Prepared for This Drought and the Next

Irvine Ranch Water District
Irvine, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for fiscal year ended June 30, 2022

Irvine Ranch Water District

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Annual Comprehensive Financial Report

For fiscal year ended June 30, 2022

Irvine Ranch Water District

Irvine, California

Board of Directors

Steven E. LaMar, President

Karen McLaughlin, Vice President

Douglas J. Reinhart

Peer A. Swan

John B. Withers

General Manager

Paul A. Cook

Prepared by:

Irvine Ranch Water District

Finance Department

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Table of Contents

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Introductory Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2022

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IRWD

December 12, 2022

To the Board of Directors,
Irvine Ranch Water District:

Management of the Irvine Ranch Water District (IRWD or the District) has prepared an Annual Comprehensive Financial Report of IRWD for the fiscal year ended June 30, 2022. 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 government 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. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the basic financial statements are free of any material misstatements. 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 Davis Farr LLP, 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, 2022 were free of material misstatements. 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, 2022 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 22 years. The District is a leader in developing and implementing resource management initiatives such as water recycling, urban runoff control and treatment, water efficiency, energy management, and water banking. The District is a pioneer in financial management practices such as variable rate debt financing and long-term infrastructure replacement program development and funding.

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. Extending from the Pacific Coast to the top of the foothills of eastern 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 daytime population served is approximately 600,000 and includes approximately 122,000 water and 117,000 sewer service and recycled water connections. The number of service connections has increased by approximately 22% 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, various sewage treatment alternatives, preventive maintenance programs, and emergency power capabilities 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, maintain, and replace facilities, while retaining competitive rates now and in the future.

People

Field Crew on Site

The District employed an average of 392 staff who are responsible for administering 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 District employees is approximately 11 years.

Services

The District is functionally organized into four core service areas:

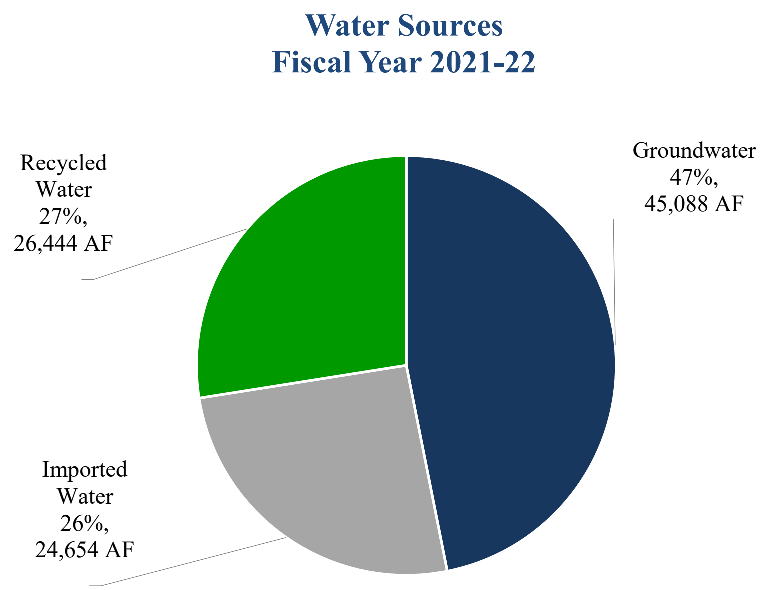
Drinking or "Potable" Water System

For many years, the District received virtually all of its drinking water from imported sources. To minimize this dependence on imported water, in the early 1980's, the District developed a series of local wells known as the Dyer Road Wellfield to access high quality groundwater from the Orange County Groundwater Basin, managed by the Orange County Water District (OCWD).

IRWD also operates other groundwater wells, and several groundwater wells require treatment before use. In Fiscal Year (FY) 2021-22, local groundwater accounted for 47% of the District's total water supply.

Currently, groundwater is significantly less expensive, more reliable, and less energy intensive than imported water that is transported over hundreds of miles into Southern California and subsequently treated.

The District purchased 26% of its water supply in FY 2021-22 from the Municipal Water District of Orange County (MWDOC), the regions local wholesale water supplier who purchases its water from the Metropolitan Water District of Southern California. This water is imported from both the Colorado River, which is transported approximately 240 miles to Southern California, and from the Delta, from which water is transported approximately 400 miles from Northern California.



Recycled and Non-Potable Water Systems

The District treats sewage to provide water for irrigation, commercial, industrial and agricultural purposes which further reduces its reliance on more expensive imported water and increases its system reliability. Sewage from the community is collected and recycled to California State Water Resources Control Board Title 22 standards at IRWD's Michelson Water Recycling Plant (MWRP) and the Los Alisos Water Recycling Plant, which have the combined capacity to produce nearly 33.5 million gallons of tertiary recycled water per day.

Once treated, the recycled water is distributed throughout the service area and in FY 2021-22 accounted for approximately 27% of the District's total water supply. Approximately 85% of all business and community landscaped areas (parks, school grounds, golf courses, street medians, etc.) within the District's service area are irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD's goal is to continue recycling its sewage flows to provide 25% to 30% of its total water supply once the District's service area is fully developed.

The District operates a non-potable system which includes 5 wells, 5 open reservoirs and 12 storage tanks that store water for non-potable uses. In total, the District has approximately 4,500 acre feet of active recycled water storage capacity. IRWD has 75% ownership in Irvine Lake, a 25,000 acre-feet reservoir that can capture and store both stormwater and imported water supplies.

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 water recycling plants or to the Orange County Sanitation District (OC San). In FY 2021-22, the District treated approximately 80% of its sewage, and the remainder was diverted for treatment to OC San treatment facilities. In FY 2020-21, the District completed construction and began operation of the MWRP Biosolids and Energy Recovery Facility. This facility enables IRWD to process biosolids generated at the Michelson Water Recycling Plant which eliminates the need to send them to OC San for treatment. The District plans to expand its treatment capacity when and if necessary 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 conduct various projects and programs as part of an effort to protect water quality in the San Diego Creek watershed. In the 1990s, the District constructed wetlands at the San Joaquin Marsh, where natural biological processes remove a substantial pollutant load from San Diego Creek's dry weather flow before it reaches the environmentally sensitive Upper Newport Bay State Ecological Reserve. In addition, the District operates a regional urban runoff treatment network known as the Natural Treatment System (NTS). As of June 30, 2022, the NTS consists of 45 constructed wetland treatment sites located throughout the San Diego Creek Watershed and one outside the IRWD service area, with several more currently under construction. The Peters Canyon Wash, Muddy Canyon, and Los Trancos diversion facilities add to these sites and pump runoff high in selenium into the OC San's sewers, where it eventually, after treatment, flows to OCWD's groundwater replenishment system.

San Joaquin Marsh

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 system assets from 2013 to 2022.

Infrastucture Assets

	2013	2022
Potable System		
Miles of Water Line	1,516	1,979
Number of Storage Tanks	36	37
Maximum Storage Capacity (acre feet)	456	467
Number of Pumping Stations	37	39
Number of Wells	26	27
Well Production Capacity (cfs)	124	118
Water Banking Storage Capacity (acre feet)	109,600	126,000
Potable Treatment Plants	4	5
Non-Potable and Recycled Systems		
Miles of Recycled Line	488	576
Number of Storage Tanks	12	12
Number of Open Reservoirs	5	5
Maximum Storage Capacity (acre feet)	24,155	24,155
Number of Pumping Plants	20	19
Number of Wells	5	5
Well Production Capacity (cfs)	10.0	10.0
Sewer System		
Miles of Sewer Line	971	1,374
Number of Lift Stations	13	13
Treatment Plants	2	2
Treatment Capacity (mgd) (Tertiary)	23.5	33.5
Sewage Flows to Michelson Plant	69%	68%
Sewage Flows to Los Alisos Plant	14%	12%
Sewage Flows to Orange County Sanitation District	17%	20%
Natural Treatment System		
Urban Runoff Treatment Facilities	N/A	45
Nuisance Water Diversions	N/A	3

1 acre foot = 325,900 gallons

cfs = cubic feet per second

mgd = millions gallons per day

N/A = Not Available

2022 Accomplishments

The District conducts a Strategic Planning Process where the Board annually adopts goals and target activities and monitors accomplishments against those goals. Major accomplishments achieved in FY 2021-22 were as follows:

