00989086
2005	3,548,888,756	27,478,309	0.00774279
2006	4,222,037,532	23,691,456	0.00561138
2007	5,194,093,605	20,060,770	0.00386223
2008	5,984,544,964	34,133,775	0.00570365
2009	5,541,316,286	63,136,403	0.01139376
2010	5,780,753,315	61,495,050	0.01063790
2011	6,316,070,513	131,294,000	0.02078729
2012	6,608,122,000	129,026,000	0.01952537
2013	7,099,866,552	125,598,000	0.01769019

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 250</b>		
\$ 3,129,472,091	\$ 49,109,239	0.01569250
3,543,639,799	45,671,541	0.01288831
4,216,683,635	41,914,218	0.00994009
4,874,632,043	38,062,529	0.00780829
5,642,845,768	53,893,983	0.00955085
5,229,731,606	81,339,302	0.01555325
5,459,374,896	77,170,225	0.01413536
6,003,427,629	158,463,000	0.02639542
6,293,664,935	155,764,000	0.02474933
6,776,400,622	151,893,000	0.02241500

General Obligation Debt Outstanding - ID 150



General Obligation Debt Outstanding - ID 250



**Irvine Ranch Water District**  
 Ratio of General Obligation Debt to Assessed Values  
 for the Past Ten Fiscal Years

Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	<b>Improvement District 153</b>			<b>Improvement District 253</b>		
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
2010	36,997,523	n/a	n/a	36,997,523	n/a	n/a
2011	7,971,152	n/a	n/a	7,971,152	n/a	n/a
2012	8,114,060	n/a	n/a	8,114,060	n/a	n/a
2013	8,475,848	n/a	n/a	8,475,848	n/a	n/a

No Debt Outstanding at this Time

No Debt Outstanding at this Time

<b>Improvement District 154</b>			
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
2010	8,831,144	n/a	n/a
2011	8,904,175	n/a	n/a
2012	9,127,678	n/a	n/a
2013	9,334,512	n/a	n/a

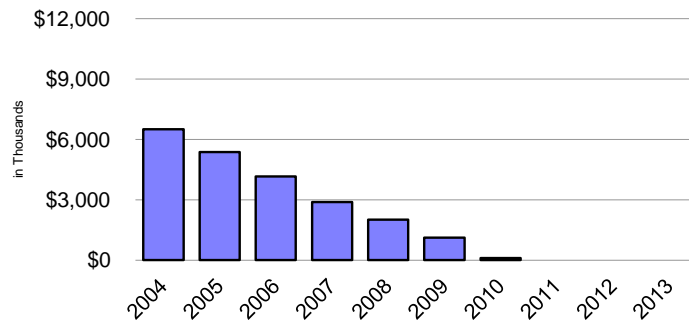
No Debt Outstanding at this Time

**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**for the Past Ten Fiscal Years**

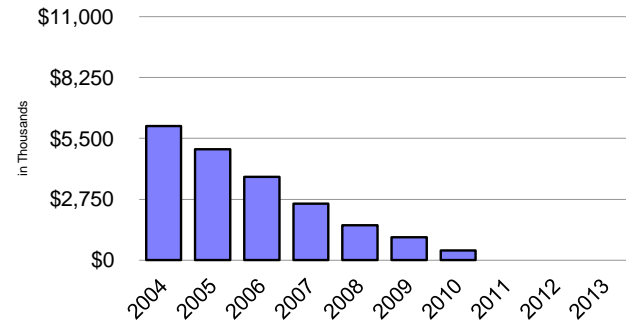
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 160</b>			
2004	\$ 1,486,590,105	\$ 6,511,087	0.00437988
2005	2,101,987,732	5,380,202	0.00255958
2006	2,922,826,431	4,162,705	0.00142421
2007	3,372,542,514	2,883,509	0.00085500
2008	3,711,389,964	2,022,479	0.00054494
2009	3,457,883,370	1,111,736	0.00032151
2010	3,483,763,692	103,561	0.00002973
2011	3,571,525,574	-	-
2012	3,604,538,765	-	-
2013	3,780,523,318	-	-

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 260</b>		
\$ 1,442,431,910	\$ 6,063,833	0.00420390
2,050,256,515	5,006,027	0.00244166
2,866,594,651	3,759,358	0.00131144
3,304,863,810	2,555,075	0.00077313
3,641,310,305	1,584,223	0.00043507
3,399,796,704	1,031,756	0.00030348
3,409,716,951	433,656	0.00012718
3,499,774,771	-	-
3,533,912,329	-	-
3,712,091,492	-	-

General Obligation Debt Outstanding - ID 160



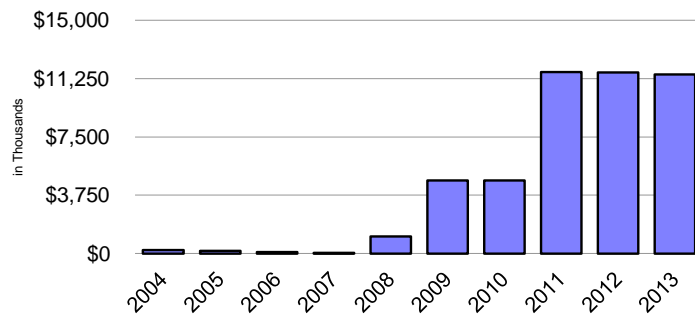
General Obligation Debt Outstanding - ID 260



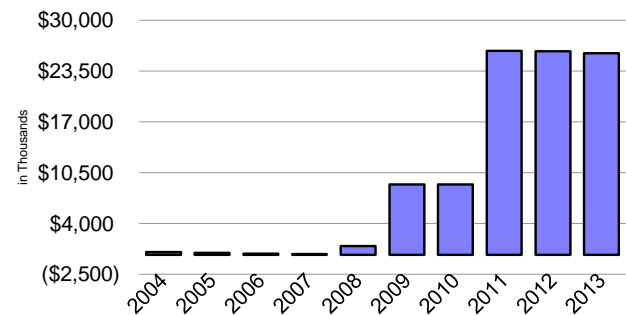
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 161</b>			
2004	\$ 1,398,433,040	\$ 206,815	0.00014789
2005	2,007,153,739	155,112	0.00007728
2006	2,817,492,876	99,961	0.00003548
2007	3,260,457,444	51,704	0.00001586
2008	3,593,517,713	1,101,935	0.00030665
2009	3,341,406,070	4,701,935	0.00140717
2010	3,361,758,076	4,701,935	0.00139865
2011	3,442,885,652	11,676,000	0.00339134
2012	3,471,901,837	11,654,080	0.00335668
2013	3,641,977,076	11,512,000	0.00316092

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 261</b>		
\$ 1,494,056,460	\$ 318,150	0.00021294
2,109,648,525	238,613	0.00011311
2,929,383,541	153,773	0.00005249
3,382,835,586	79,538	0.00002351
3,723,380,975	1,101,935	0.00029595
3,473,875,612	9,006,935	0.00259276
3,486,287,355	9,006,935	0.00258353
3,572,028,485	26,081,000	0.00730145
3,603,739,115	26,059,000	0.00723110
3,780,393,096	25,774,000	0.00681781

General Obligation Debt Outstanding - ID 161



General Obligation Debt Outstanding - ID 261



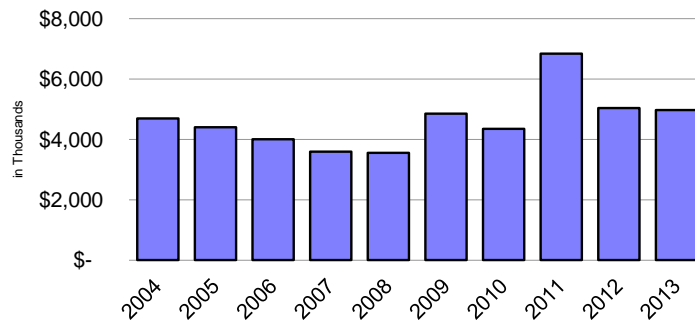
## Irvine Ranch Water District

### Ratio of General Obligation Debt to Assessed Values for the Past Ten Fiscal Years

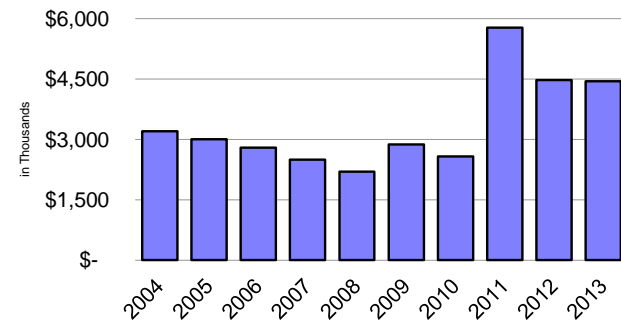
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 182</b>			
2004	\$ 367,379,519	\$ 4,700,000	0.01279331
2005	429,865,962	4,400,000	0.01023575
2006	509,371,089	4,000,000	0.00785282
2007	643,569,573	3,600,000	0.00559380
2008	720,602,896	3,561,290	0.00494210
2009	595,670,830	4,856,290	0.00815264
2010	600,594,737	4,356,290	0.00725329
2011	606,591,207	6,848,000	0.01128932
2012	606,302,632	5,040,000	0.00831268
2013	628,428,079	4,977,000	0.00791976

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 282</b>		
\$ 367,379,519	\$ 3,200,000	0.00871034
429,865,962	3,000,000	0.00697892
509,371,089	2,800,000	0.00549697
643,569,573	2,500,000	0.00388458
720,602,896	2,200,000	0.00305300
595,670,830	2,875,000	0.00482649
600,594,737	2,575,000	0.00428742
606,591,207	5,775,000	0.00952041
606,302,632	4,475,000	0.00738080
628,428,079	4,443,000	0.00707002

General Obligation Debt Outstanding - ID 182



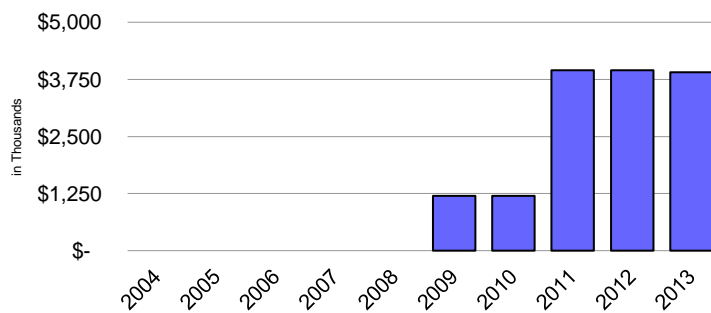
General Obligation Debt Outstanding - ID 282