1. Continued to deliver superior service to customers during the Coronavirus Pandemic without any interruptions in customer service, governance or operations. There have been no customer shut offs or late fees charged for water service since March 2020 and customers were provided the opportunity to temporarily increase their residential water budget if needed. The District received $2.0 million in State funding and applied it to qualified customers past due accounts. In addition, customers facing financial hardship have been offered payment plans to assist with their water bills.
2. Continued to promote long-term water use efficiency measures resulting in District customers having among the lowest residential gallons per capita per day (gpcd) rates in California. In FY 2021-22, IRWD's residential water use (indoors and outdoors) averaged 68 gpcd, which was 32% lower than the statewide residential water use average of 100 gpcd. District finances were not negatively impacted by lower water usage as IRWD recovers its costs from customers through fixed and variable charges.
3. Received $12.2 million in Federal Funding on the Syphon Reservoir Improvement Project which will significantly expand the Districts recycled water supply.
4. Secured a tenant for a long-term lease of approximately 70,000 square feet of available office space for one of the District's real property investments. The District's ownership of real property investments helps fund a portion of the long-term replacement cost for water and sewer facilities and assists in keeping customer rates the lowest in Orange County.
5. Purchased land for the Groundwater Banking Joint Powers Authority, a partnership between IRWD and Rosedale Rio-Bravo Water Storage District to design, construct and operate the Kern Fan Groundwater Storage Project needed for additional supply reliability.
6. Completed a Master Agreement related to Irvine Lake real property matters and the use of Irvine Lake with Serrano Water District, County of Orange, and the Irvine Company.
7. Enhanced cybersecurity measures to protect the District's computer systems.
8. Maintained fully funded status of the IRWD employee pension plan.
9. Received several national honors including the U.S. Environmental Protection Agency's WaterSense Sustained Excellence, WaterSense Partner of the Year; the national WateReuse Association's Excellence for Public Outreach and Excellence in Action; the national WateReuse Association Service Award to General Manager Paul Cook; the American Water Works Association's 2022 Public Communications Achievement Award; the National Institute of Governmental Purchasing Achievement of Excellence; and Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. State honors included the California Association of Sanitation Agencies' Project of the Year and Public Outreach awards.

Future Goals

The Strategic Planning Process resulted in the Board adoption of nineteen Strategic Goals which it expects to accomplish within the next 5 years along with Target Activities that are typically accomplished within 12 to 18 months. The Board adopted Strategic Goals are as follows:

1. Optimize and protect local groundwater utilization: develop and implement projects to increase IRWD's access to local groundwater and stormwater capture; also implement solutions to remove emerging contaminants of concern (e.g., PFOA/ PFOS).
2. Optimize use of Irvine Lake as a water resource facility for IRWD and its current and future partners: implement projects which will enhance the long-term operational reliability of the reservoir.
3. Develop water recycling facilities and applications for optimal benefit: identify new opportunities for IRWD to utilize recycled water locally.
4. Maximize resource recovery from fully functional biosolids and other resource recovery facilities: optimize the start-up of IRWD's Biosolids and Energy Recovery Facilities.
5. Develop and implement maintenance and replacement programs and other systems that enhance safety, sustained operations at the District's facilities: Evaluate risk - based analysis of all IRWD dams. Conduct a criticality analysis and asset condition assessments of sewage collection and treatment facilities to efficiently prioritize activities.
6. Improve energy service reliability, manage demands, and control greenhouse emissions, and control costs: develop capability to continue operation of key facilities during short and long–term power outages; update Energy and Greenhouse Gas Master Plan/Climate Action Plan.
7. Implement opportunities that enhance safety, security and emergency preparedness throughout the District: protect the health and safety of IRWD employees and the public.
8. Maximize water use efficiency in the community: explore future opportunities for increased water use efficiency and expand database for improved analytics.
9. Maximize watershed protection: control and treat urban runoff and prevent sewer spills.
10. Evaluate and invest in projects and programs that will enhance future long-term water supply reliability and resiliency to climate change: pursue projects and supply arrangements to enhance water supply reliability, including increased water banking and water recycling. Provide additional water storage opportunities for regional water supply reliability. Develop additional sources of funding for the Syphon Reservoir Improvement Project.
11. Develop water banking supplies for IRWD by working with current and future partners: develop capabilities for recharge, storage, and extraction capacity and store water as it becomes available. Continue development of IRWD water banking facilities in Kern County.
12. Develop and implement the Kern Fan Groundwater Storage Project through the Groundwater Banking Joint Powers Authority: execute agreements and secure additional water storage investment funding. Secure rights of way and land as needed and complete initial design for elements of the Project.
13. Ensure financial and rate stability: ensure adequate funding for future infrastructure replacement needs. Continue to provide low rates for IRWD customers. Maintain strong financials through solid debt service coverage, liquidity balances, mixed debt profile, and pension plan obligation funding of at least 90 percent.
14. Identify, assess and implement new technologies, systems and facilities to improve operating efficiency: protect existing and future systems through advanced cybersecurity measures.
15. Recruit, develop and retain a highly skilled, motivated, and educated work force: develop employee skills. Develop and implement employee expectations for corporate values and ensure appropriate employee compensation.
16. Collaborate with other agencies and entities through leadership and innovation: engage at a high-level in industry associations, regional water agencies, and development of opportunities of mutual benefit for IRWD and partners.

17. Enhance customer communications: strategically extend community outreach.
18. Guide and lead local, state and federal policies and legislation: actively engage in issues of key interest to IRWD including water use efficiency, water rate structures, water storage projects, PFAS regulations and others.
19. Engage and shape policies and regulations put forth by local, state and federal agencies: influence regulations to align with best practices for water loss regulations, water efficiency standards and emergency water supplies.

Water Use Efficiency

The District continues to be a leader in the innovation and implementation of water use measures that promote the most efficient use of water, both on a per capita and per acre basis.

The District's budget-based tiered rate structure, first implemented in 1991, is carefully designed to promote the efficient use of water by providing customers pricing signals related to over-use of water in a financially sustainable way. This structure is recognized as a model for other agencies to emulate.

In 2018, legislation was passed to "Make Conservation a Way of Life In California". As a result, the state will establish new long-term water efficiency objectives by December 31, 2022. IRWD has a long history of implementing cost-effective water efficiency programs, and is well positioned to meet the future efficiency standards. The District's customers have one of the lowest residential gallons per capita per day (gpcd) rates in California.

The District's Water Use Efficiency Implementation Plan (Plan), adopted April 2020, provides a comprehensive strategy to implement cost-effective water use efficiency measures for the District and its customers. Specifically, the Plan addresses:

- Engaging in policy discussions and implementing targeted programs to ensure the District is well-positioned to meet the new statewide water use efficiency objectives.
- Continuing to implement cost-effective demand management programs that minimize the need to purchase more expensive imported water, and thereby maintain a lower unit cost of water for the District and its customers.
- Focusing on outdoor water use which remains the biggest potential water conservation opportunity for the District, and the associated urban runoff (typically the result of "over-watering") to minimize water quality degradation from fertilizers, pesticides and animal waste in creeks, rivers and the ocean.
- Reducing water demands, which reduces energy usage and related costs needed to convey water.

The basic tenets of the Plan include local, state and national policy development and leadership, focused customer interface, extensive education and outreach, technology advances, and the development of financial incentives. During the past fiscal year, the District provided financial incentives to residential and business customers to install water efficient devices such as irrigation equipment and conversions from high water use turf landscape to water-efficient landscapes. The District has also pioneered the use of recycled water beginning in the late 1960s and presently serves over 6,100 sites, with approximately 26,000 acre feet of recycled water sold in FY 2021-22 representing 27% of the District's total water supply. The use of recycled water reduced the District's need to import more expensive potable supplies. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, IRWD is well prepared to withstand the current statewide drought. IRWD does not project any water shortages and will continue to provide reliable, high quality water to its customers in a cost-effective manner.