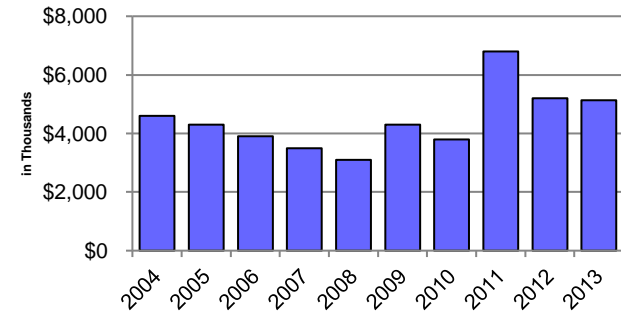
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 184</b>			
2004	\$ 234,612,404	\$ -	-
2005	262,111,956	-	-
2006	283,547,263	-	-
2007	328,208,160	-	-
2008	378,200,679	-	-
2009	424,421,998	1,200,000	0.00282737
2010	386,137,068	1,200,000	0.00310770
2011	377,719,266	3,950,000	0.01045750
2012	378,265,831	3,950,000	0.01044239
2013	415,378,678	3,910,000	0.00941310

Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 284</b>		
\$ 234,612,404	\$ 4,600,000	0.01960681
262,111,956	4,300,000	0.01640520
283,547,263	3,900,000	0.01375432
328,208,160	3,500,000	0.01066396
378,200,679	3,100,000	0.00819671
424,421,998	4,295,000	0.01011965
386,137,068	3,795,000	0.00982812
377,719,266	6,795,000	0.01798955
378,265,831	5,195,000	0.01373373
415,378,678	5,139,000	0.01237184

General Obligation Debt Outstanding - ID 184



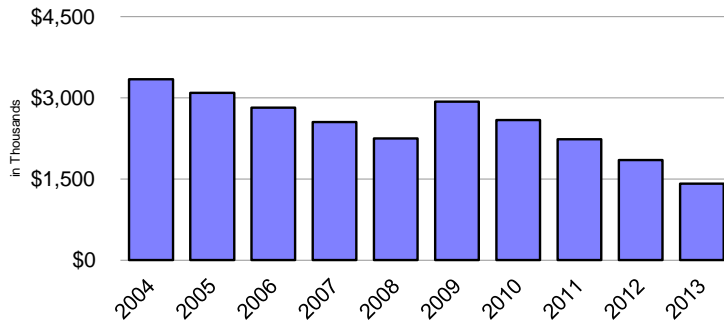
General Obligation Debt Outstanding - ID 284



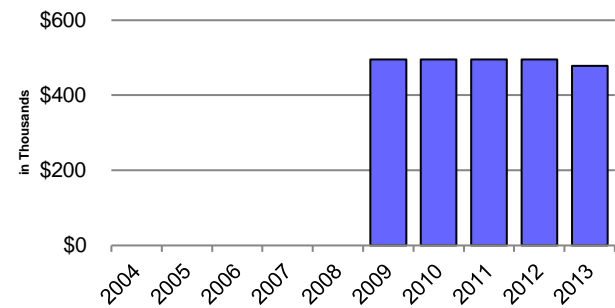
**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**for the Past Ten Fiscal Years**

Fiscal Year Ending	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 186			Improvement District 286	
2004	\$ 131,012,460	\$ 3,345,496	0.02553571	\$ 131,012,460	n/a	n/a
2005	160,071,307	3,092,050	0.01931670	160,071,307	n/a	n/a
2006	195,573,514	2,821,706	0.01442786	195,573,514	n/a	n/a
2007	226,924,367	2,551,363	0.01124323	226,924,367	n/a	n/a
2008	250,901,383	2,247,227	0.00895662	250,901,383	n/a	n/a
2009	203,882,434	2,931,195	0.01437689	203,882,434	495,000	0.00242787
2010	205,164,372	2,593,266	0.01263994	205,164,372	495,000	0.00241270
2011	200,509,899	2,238,000	0.01116154	200,509,899	495,000	0.00246871
2012	197,522,448	1,850,000	0.00936602	197,522,448	495,000	0.00250604
2013	201,940,807	1,411,000	0.00698720	201,940,807	478,000	0.00236703

General Obligation Debt Outstanding - ID 186

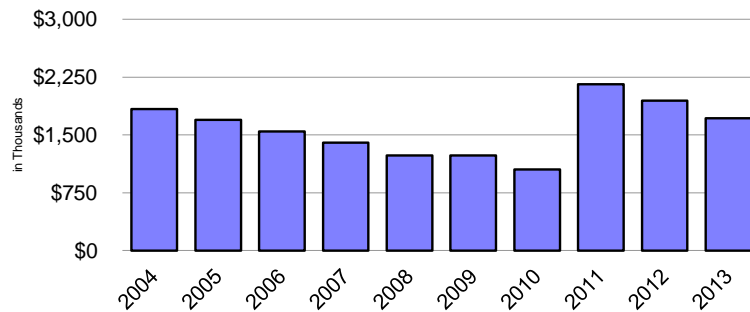


General Obligation Debt Outstanding - ID 286



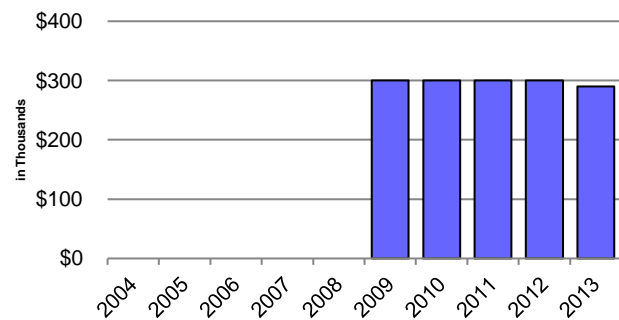
Fiscal Year Ending	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
		Improvement District 188			Improvement District 288	
2004	\$ 11,684,036	\$ 1,832,725	0.15685718	\$ 11,684,036	\$ -	-
2005	11,694,828	1,693,882	0.14484028	11,694,828	-	-
2006	11,928,713	1,545,783	0.12958508	11,928,713	-	-
2007	12,167,278	1,397,684	0.11487238	12,167,278	-	-
2008	12,410,613	1,231,073	0.09919517	12,410,613	-	-
2009	12,806,315	1,235,205	0.09645283	12,806,315	300,000	0.02342594
2010	14,613,156	1,050,082	0.07185864	14,613,156	300,000	0.02052945
2011	13,887,854	2,155,000	0.15517156	13,887,854	300,000	0.02160161
2012	14,165,606	1,943,000	0.13716321	14,165,606	300,000	0.02117806
2013	14,448,912	1,714,000	0.11862485	14,448,912	290,000	0.02007072

General Obligation Debt Outstanding - ID 188



Fiscal Year Ending	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 188			Improvement District 288	
2004	\$ 11,684,036	\$ 1,832,725	0.15685718	\$ 11,684,036	\$ -	-
2005	11,694,828	1,693,882	0.14484028	11,694,828	-	-
2006	11,928,713	1,545,783	0.12958508	11,928,713	-	-
2007	12,167,278	1,397,684	0.11487238	12,167,278	-	-
2008	12,410,613	1,231,073	0.09919517	12,410,613	-	-
2009	12,806,315	1,235,205	0.09645283	12,806,315	300,000	0.02342594
2010	14,613,156	1,050,082	0.07185864	14,613,156	300,000	0.02052945
2011	13,887,854	2,155,000	0.15517156	13,887,854	300,000	0.02160161
2012	14,165,606	1,943,000	0.13716321	14,165,606	300,000	0.02117806
2013	14,448,912	1,714,000	0.11862485	14,448,912	290,000	0.02007072

General Obligation Debt Outstanding - ID 288



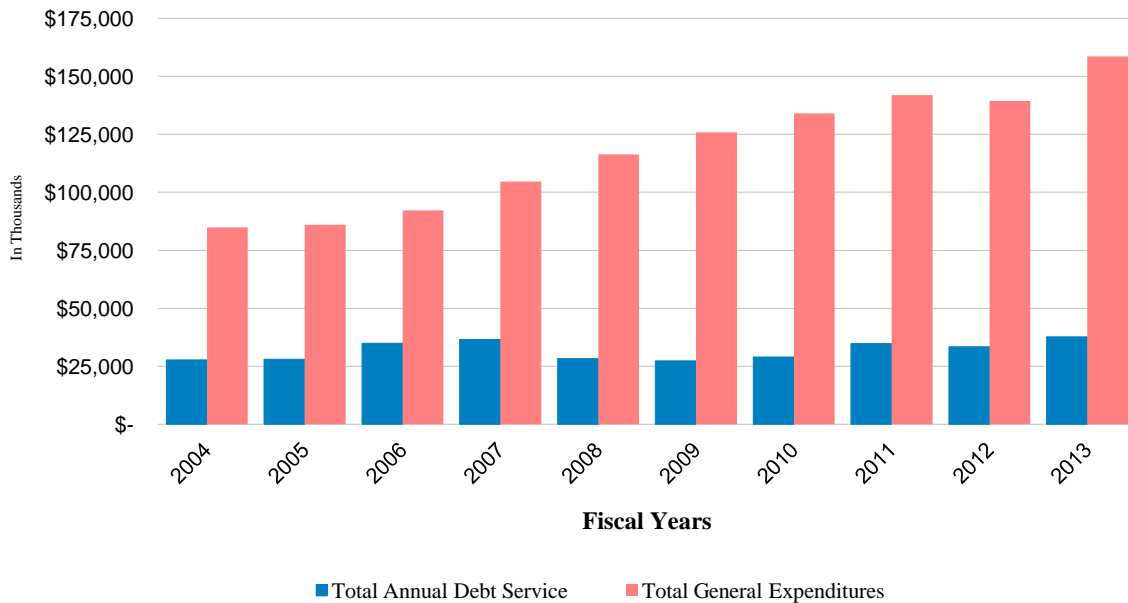
Source: Irvine Ranch Water District

## Irvine Ranch Water District

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

<b>Fiscal Year Ended</b>	<b>Total Annual Debt Service</b>	<b>Total General Expenditures</b>	<b>Ratio of Total Annual Debt Service to Total General Expenditures</b>
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%
2010	29,044	134,021	21.7%
2011	34,842	141,831	24.6%
2012	33,437	139,444	24.0%
2013	37,734	158,519	23.8%