Water Shortage Contingency Planning

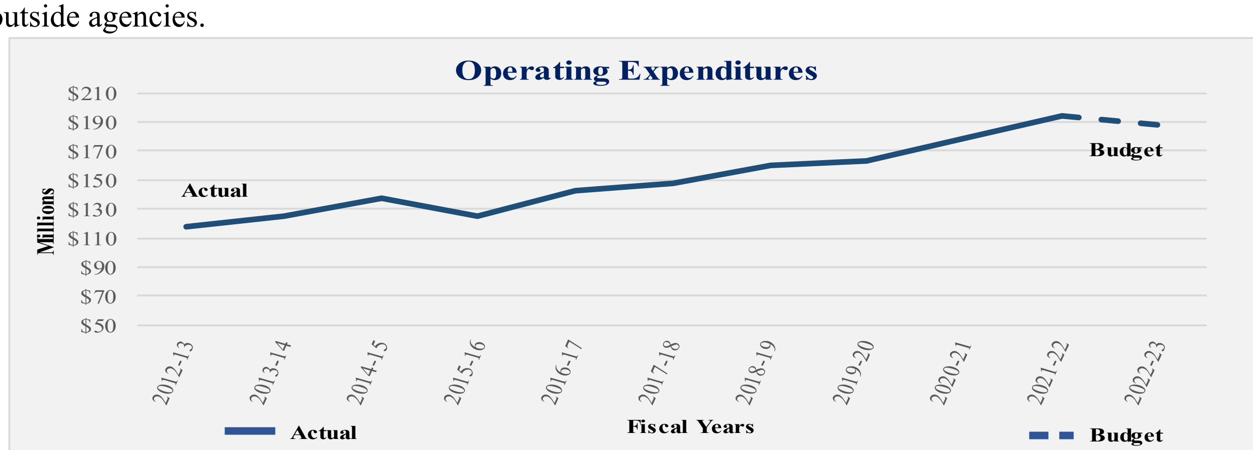
In compliance with California Water Code Section 10632, IRWD adopted an updated Water Shortage Contingency Plan (WSCP) in June 2021. The WSCP allows the District to strategically reduce water use through a number of potential actions that are staged dependent upon the severity of water shortages. The WSCP incorporates six standard water shortage levels corresponding to progressive ranges of up to 10%, 20%, 30%, 40%, 50%, and greater shortages. For each level or shortage, the WSCP includes a list of voluntary measures, non-rate response measures, and potential cost-of-service based rate response strategies. The WSCP provides the Board with the framework to respond to water shortages should they occur. In May 2022, the State Water Resources Control Board adopted its emergency regulation which includes prohibitions on the irrigation of non-residential, non-functional turf with potable water. The regulation also requires each water supplier to implement the demand management response actions defined in its WSCP associated with a Level 2 water shortage. In June 2021, the Board implemented the voluntary responses associated with Level 2 of the WSCP. In February 2022, the Board adopted cost-of service rates associated with the possible action required to achieve each of the six standard water shortage levels should it be required. Implementation of these rates would not go into affect unless the Board took additional action to implement these rates.

Legislative and Regulatory Affairs

The District actively monitors and works to influence local, state and federal legislation, policies and regulatory actions that could affect IRWD's operations, existing and future facilities and strategic planning efforts. The Board of Directors is frequently engaged in, and takes active positions on, relevant pending legislation and regulatory actions. The District continues to engage proactively in policy discussions surrounding water use efficiency, recycled water, and water policy in California. The District and its Board of Directors also actively participate in state and regional trade associations including the Association of California Water Agencies, the California Association of Sanitation Agencies, the WaterReuse Association, the California Special District Association, the California Municipal Utilities Association, and the Bioenergy Association of California.

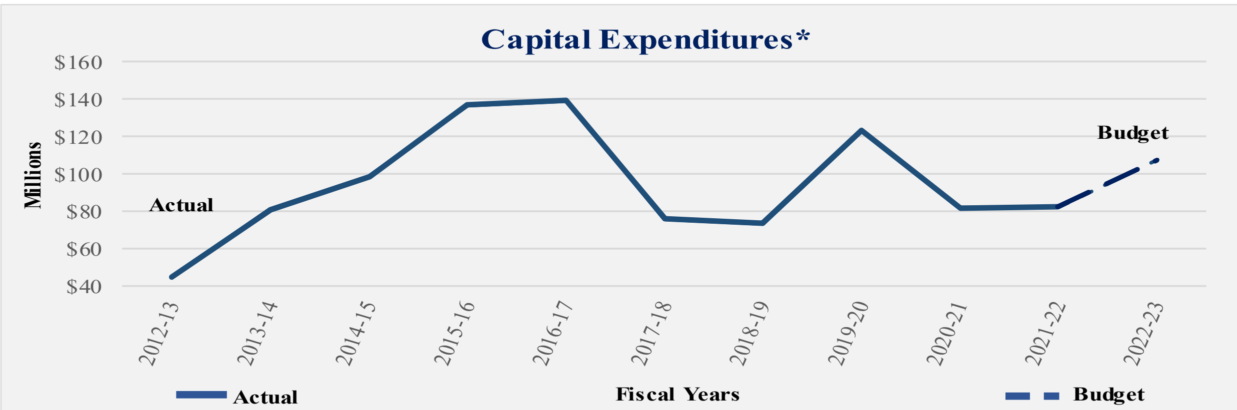
Financial Plan

In April 2021, the Board approved a two-year (biennial) operating budget for FY 2021-22 and FY 2022-23. The goal of the District's operating budget process is to appropriately fund the resources required to provide quality service to IRWD customers as cost-efficiently as possible. The graph below shows the actual operating expenditures through FY 2021-22, as well as the Board approved operating budget for FY 2022-23. Increases reflect costs associated with customer growth within the District, as well as an increase in overall operating expenses. Increases have been kept to a minimum by aggressively pursuing reductions in expenses to offset uncontrollable expenses, such as pass-through rate increases from outside agencies.



The approved two-year budget anticipated an increase from $180.2 million in FY 2021-22 to $187.7 million in FY 2022-23. The primary reasons were increases in retirement funding, labor and associated benefits for additional positions necessary to support increased regulatory requirements and software cybersecurity and complexity, higher costs of electricity due to expected rate increases from outside agencies, and increased operating and maintenance costs associated with new facilities coming online as well as maintenance of aging infrastructure of existing facilities.

The Board also approved a two-year capital budget in April 2021 based on new, enhancement and replacement infrastructure needs. The following chart shows the actual capital expenditures through FY 2021-22 and the budget for FY 2022-23.



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

The reduced spending in FY 2017-18 from prior years represents the District's completion of several large projects including the Baker Water Treatment Plant. Higher spending beginning in FY 2013-14 represents the design and construction phases for the Michelson Biosolids and Energy Recovery Facilities, which began construction in FY 2013-14 and spending peaked in FY 2016-17. The Board approved capital budget is $107.5 million for FY 2022-23. Many capital budget projects extend beyond one fiscal year.

User Rates & Charges

User rates and charges are primarily used to fund 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. User rates, as discussed below, are billed to customers on a monthly basis, and include a component for the inevitable replacement of existing infrastructure. The District collects replacement funds in advance of their need and invests for future use. This helps stabilize rates and avoid significant potential future rate spikes. In 2021, the District completed a detailed cost of service study which confirmed that user rates billed to customers are based on actual costs to provide the services. The District allocates capital costs within its service area through the use of water and sewer improvement districts, for which general obligation bond authorization is obtained and used as needed to fund new capital projects. Ad valorem property tax rates are set biannually by the District, as are connection fees paid by property developers and landowners. Generally, the District's policy is to allocate the cost of new infrastructure evenly between the developers/landowners and the ultimate property owners who utilize the water and sewer infrastructure.

Water Rates

FY 2021-22 Residential Rate Structure – Potable Water (Commodity Charge)

Tier	Percent of Estimated Customer Need	Cost per ccf* July 2021 to January 2022	Cost per ccf* February to June 2022
Low Volume	0 - 40%	$1.47	$1.53
Base Rate	41 - 100%	$2.00	$2.42
Inefficient	101 - 140%	$4.86	$5.15
Wasteful	141% +	$13.63	$14.64

*One ccf (100 cubic feet) = 748 gallons

The District's rate structure for water use is separated into a commodity charge component and a fixed service charge component. The commodity charge reflects the cost of providing the District's water supplies while the fixed service charge funds the fixed operational and maintenance expenses of the District. Considering the hardship many of the District's customers experienced due to the impacts from COVID-19, the Board deferred planned water and sewer rate increases from FY 2020-21 until February 2022. The District will recover its costs for the two-year budget cycle over a 16-month period (February 2022 to June 2023).

For FY 2021-22, the District's water fixed service charge was $10.35 per month until February 2022 when it was increased to $10.75 for a 5/8-inch by 3/4-inch meter. The District has a long history of planning for the inevitable replacement of capital infrastructure and sets monies aside into enhancement and replacement funds for this purpose to avoid large, sudden rate increases in the future. The FY 2021-22 monthly fixed service charge includes a user enhancement and replacement component of $0.70 and $2.08, respectively which is intended to fund current and future replacement and refurbishment costs that provide reliability and redundancy to the District's infrastructure.