**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)

	2004	2005	2006	2007	2008
<b>Revenues</b>					
Water sales and service charges	\$ 31,700	\$ 33,105	\$ 39,256	\$ 45,138	\$ 48,516
Sewer sales and service charges	23,346	24,622	29,248	37,649	39,811
Developer Connection fees	5,546	6,188	17,903	22,122	6,411
Net real estate income	5,534	6,105	5,793	6,081	7,171
Interest income	5,158	7,695	7,749	8,969	9,859
Net earnings on JPA	3,269	3,277	3,367	3,388	3,238
Available 1% property tax revenue	0	0	0	216	4,869
Other	13,065	9,753	8,494	10,457	11,130
<b>Total Revenues</b>	<b>87,618</b>	<b>90,745</b>	<b>111,810</b>	<b>134,020</b>	<b>131,005</b>
<b>Expenses</b>					
Water supply services	26,139	25,198	29,813	33,281	37,030
Sewer services	19,052	19,055	18,480	23,439	26,032
Administrative and general	12,301	12,879	14,181	16,595	18,516
Customer accounts	2,307	2,410	2,620	2,829	3,178
Other	1,881	430	666	884	2,288
<b>Total Expenses</b>	<b>61,680</b>	<b>59,972</b>	<b>65,760</b>	<b>77,028</b>	<b>87,044</b>
<b>Net Revenues</b>	<b>25,938</b>	<b>30,773</b>	<b>46,050</b>	<b>56,992</b>	<b>43,961</b>
<b>Parity Obligations</b>					
Certificates of Participation	599	1,094	1,873	2,319	3,564
1997 State Loan #3	226	226	227	227	227
Series 2010B Bonds	-	-	-	-	-
Series 2011-A Index Tender Notes	-	-	-	-	-
Prior Reimbursement Agreements	-	-	-	-	-
<b>Total Parity Obligations Debt Service</b>	<b>\$ 825</b>	<b>\$ 1,320</b>	<b>\$ 2,100</b>	<b>\$ 2,546</b>	<b>\$ 3,791</b>
Remaining Revenues	\$ 25,113	\$ 29,453	\$ 43,950	\$ 54,446	\$ 40,170
	<b>31.4 x</b>	<b>23.3 x</b>	<b>21.9 x</b>	<b>22.4 x</b>	<b>11.6 x</b>
<b>Parity Obligation Coverage</b>					
<b>Subordinate Obligations</b>					
Fixed Payer Swap Payments	(705)	(1,811)	42	612	2,115
State Loans and SCWD Debt	292	292	317	300	559
<b>Total Subordinate Obligations</b>	<b>(413)</b>	<b>(1,519)</b>	<b>359</b>	<b>912</b>	<b>2,674</b>
Remaining Revenues	25,526	30,972	43,591	53,534	37,496
<b>Non-Double-Barrel GO Bonds</b>					
<b>Revenues Pledged to Non-Double-Barrel GO Bonds</b>					
1% Property tax revenues (Pledged to Secured Bonds)	14,474	7,335	10,177	22,040	19,861
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	830	390	5,060	8,411	9,515
<b>Sub-total Pledged Revenues</b>	<b>40,830</b>	<b>38,697</b>	<b>58,828</b>	<b>83,985</b>	<b>66,872</b>
<b>Additional Funds Available for Non-Double-Barrel GO Bonds</b>					
Remaining 1% Property Tax Revenues	0	0	0	216	2,395
Additional Net Revenues	25,526	30,972	43,591	53,318	35,101
<b>Total with Additional Pledged Revenues</b>	<b>40,830</b>	<b>38,697</b>	<b>58,828</b>	<b>83,985</b>	<b>66,872</b>
<b>Debt Service</b>					
Non-Double-Barrel GO Bond Debt Service	25,685	27,432	28,935	30,451	29,376
GO Bond Coverage	1.6 x	1.4 x	2.0 x	2.8 x	2.3 x
Remaining Revenues	15,145	11,265	29,893	53,534	37,496
<b>Total Debt Coverage</b>	<b>1.6 x</b>	<b>1.4 x</b>	<b>2.0 x</b>	<b>2.6 x</b>	<b>2.0 x</b>