The District has a four-tiered rate structure 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 based on factors such as the number of occupants, type or classification of use, size of the irrigated area, evapotranspiration rate for the billing period and other consistently applied criteria. The chart above illustrates the four-tier structure that reflects the FY 2021-22 rates and higher cost associated with usage in the higher tiers. As of June 2022, approximately 82% of the District's customers were within the first two tiers and approximately 94% of customers fell within the first three tiers. IRWD residential bills are consistently among the lowest in Orange County.

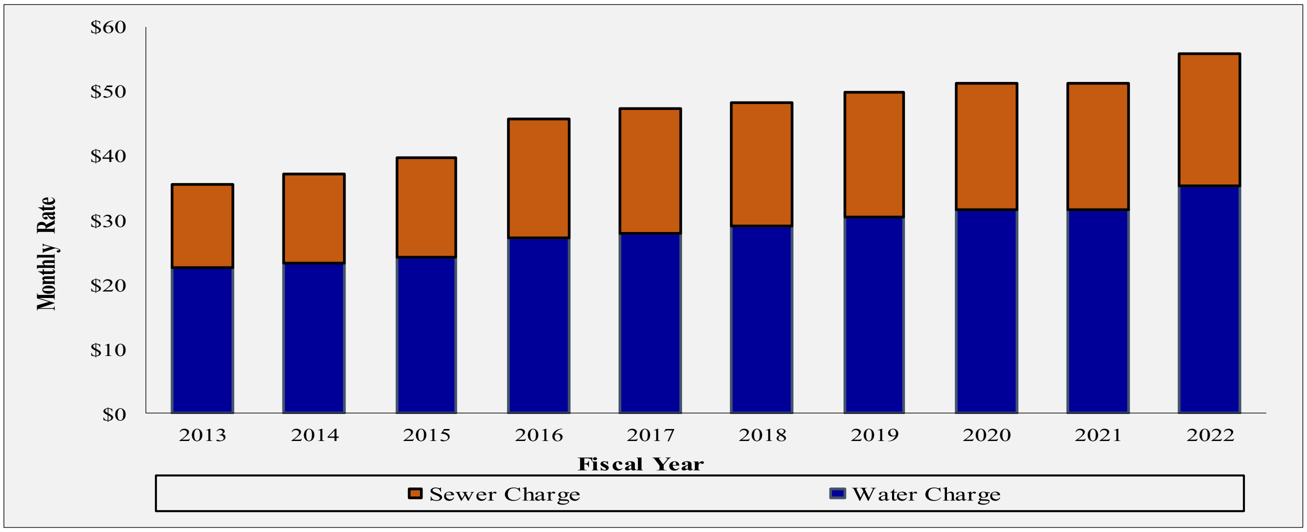
Sewer Rates

The District's sewer service rates are the lowest in Orange County. For a typical residential customer, the fixed monthly service charge covering the collection and treatment of sewage remained at the FY 2019-20 rate of $19.55 in FY 2021-22 until February 2022 when it was increased to $20.45. The monthly service charge includes a user enhancement and replacement component of $0.68 and $7.65, respectively, per month, which is intended to fund current and future capital costs to replace, refurbish and upgrade the existing system.

Historic Rate Trends

The following chart reflects the annual "base rate" charge for a typical customer's water and sewer service through FY 2021-22. As stated previously, the Board elected to defer an approved increase for FY 2021-22 until February 2022. Increased costs reflect pass-through increases from outside agencies and wholesale supplies and increased operational costs for both water and sewer, including funding for future infrastructure replacement.

FY 2021-22 Typical Monthly District Residential Customer Charges*



* The typical District customer uses 12 ccf water per month, has a 5/8 inch meter, and is in the lowest sewer rate tier.

Factors Affecting Financial Condition

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

State and Local Economy

Orange County is the third most populous county in California with over 3.2 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 Oakley, Edwards Life Sciences, Blizzard Entertainment, Bandai Namco Holdings USA Inc. and Glidewell Laboratories. 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. The total estimated daytime population served is approximately 600,000.

During FY 2021-22, the District continued to expand its operating facilities to accommodate approximately 3,900 new water and sewer service connections constructed within District boundaries. Development and entitlement needs of the builders continue to change and there remains less than 20% of land available for future development. Requirements for these areas have been included in the planning and these facilities are included in the capital budget. The assessed value of land within the District's service area has grown significantly in the last decade from $37.8 billion in 2013 to more than $79.7 billion in 2022, demonstrating the strength of the local economy.

Long-Term Water Use Efficiency

IRWD has a long history of implementing cost-effective water efficiency programs and is well prepared to meet the future efficiency standards. The District is well positioned to sustain any potential reduction in revenues and meet future efficiency targets with minimal impact on net revenues due to its rate structure which effectively splits costs into variable and fixed rate components. Any decrease in consumption would be offset by a decrease in related variable costs while the fixed rate component would cover the fixed operating and maintenance costs.

COVID-19

The outbreak of coronavirus (COVID-19) and related government containment measures created challenges for essential service providers in the water and sewer industry, including IRWD. Due to COVID-19 and its ramifications to District customers, the Board elected to defer rate increases related to the approved budget for FY 2021-22 until February 2022. Rates implemented in February 2022 provide cost equity based on approved budgets for both FY 2021-22 and FY 2022-23 and will be effective through the end of FY 2022-23. Staff anticipates resuming the normal two-year rate review cycle consistent with the adoption of the two-year budget for FY 2023-24 and FY 2024-25.

In mid-March 2020, prior to the Executive Order issued by the Governor to suspend water shut-offs to customers for non-payment of services, the District proactively suspended all shut-offs and late payment penalties to customers. Payment arrangements as well as temporary variances for additional water usage for added people in the house were offered to all customers. Customer shut-offs will resume in fall 2022.

The State Water Resources Control Board received federal funding allocated through the California Water and Wastewater Arrearage Payment Program (CWWAPP). This program assisted Californians by providing payments to participating water and sewer service agencies for their customers' past-due water and sewer bills from March 4, 2020 to June 15, 2021, allowing this debt to be forgiven. IRWD applied for and received approximately $2.0 million in funding for eligible customers under this program.

Financial Planning & Budgeting

Short-Term

The Board of Directors approves operating and capital budgets every two years 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 using these financial planning models.

Long-Term

Meeting the goals of reliable, cost effective long-term water and sewer 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 reach the end of their useful life. 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, creating redundancy, as well as replacing and refurbishing various components of the water and sewer systems. The objective of the funds is to help moderate the financial impact on future user rates attributable to expenditures associated with enhancing and replacing capital facilities. For FY 2021-22, the combined water and sewer user enhancement/replacement were $34.3 million.

Over time, the District has transitioned from a newly developing area to a more fully developed area. While many of IRWD's 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 generated $18.9 million for new capital in FY 2020-21 decreased to $10.4 million in FY 2021-22 due to slowing development. The District utilizes a sophisticated financial model to factor in such variables as future development, construction costs, growth rates, inflation, redevelopment and other criteria in order to project rate setting for funding future capital needs.

The District completed a strategic review of its existing current capital funding plan which resulted in a master consolidation plan that combined certain improvement districts to maintain the future financial viability of each area. Diversification of the District's water supply and sewage treatment options are also major objectives of the District's master plan. Those objectives are discussed in further detail in the *Major Initiatives* section of this introduction.

The District's approach to infrastructure replacement and funding is consistent with the industry best practice and illustrates the District's commitment to financial stability and protection of its customers from significant future rate increases.

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 and, in 2013, established an irrevocable Pension Benefits Trust to substantially fund its CalPERS unfunded liability. The Pension Benefits Trust provides the District with an additional funding option to CalPERS that allows for investment by a professional advisor selected and monitored by the District. The Pension Benefits Trust holds the funding contributions for the District pending future remittance to the CalPERS pension trust fund which will pay all retiree benefit payments to employees associated with the plan and will be transferred from the Pension Benefits Trust to CalPERS at the District's discretion.

Investment policy and asset allocation decisions relating to the Pension Benefits Trust are made by a Retirement Board consisting of two members from the IRWD Board of Directors and the District's General Manager. The District made an initial $35.0 million contribution to the Pension Benefits Trust, and since then has made additional contributions ranging from $1.9 million to $12.8 million. As of June 30, 2022, the fair value of the assets in the Pension Benefits Trust was approximately $94.8 million. The following schedule shows the recent history of pension plan assets and liabilities including the trust assets (in thousands):

Fiscal Year [1]	Total Pension Liability	Total Pension Assets	Total Pension Assets as a Percentage of the Total Pension Liability
06/30/20	$291,334	$301,256	103.4%
06/30/21	306,889	315,287	102.7%
06/30/22	323,147	391,236	121.1%

(1) As of the measurement date June 30, 2019, 2020, and 2021 respectively.

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 to fund required expenditures in conformance with all applicable State laws, the District's investment policy, and prudent cash management principles.

For FY 2021-22, the District's fixed-income investment portfolio consisted primarily of short-term securities with a portfolio average maturity of approximately 8 months. These securities included U.S. Treasury notes, U.S. government agency notes and the State-managed Local Agency Investment Fund. The average annual return for all District cash investments in FY 2021-22 was 0.49%. Including real estate investments, the weighted average rate of return was 2.85% for the same period.

At June 30, 2022, the District's cash and investments totaled approximately $401.1 million. Cash balances are allocated to various funds including the Replacement Fund, New Capital Fund, Debt Service Fund and others.

Real Property Investments

As a means to match a portion of its long-term replacement cost for 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.

As of June 30, 2022, the District owns or has an interest in six properties with an approximate fair value of $278.6 million. The District's income-producing real estate investments have a weighted average return (based on cost) for FY 2021-22 of 12.3%. Net revenues of $9.8 million generated in FY 2021-22 from the District's real estate investments are retained within the Replacement Fund and effectively reduce future increases in user rates.

Debt Management Policies and Practices

The District strives 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 minimizes its exposure to interest rate risk by utilizing both fixed and variable rate debt and has leveraged opportunities provided by the low interest rate environment in recent years. The District maintains a healthy balance between fixed and variable rate debt. As of June 30, 2022, its debt portfolio included 62.0% of fixed rate debt and 38.0% of variable rate debt. The average all-in cost of debt, including the District's fixed rate payer swaps, was 3.00% for the fiscal year.

The District has a Debt Management Policy Statement (Debt Policy). The Debt Policy objectives formalize District guidelines related to timing and amount of future debt issuance, allowable debt types and structures and spending requirements of bond proceeds. The Debt Policy also addresses underwriter selection and allowable methods of sale, continuing disclosure requirements, financial advisor and credit rating agency relationships and other key debt-related topics.

As of June 30, 2022, there were eight outstanding General Obligation (GO) bond issues consisting of $237.3 million in variable rate mode and $276.2 million in fixed rate mode (excluding any unamortized premium or discount).

As of June 30, 2022, the District also had one outstanding Certificate of Participation (COP) issue with a balance of $109.7 million in fixed rate mode.

The District has secured direct pay letters of credit to enhance certain issues of its variable rate debt. The GO bond issues are secured by the District's ability to levy ad valorem property taxes 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 GO bond debt service through such ad valorem taxes. In addition to the ad valorem tax pledge, certain GO bond issues and the COPs issue are secured by the net revenues of the District. The District is required under its debt covenants to collect revenues sufficient to provide net revenues equal to 125% (1.25 times) of senior debt service coverage during the fiscal year. As of June 30, 2022, the District had net revenues equal to 3.5 times senior debt service coverage.

Prior to FY 2003-04, the District's outstanding debt was all in a variable rate mode and the Board of Directors took certain actions to manage and mitigate the interest rate risk. The District's practice has been to maintain a target amount of cash and fixed income investment assets equal to at least 75% of the District's outstanding unhedged variable rate debt. In addition, in 2004 the District began an interest rate swap program under which LIBOR-based fixed payer interest rate swaps were executed to hedge a portion of the District's variable rate exposure. The current $60 million notional amount of outstanding interest rate swaps allow the District to limit the interest rate risk exposure on approximately $89.5 million of its remaining tax-exempt variable rate debt to 3.81% (assuming a historical ratio for the tax-exempt SIFMA Index versus taxable 1-month LIBOR of 67%).

In 2017, the U.K. Financial Conduct Authority announced that it will no longer require its participating banks to provide daily submissions of LIBOR rates in the future, which will effectively discontinue the LIBOR index when that occurs. In January 2021, IRWD's Board of Directors approved the adherence to the ISDA LIBOR Fallback Protocol, and the District has completed the adherence process. When the 1-month LIBOR index is discontinued, the fixed payer swaps will transition to the selected Fallback Rate. It is currently anticipated that the 1-month LIBOR index will be discontinued mid-2023.

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 2021-22, Federal subsidy payments were cut by 5.7% under permanent 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 4.44%.

Risk Management

The Risk Management Department identifies potential risk and loss exposures and safeguards the District, its capital assets, and employees through its self-insurance and loss control programs, purchasing of appropriate insurance coverages, and developing risk management policies and procedures. The District utilizes a combination of self-insurance and third-party liability insurance to minimize loss exposures from property claims, 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, regular employee safety meetings and training sessions, the use of uniform language in contracts designed to limit or prevent liability exposure, general risk assessments, and the development of emergency plans, including a business continuation plan. The District engages an outside firm to periodically evaluate its network security. The external network security and cybersecurity assessments, and ongoing staff education and awareness, are just a few of the continuous efforts by the District to safeguard information.

Major Initiatives

The District's major initiatives during FY 2021-22 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 Plan.

Water Supply Reliability

Groundwater Program

One of the goals of the District's Water Resources Master Plan is to identify a reliable water supply mix which includes developing sufficient groundwater production capacity to pump IRWD's portion of the Orange County Ground Water Basin, additional local groundwater production, and to have enough capacity to meet demands during outage conditions. Currently, the District meets these goals and has the ability to produce approximately 45,000 – 50,000 acre feet per year (AFY) of potable groundwater and 4,000 – 5,000 AFY of non-potable groundwater.

Water Banking

In addition to developing its local groundwater and recycled water systems, the District is further improving its water supply reliability by developing and operating water banking facilities in Kern County, California. These neighboring projects are known as the Strand Ranch Integrated Banking Project and the Stockdale West Integrated Banking Project (collectively, the IRWD Water Bank). The IRWD Water Bank is situated on groundwater recharge lands that overlie the regional Kern County groundwater basin. The purpose of the IRWD Water Bank is to improve the District's water supply reliability by capturing and storing low cost water available during wet hydrologic periods for use during dry periods. The IRWD Water Bank enhances the District's ability to respond to drought conditions and potential long-term water supply interruptions and enables it to reduce the cost of water delivered under such conditions.

The District has entered into agreements for a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District (Rosedale) in Kern County. These agreements provide for Rosedale to operate the IRWD Water Bank on behalf of the District and permits the District: (i) to store up to 126,000 acre feet of water in the aquifer; (ii) to recharge a minimum of 44,600 acre feet of water per year in the aquifer; and (iii) to recover a minimum of 28,750 acre feet of water per year from the aquifer.

The District has constructed groundwater recharge ponds and related facilities at its IRWD Water Bank that are necessary to divert water from an adjacent canal into the ponds. Groundwater wells have been constructed on the Strand Ranch and Stockdale West properties. The District, in partnership with Rosedale and others, has also constructed additional wells that will increase the ability to recover water from the IRWD Water Bank during peak summer demand periods. The District has secured water from a number of sources for recharge at the IRWD Water Bank.

The District has entered into agreements with Metropolitan Water District of Southern California (MWD) which allows it to transfer water from the IRWD Water Bank into the District's service area.

Since 2010, the District has delivered a total of approximately 75,317 acre feet of water to the IRWD Water Bank through its water supply partnerships. The District has returned its partner's share of the water and holds approximately 30,000 acre feet of water in storage for future use in IRWD's service area. The District is currently pursuing additional potential water supply opportunities for diversion into the IRWD Water Bank.

Kern Fan Groundwater Storage Project

The Kern Fan Groundwater Storage Project (Kern Fan Project) will become a regional water bank in the Kern Fan area to capture, recharge and store unallocated Article 21 water from the State Water Project (SWP) and other water supplies during wet hydrologic periods. Water stored in the Kern Fan Project would be extracted when needed to provide ecosystem, emergency supply and water supply benefits. IRWD's share of the Kern Fan Project would be used in conjunction with the Strand Ranch and Stockdale West Integrated Banking Projects to meet IRWD's contingency storage needs at build-out. IRWD's goal for contingency storage is to secure supplies adequate to backfill the loss of imported supplies for three consecutive years. The Kern Fan Project, along with the IRWD Water Bank will allow IRWD to meet this goal. The project will be developed, implemented and operated by the Groundwater Banking Joint Powers Authority, which was formed between IRWD and Rosedale-Rio Bravo Water Storage District in April 2020.