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

	2009	2010	2011	2012	2013
<b>Revenues</b>					
Water sales and service charges	\$ 50,940	\$ 51,268	\$ 54,796	\$ 57,558	\$ 62,565
Sewer sales and service charges	41,157	45,344	45,375	49,234	53,085
Developer Connection fees	4,535	5,818	10,572	9,030	17,314
Net real estate income	7,010	5,624	3,715	5,023	4,742
Interest income	4,365	2,191	2,599	3,132	224
Net earnings on JPA	2,990	4,196	12,444	11,927	20,294
Available 1% property tax revenue	17,007	17,213	15,113	14,737	15,120
Other	9,918	10,706	7,987	6,141	8,323
<b>Total Revenues</b>	<b>137,922</b>	<b>142,360</b>	<b>152,601</b>	<b>156,782</b>	<b>181,667</b>
<b>Expenses</b>					
Water supply services	40,333	41,328	43,719	42,741	48,911
Sewer services	27,402	29,483	31,887	31,754	36,688
Administrative and general	20,248	20,000	18,896	20,097	22,667
Customer accounts	3,234	3,772	3,737	3,737	3,753
Other	1,535	1,286	989	10,713	6,110
<b>Total Expenses</b>	<b>92,752</b>	<b>95,869</b>	<b>99,228</b>	<b>109,042</b>	<b>118,129</b>
<b>Net Revenues</b>	<b>45,170</b>	<b>46,491</b>	<b>53,373</b>	<b>47,740</b>	<b>63,538</b>
<b>Parity Obligations</b>					
Certificates of Participation	2,798	3,119	7,680	7,977	7,558
1997 State Loan #3	227	-	226	226	194
Series 2010B Bonds	-	-	4,080	7,533	7,519
Series 2011-A Index Tender Notes	-	-	35	185	193
Prior Reimbursement Agreements	-	-	-	-	-
<b>Total Parity Obligations Debt Service</b>	<b>\$ 3,025</b>	<b>\$ 3,119</b>	<b>\$ 12,021</b>	<b>\$ 15,921</b>	<b>\$ 15,464</b>
Remaining Revenues	\$ 42,145	\$ 43,372	\$ 41,352	\$ 31,819	\$ 48,074
<b>Parity Obligation Coverage</b>	<b>14.9 x</b>	<b>14.9 x</b>	<b>4.4 x</b>	<b>3.0 x</b>	<b>4.1 x</b>
<b>Subordinate Obligations</b>					
Fixed Payer Swap Payments	5,694	7,391	7,734	7,441	7,452
State Loans and SCWD Debt	481	381	253	254	254
<b>Total Subordinate Obligations</b>	<b>6,175</b>	<b>7,772</b>	<b>7,987</b>	<b>7,695</b>	<b>7,706</b>
Remaining Revenues	35,970	35,600	33,365	24,124	40,368
<b>Non-Double-Barrel GO Bonds</b>					
<b>Revenues Pledged to Non-Double-Barrel GO Bonds</b>					
1% Property tax revenues (Pledged to Secured Bonds)	9,276	9,935	11,875	11,876	11,880
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	9,959	11,244	11,690	11,585	11,817
<b>Sub-total Pledged Revenues</b>	<b>55,205</b>	<b>56,779</b>	<b>56,930</b>	<b>47,585</b>	<b>64,065</b>
<b>Additional Funds Available for Non-Double-Barrel GO Bonds</b>					
Remaining 1% Property Tax Revenues	15,454	16,348	15,113	15,112	15,120
Additional Net Revenues	20,516	19,252	18,252	9,012	25,248
<b>Total with Additional Pledged Revenues</b>	<b>55,205</b>	<b>56,779</b>	<b>56,930</b>	<b>47,585</b>	<b>64,065</b>
<b>Debt Service</b>					
Non-Double-Barrel GO Bond Debt Service	19,235	21,179	16,899	16,899	17,129
GO Bond Coverage	2.9 x	2.7 x	3.4 x	2.8 x	3.7 x
Remaining Revenues	35,970	35,600	40,031	30,686	46,936
<b>Total Debt Coverage</b>	<b>2.3 x</b>	<b>2.1 x</b>	<b>2.1 x</b>	<b>1.8 x</b>	<b>2.2 x</b>

Source: Irvine Ranch Water District

## Irvine Ranch Water District

### Principal Employers

Fiscal Year Ended June 30, 2013

<u>Name of Company</u>	<u>Number of Employees</u>	<u>Products</u>	<u>Percentage of Employment</u>
University of California, Irvine	16,495	Educational	8.39%
Broadcom	2,604	Technology	1.32%
Edwards Lifesciences	2,567	Surgical Appliances and Supplies	1.31%
Allergan	2,441	Pharmaceutical (R&D/Marketing)	1.24%
Irvine Unified School District	2,394	Educational	1.22%
Cellco Partnership / Verizon Wireless	2,305	Wireless Communication	1.17%
Western Digital Technologies	1,758	Technology	0.89%
Blizzard Entertainment Inc.	1,695	Video Game Developer	0.86%
Parker Hannifin	1,650	Aircraft Parts	0.84%
B Braun Medical Inc.	1,405	Bio-Medical Manufacturing	0.71%
			<u>17.24%</u>

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2012)

Data was not yet available for FY2012/13 from the City of Irvine.

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

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

<b>Fiscal Year Ended</b>	<b>IRWD Population</b>	<b>City of Irvine Population</b>	<b>City of Irvine Median Family Income</b>	<b>Total Personal Income</b>	<b>County of Orange Unemployment Rate</b>
2003	N/A	164,917	\$ 71,200	N/A	N/A
2004	N/A	171,708	71,200	N/A	N/A
2005	316,000	183,218	82,827	\$ 7,267,978	3.9%
2006	322,000	192,167	84,270	7,352,397	3.6%
2007	330,000	199,400	85,624	7,667,079	4.0%
2008	330,000	207,646	98,923	8,601,736	5.3%
2009	330,000	212,541	91,101	8,723,320	8.3%
2010	331,500	217,686	94,903	8,090,372	9.5%
2011	330,000	219,156	93,258	8,484,794	9.2%
2012	334,000	223,729	90,939	8,886,628	7.9%
2013	340,000	223,729	N/A (1)	N/A (1)	6.1%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2012) 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.*