In August 2017, IRWD and Rosedale jointly submitted a grant application to the California Water Commission (CWC) for the proposed Kern Fan Project. The application sought Proposition 1 funds available from the CWC through the Water Storage Investment Program (WSIP). The CWC has conditionally awarded $89.1 million to the Kern Fan Project and the District is currently pursuing additional funding opportunities.

Water Rights

The District also owns property with rights to State Water Project water which can be stored in the IRWD Water Bank. The water is available as a result of the District's acquisition of property located within the Dudley Ridge Water District, including the rights to use approximately 1,750 acre feet of Table A State Water Project water allocated to Dudley Ridge. The District can store its Table A water in the IRWD Water Bank with half of the water being available for future use in the District's service area. The acquisition also includes certain participation rights in the Kern Water Bank allowing the District to store up to approximately 9,500 acre feet of water.

The District owns approximately 3,100 acres of agricultural land (Palo Verde Properties) in Riverside County, California. IRWD's Palo Verde Properties are located within Palo Verde Irrigation District (PVID), which has first priority rights on the Colorado River. The properties are included in a Metropolitan Water District of Southern California and PVID fallowing program under which MWD makes payments to landowners (up to approximately 970 acres of IRWD's Palo Verde Properties) in exchange for letting land lie fallow. Water that is conserved through fallowing is available for use within MWD's service area (which includes the District's service area). The District leases the Palo Verde Properties to tenant farmers for agricultural uses.

Syphon Recycled Water Seasonal Storage Reservoir

Syphon Reservoir, located north of Irvine, is a sixty-year-old water storage reservoir historically used for agricultural purposes. The District purchased Syphon Reservoir in January 2010, and in 2015 completed the process of converting 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.

In 2013, the District completed a feasibility study to increase storage capacity in Syphon Reservoir from its current capacity of 450 acre feet to approximately 5,000 acre feet. Additional storage capacity would allow the District to utilize more of the recycled water it produces. An expansion of Syphon Reservoir to approximately 5,000 acre feet would allow for recycling 100% of the sewage flows tributary to MWRP. The District recently completed the preliminary design for the reservoir expansion and is advancing final design, which is anticipated to be complete in late 2023. Construction of the expanded reservoir is anticipated to be complete in Summer 2028.

Expanded Water Recycling Options, Resource Recovery and System Reliability

The District 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 commercial 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 (OC San). The District owns and operates the MWRP and LAWRP and owns capacity in the OC San facilities.

The most recent example of expanded water recycling reliability was a major capacity expansion of the MWRP from 18 million gallons per day (mgd) to 28 mgd, completed in 2014. The two plants operated by the District currently have capacities of 28 (MWRP) and 7.5 (LAWRP) mgd, with a collective capacity of 35.5 mgd. Expanding existing infrastructure for sewage treatment has four primary benefits including:

- Increased recycled water production and utilization.
- Decreased exposure to third party treatment costs and operational constraints.
- Decreased dependency on imported water supplies.
- Lower total cost.

In addition to the projects identified above, the District evaluated alternative approaches to recover the solids generated by its water recycling facilities. The evaluation of alternative approaches for handling MWRP solids, historically conveyed to Fountain Valley for treatment by OC San, included consideration of many factors such as costs and potential community impacts.

As a result, in FY 2013-14, the District began construction of a new state- of-the-art organic dewatering and biogas recovery system at the MWRP. The system makes efficient and sustainable use of locally generated renewable resources by creating a beneficial use of biosolids and biogases that are produced during the sewage treatment/recycling process. This project aligns with IRWD's sustainable business practices, while at the same time creating an effective cost management of sewage/recycling services for IRWD customers. The biosolids treatment process allows for the conversion of biogas into electricity thereby further reducing the District's dependency on its electricity provider. The MWRP Biosolids and Energy Recovery Facilities began operation in December 2021.

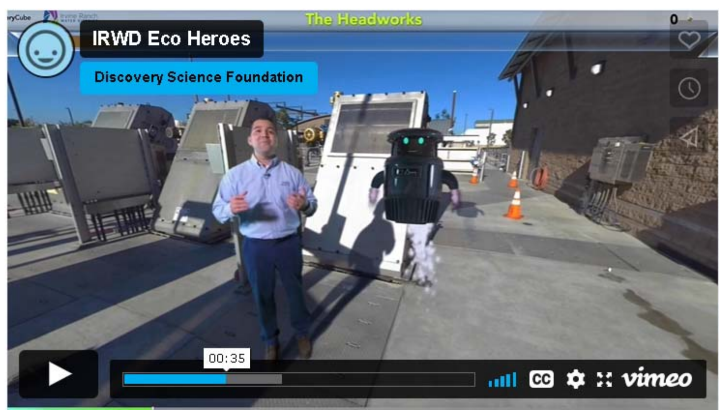
Community Education and Outreach

With California in its third year of historic drought and the governor calling for voluntary reductions in water use, Irvine Ranch Water District has been mindful of the potential for message fatigue when asking customers to save water. COVID-19, inflation, and other crises have turned people off to messages about problems, and traditional top-down calls to action have grown stale. Breaking through that static, IRWD in 2021-2022 took a different approach by leveraging humor to engage customers in conversation about drought and water savings.

Social media: IRWD's #HowDoYouDrought social media campaign set records for the District, with 5.1 million impressions and 33,243 likes, comments and shares on Facebook and Instagram. Set up as a sweepstakes, #HowDoYouDrought included open-ended posts that encouraged participants to comment, tag friends, and follow. Humorous pieces were designed to spark a reaction. Comments ignited lively customer debate on the state of water in California, providing an educational opportunity for the District to share links and resources to inform the community. Wastey, the worst mascot ever, was created as a part of the campaign.

Video series: Fiscal Year 2021-22 also marked the creation of The Shed Show, IRWD's landscape-themed video series designed to inspire and help customers save water outdoors. Episode 1 addresses the benefits of native pollinator gardens to save water and attract bees, birds and bugs that help plants reproduce, while delivering bursts of color to a garden. It features tips on plants, design, and irrigation. Episode 2 walks customers through the process of replacing turf with an eye-popping landscape of native and climate-friendly plants — proving that even small spaces can look lush and inviting. Episodes can be viewed at IRWD.com/ShedShow.

Water education: Students in IRWD's service area are virtually diving into sewage treatment, thanks to the wonders of computer-generated imagery. The District's award-winning Virtual Recycled Water Adventure, a joint project with Discovery Cube Orange County, is taking students into interactive, digital worlds where they can explore and learn about recycled water. A 360-degree video pairs an operations staff member with a computer-generated robot named "Cleanbot" on an interactive adventure through IRWD's Michelson Water Recycling Plant. The project features searchable 360-degree video taken at the plant, allowing students to explore the headworks, settling tanks, Membrane Bio Reactor, ultraviolet light station, and chlorine contact basin. Virtual stations and activities helps explain the treatment process with tasks that include identifying nonflushable items in sewer water at the headworks; watching Cleanbot sing about troublesome fats, oils and grease; and "swimming" in activated sludge. This is the second 360-degree learning project completed in partnership with Discovery Cube, which coordinates IRWD's water education outreach with local schools. A similar tool was developed last year to describe the plants and animals living at the District's San Joaquin Marsh and the science behind IRWD's Natural Treatment System.



Outreach: The District's monthly "Pipelines" newsletter and quarterly gardening newsletter, "The Dirt," continued to inform customers and inspire them to appreciate the value of water. News articles promoting similar messages were published in local newspapers. Irvine Ranch Water District was profiled extensively in coverage about the drought throughout the year.

Also in FY 2021-22, IRWD implemented a suite of workshops, and creative and targeted outreach initiatives promoting water use efficiency. This included promotions for smart controller rebates, a “Mulch Madness” 50% discount program, and the District’s highest turf removal rebate ever - at $5 for every square foot of lawn removed.

Looking ahead, IRWD approved plans to redesign and consolidate District websites. Future segments of The Shed Show will focus on segmented short clips addressing irrigation upgrades, and several drought-related events and community presentations are being planned to extend the successful outreach achieved this past year.

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 annual comprehensive financial report (ACFR) for the fiscal years ended June 30, 2004 through June 30, 2021. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized ACFR 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 ACFR continues to meet the Certificate of Achievement Program’s requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

Staff would like to acknowledge the IRWD Board of Directors for their 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 also wish to express our appreciation to all staff that assisted and contributed to the preparation of this report.