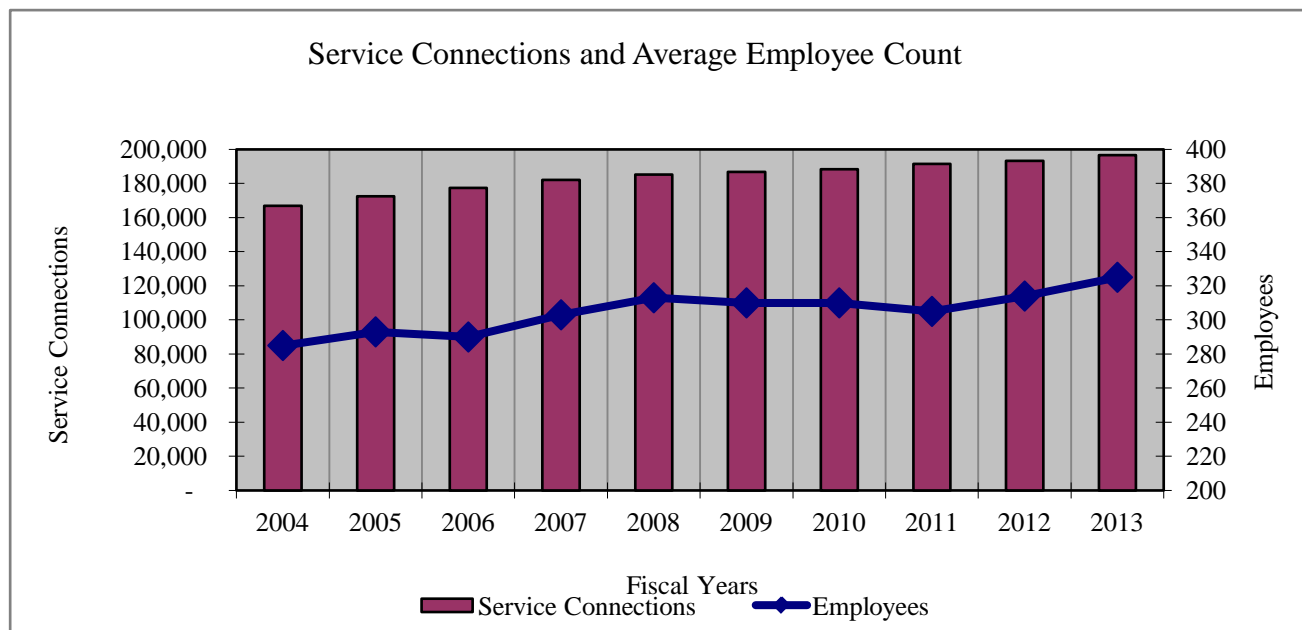
Note:

(1) Median Family Income and Total Personal Income for FY 2013 has not yet been published by the City of Irvine.

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

<u>Fiscal Year Ended</u>	<u>Potable Water</u>	<u>Non-Potable Water</u>	<u>Sewer &amp; Recycled Water</u>	<u>Total Service Connections</u>	<u>Average Employee Population</u>	<u>Service Connections per Employee</u>
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
2010	96,797	226	91,252	188,275	310	607
2011	98,453	184	92,837	191,474	305	628
2012	99,465	88	93,828	193,381	314	616
2013	101,020	88	95,488	196,596	325	605

Source: Irvine Ranch Water District



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

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Water</b>										
Residential	1,788	2,360	2,039	2,211	1,439	552	631	1,469	862	1,520
Commercial/Industrial/ Public Authority	174	269	211	321	229	89	19	98	18	27
Fire Protection	141	137	128	162	173	86	43	40	37	55
Landscape										
Irrigation	25	6	91	93	(80)	13	4	11	4	8
Agricultural	(5)	(6)	0	2	(1)	(13)	(8)	(11)	(3)	2
<b>Sewer</b>										
Residential	1,808	2,355	2,002	1,462	891	527	613	1,462	861	1,521
Commercial/Industrial/ Public Authority	1,268	237	150	290	357	156	21	37	21	29
Landscape										
Irrigation	174	264	156	276	207	84	63	85	102	112
Agricultural	(2)	(2)	0	(2)	4	3	10	1	7	(2)

Source: Irvine Ranch Water District

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

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Water</b>										
Residential	10	10	11	11	11	10	10	9	9	9
Commercial	68	72	73	75	69	63	57	56	61	63
Industrial	227	258	241	228	226	211	200	201	201	204
Public Authority	398	464	454	356	359	347	300	295	296	306
Construction & Temporary	179	95	94	94	122	39	52	79	106	181
Treated - Landscape Irrigation	99	103	110	127	122	116	95	85	94	105
Treated - Agricultural	2,080	1,990	1,760	1,653	1,294	1,116	663	925	835	733
Untreated - Agricultural	5,686	5,520	7,659	7,991	6,405	7,495	6,925	4,714	4,768	5,799
	<b>8,747</b>	<b>8,512</b>	<b>10,401</b>	<b>10,534</b>	<b>8,608</b>	<b>9,397</b>	<b>8,302</b>	<b>6,364</b>	<b>6,370</b>	<b>7,400</b>
<b>Recycled water</b>										
Landscape Irrigation	199	178	176	211	191	182	152	134	152	169
Agricultural	330	268	895	1,792	1,792	2,418	1,874	2,247	3,768	4,145
	<b>529</b>	<b>446</b>	<b>1,071</b>	<b>2,003</b>	<b>1,982</b>	<b>2,600</b>	<b>2,026</b>	<b>2,381</b>	<b>3,920</b>	<b>4,314</b>