Respectfully submitted,

Paul A. Cook
General Manager

Cheryl L. Clary
Executive Director of Finance & Administration

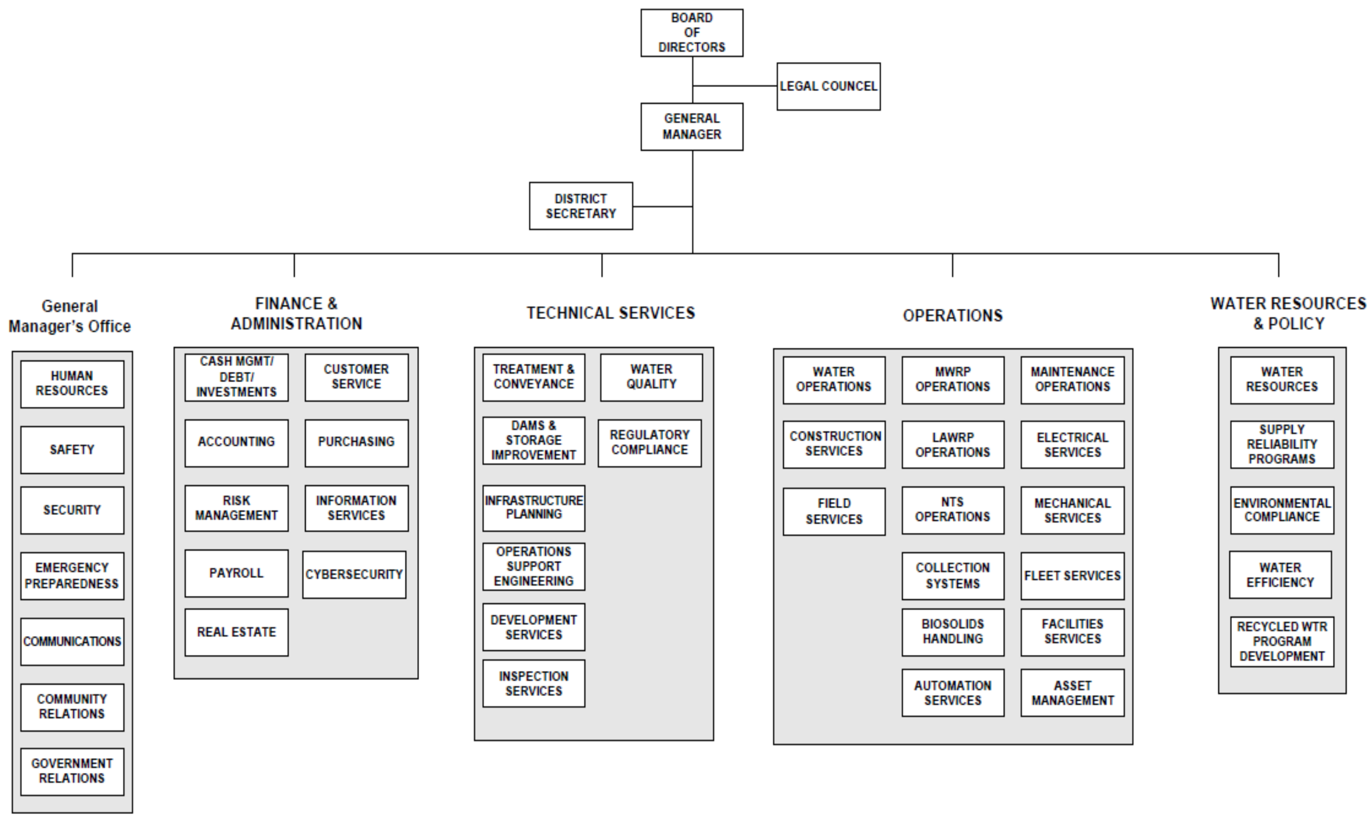
Irvine Ranch Water District
List of Principal Officials

Board of Directors	
President and Director	Steven E. LaMar
Vice President and Director	Karen McLaughlin
Director	Douglas J. Reinhart
Director	Peer A. Swan
Director	John B. Withers

Executive Management	
General Manager	Paul A. Cook
Executive Director of Finance & Administration	Cheryl L. Clary
Executive Director of Operations	Wendy L. Chambers
Executive Director of Technical Services	Kevin L. Burton
Executive Director of Water Policy	Paul A. Weghorst
Director of Human Resources	Tiffany A. Mitcham
Director of Water Resources	Fiona M. Sanchez
Director of Strategic Communications & Advocacy/Deputy General Counsel	Christine A. Compton
Director of Information Services	Lance H. Kaneshiro
Director of Treasury and Risk Management	Robert C. Jacobson
Director of Recycling Operations	Jose Zepeda
Director of Maintenance	Jason R. Manning
Director of Water Quality & Regulatory Compliance	James E. Colston
Director of Safety and Security	Steve S. Choi

Irvine Ranch Water District

Organizational Chart
(By Function)
Fiscal Year 2021-22



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Irvine Ranch Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Financial Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2022

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Independent Auditor's Report

Board of Directors
Irvine Ranch Water District
Irvine, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Irvine Ranch Water District (the District), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Irvine Ranch Water District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the year ended June 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87: Leases. Our opinion is not modified with respect to this matter.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the

District’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
November 30, 2022

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, 2022. This section should be read in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $2,112.0 million (net position), consisting of $1,362.3 million in net investment in capital assets, $358.3 million restricted for water services and $391.4 million restricted for sewer services. This is an increase of $37.8 million or 1.8 percent over the prior fiscal year net position of $2,074.2 million.
- Total assets are $2,912.1 million, an increase of $19.3 million or 0.7 percent over the prior fiscal year. Total assets consist primarily of $401.1 million in cash and investments, $80.2 million in receivables, $2,029.8 million in net capital assets, and $384.0 million in noncurrent assets. The increase from the prior year is due primarily to a $26.0 million increase in a receivable from the Orange County Sanitation District (OC San), a $8.9 million increase in real estate investments, a $6.0 million increase in capital assets, a $5.2 million increase in investment in joint venture, a $3.9 million increase in other receivables for the water banking program agreements, and a $2.5 million increase in leases receivable. These were partially offset by a $20.9 million decrease in the District's cash and investments and a $13.1 million decrease in the fair value of pension benefits trust investments.
- Total liabilities are $802.7 million, a decrease of $59.1 million or 6.9 percent from the prior year. Liabilities consist primarily of $669.3 million of debt, net pension and OPEB liabilities of $64.6 million, accounts payable and other liabilities of $58.5 million, and swap liability of $10.3 million. The total decrease over the prior year is due primarily to a decrease of $34.9 million in net pension liability, total principal debt payments of $17.9 million made during the fiscal year, and a decrease of $10.0 million in accumulated losses associated with the fair value of interest rate swaps.
- The Irvine Ranch Water District Post-Employment Benefits Trust (Pension Benefits Trust) was established in June 2013 to assist in funding the District's CalPERS unfunded liability. As of June 30, 2022, the District's total pension assets (including the CalPERS and Pension Benefits Trust assets) as a percentage of its total pension liability is 121.1 percent. For more detail, see Note 13 of the Notes to the Basic Financial Statements.
- Total revenues are $271.9 million, a decrease of $47.6 million or 14.9 percent over the prior fiscal year. Revenues consist primarily of $188.2 million in water and sewer related revenues generated from rates, $70.8 million in property taxes, $16.4 million in real estate income and a $18.0 million reduction in the fair value of pension benefit trust assets. Operating revenues increased $9.4 million due primarily to a Board approved rate increase effective February 2022. In addition, the District recognized $3.9 million from the sale and exchange of the water banking program's banked water. Non-operating revenues decreased $57.0 million due primarily to decreases in the fair value of real estate assets and pension benefits trust investments.
- Total expenses are $280.4 million, an increase of $11.9 million or 4.4 percent over the prior fiscal year. Operating expenses consist primarily of $171.3 million in water and sewer related revenues to operating the systems, $79.0 million of depreciation, and $20.7 million of interest expense. Operating expenses increased $9.6 million due primarily to increased depreciation expense, increased costs associated with the imported water purchases, and increased costs associated with the water system maintenance. These were partially offset by decreased general and administration expenses due to lower pension expense and lower flows to OC San for handing, treatment, and disposal of sewage solids. Non-operating expenses increased by $2.3 million due to the write-off of customer accounts receivable as a result of the federal funding received from the California Water and Wastewater Arrearage Payment Program provided by the California State Water Resources Control Board.