Source: Irvine Ranch Water District

**Irvine Ranch Water District**  
**Capital Asset Statistics**  
**For the Past Nine Fiscal Years**

		2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Potable System</b>										
Miles of Water Line	(1)	990	1,040	1,090	1,132	1,134	1,169	1,460	1,490	1,516
Number of Storage Tanks	(3)	27	29	37	37	37	37	37	37	36
Maximum Storage Capacity (Acre Feet)		418	440	456	456	456	456	456	456	456
Number of Pumping Plants		24	32	40	40	45	45	45	45	40
Number of Wells		21	24	24	24	24	24	24	24	26
Well Production Capacity (cfs)		100	109	109	117	117	117	117	117	121
Water Banking Storage (Acre Feet)		-	-	-	-	-	57,600	67,600	69,500	69,500
<b>Non-Potable and Recycled Systems</b>										
Miles of Recycled Line	(1)	307	337	367	399	400	407	468	478	488
Number of Storage Tanks	(2)	14	10	11	11	11	11	11	11	12
Number of Open Reservoirs	(2)		4	4	4	4	4	4	4	5
Maximum Storage Capacity (Acre Feet)	(4)	23,696	23,696	23,703	23,703	23,703	23,703	23,703	23,703	24,155
Number of Pumping Plants		17	17	18	18	18	18	18	18	19
Number of Wells	(5)	3	5	5	5	5	5	5	5	5
Well Production Capacity (cfs)		5.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6
<b>Sewer System</b>										
Miles of Sewer Line		656	680	809	899	901	940	950	962	971
Number of Lift Stations	(6)	16	16	16	16	16	15	15	13	11
Treatment Plants		2	2	2	2	2	2	2	2	2
Average % of Daily Flows - Michelson Plant		80%	80%	80%	80%	80%	80%	78%	78%	79%
Average % of Daily Flows - Los Alisos Plant		20%	20%	20%	20%	20%	20%	22%	22%	21%

Source: Irvine Ranch Water District

Note:

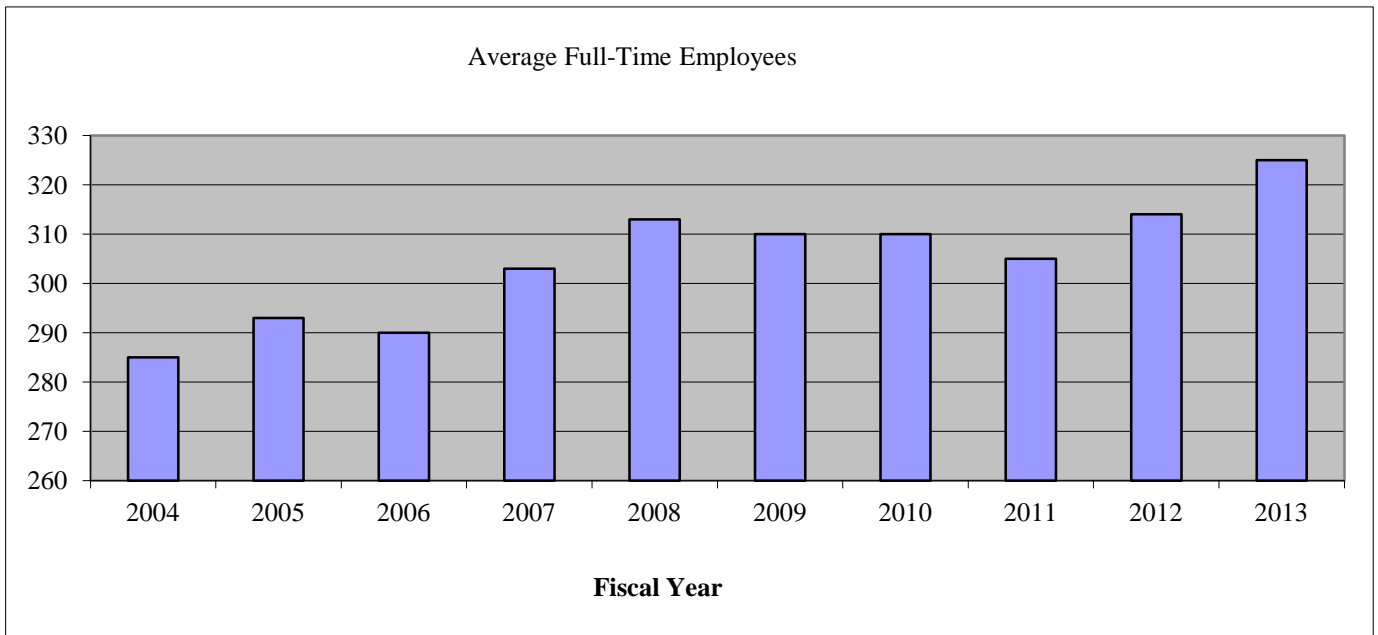
- (1) Miles of Line include laterals
- (2) IRWD began reporting storage tanks and open reservoirs separately in 2006. Previously for purposes of these statistics, both have been combined under "storage tanks".
- (3) Total number of tanks excludes IRWD's storage capacity with East Orange County Water District. However, this capacity is accounted for in the maximum storage capacity estimate (456 AF)
- (4) Excludes Serrano Water District's capacity in Irvine Lake, which equals 25% of total capacity.
- (5) Accounts for active production wells only (Excludes SGU Injection Well).
- (6) Excludes private lift stations for IRWD facilities

*Information on 2004 capital asset statistics was not readily available.*



**Irvine Ranch Water District**  
 Full-Time Employees  
 For the Past Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average Full-Time Employees	285	293	290	303	313	310	310	305	314	325



Source: Irvine Ranch Water District