Financial Highlights (Continued)

- Capital contributions are $46.3 million, an increase of $14.9 million or 47.5 percent over the prior fiscal year. This is due primarily to a $20.4 million increase in the number of donated facilities that were completed and donated from developers to the District and a $3.0 million increase in grants received, partially offset by a $8.5 million decrease in connection fees paid by developers.

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), Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position and notes to the basic financial statements. The basic financial statements are prepared using the accrual basis of accounting. This report also contains other supplementary information in additional 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 and deferred inflows of resources 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.

Fiduciary Fund is used to account for assets held by the District as a custodian for the San Joaquin Wildlife Sanctuary (SJWS).

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

The **Other Information** includes *required supplementary information* concerning the District's progress in funding its obligations to provide pension and other post-employment benefits to its employees.

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 analysis.

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, liabilities, and deferred inflows of resources. The net position represents the District's net worth including, but not limited to, capital contributions and net investment in capital assets. A condensed summary of the District's total net position at June 30 is set forth below:

Table 1 - Summary of Net Position (in millions)

			Increase/(Decrease)	
	2022	**2021**	**Amount**	**Percentage**
Assets				
Current assets	$ 498.3	$ 488.3	$ 10.0	2.0%
Capital assets, net	2,029.8	2,023.8	6.0	0.3%
Other noncurrent assets	384.0	380.7	3.3	0.9%
Total assets	2,912.1	2,892.8	19.3	0.7%
Deferred Outflows of Resources	32.1	44.9	(12.8)	-28.5%
Liabilities				
Current liabilities	69.9	64.4	5.5	8.5%
Long-term liabilities	732.8	797.4	(64.6)	-8.1%
Total liabilities	802.7	861.8	(59.1)	-6.9%
Deferred Inflows of Resources	29.5	1.7	27.8	1635.3%
Net Position				
Net investment in capital assets	1,362.3	1,336.7	25.6	1.9%
Restricted for water services	358.3	384.0	(25.7)	-6.7%
Restricted for sewer services	391.4	353.5	37.9	10.7%
Total net position	$ 2,112.0	$ 2,074.2	$ 37.8	1.8%

As shown in Table 1, the District's total assets increased $19.3 million or 0.7 percent during the current fiscal year. Current assets increased $10.0 million. Current assets include amounts due from other agencies relating to cash deposits held by OC San, the District's third-party provider for excess sewage flows, which increased by $26.0 million based on the agreements between the two agencies for future obligations. The increase in current assets also includes to a $3.9 million increase in other receivables relating to the water banking programs. The increase is partially offset by a $20.9 million decrease in cash and investments balances.

Capital assets increased $6.0 million or 0.3 percent during the current fiscal year. The District added $359.7 million in water and sewer assets during the year partially offset by an increase of $77.2 million in accumulated depreciation. During the current fiscal year, the $293.1 million Michelson Water Recycling Plant Biosolids and Energy Recovery Facilities project, a multiple year project was completed and transferred from the construction in progress to the sewer plant in service capital assets. The largest capital spending during the current fiscal year was $7.6 million for the Water System's General System Modification and Replacement Water System Project and $7.1 million for the Zone A to Rattlesnake Reservoir Pump Station Project.

Other noncurrent assets increased $3.3 million or 0.9 percent during the current fiscal year. Noncurrent assets include the District's real estate investments and the pension benefits trust investments which was established in 2013 to help fund the District's pension liability.

Financial Position Summary (Continued)

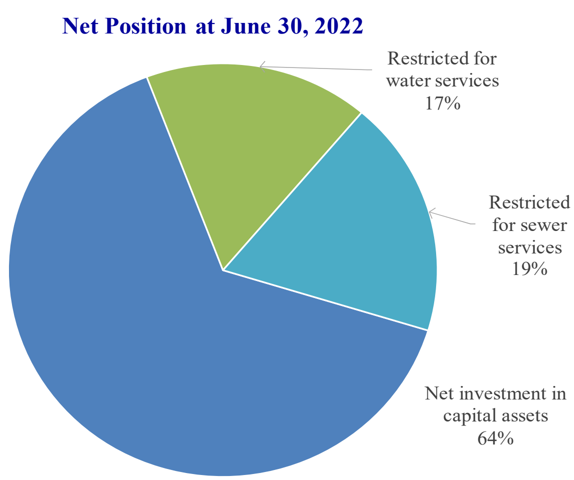
The real estate investments increased by $8.9 million due primarily to an increase in the fair value of real estate investments. The investment in joint venture increased by $5.2 million due primarily to a cash contribution to the Groundwater Banking Joint Powers Authority for property acquisitions. In addition, the District recorded a $2.4 million noncurrent leases receivable due to the implementation of the Governmental Accounting Standards Board (GASB) Statement Number 87: Leases. The increase is partially offset by a $13.1 million decrease in the fair value of pension benefits trust investments.

The District's deferred outflows of resources decreased by $12.8 million or 28.5 percent over the prior fiscal year. This is due primarily to a $10.0 million decrease in accumulated losses associated with the fair value of interest rate swaps and a $3.5 million decrease in pension and OPEB actuarial related changes in assumptions and experience.

The District's total liabilities decreased $59.1 million or 6.9 percent in the current fiscal year. This was due primarily to $34.9 million in net pension liability, $17.9 million in principal payments of the District's general obligation bonds, certificates of participation, and notes payable during the current fiscal year, and $10.0 million in accumulated losses associated with the fair value of interest rate swaps. The decrease was partially offset by a $1.4 million increase in OPEB liability and a $4.8 million increase in the accounts payable to various vendors.

The District's deferred inflows of resources increased $27.8 million or 1,635.3 percent in the current fiscal year. This was primarily due to a $25.3 million increase in pension and OPEB actuarial related changes in assumptions and experience and a $2.5 million increase in leases as a result of the implementation of the GASB Statement Number 87: Leases.

Net position at the end of the current fiscal year increased $37.8 million or 1.8 percent. Net position consists of net investment in capital assets and restricted net positions.



Net investment in capital assets are capital assets, net of accumulated depreciation/amortization and liabilities (such as debt) attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets was $1,362.3 million or 64.5 percent of total net position, an increase of $25.6 million from the prior fiscal year. The change is due primarily to $6.0 million in net capital asset additions, $17.9 million of debt principal payments and $2.2 million amortization of premiums in the current fiscal year.

Restricted net position for water services was $358.3 million or 17.0 percent of total net position. Restricted net position for sewer services was $391.4 million or 18.5 percent of total net position. Restricted net positions are restricted by legislation which imposes requirements that District assets be used only for the specific purposes for which it was formed.

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:

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

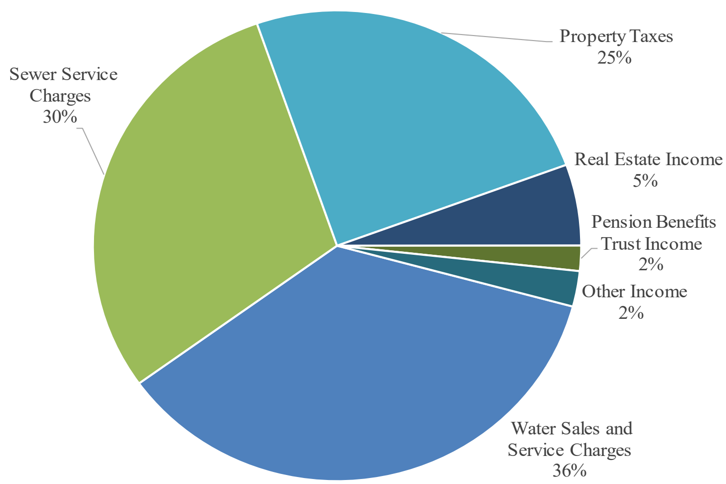
			Increase/(Decrease)	
	2022	**2021**	**Amount**	**Percentage**
Operating revenues				
Water sales and service charges	$ 103.3	$ 96.6	$ 6.7	6.9%
Sewer sales and service charges	84.9	82.2	2.7	3.3%
Total operating revenues	188.2	178.8	9.4	5.3%
Non-operating revenues				
Property taxes	70.8	67.7	3.1	4.6%
Interest income	(0.8)	5.3	(6.1)	-115.1%
Increase (decrease) in fair value of investments	(3.8)	(4.6)	0.8	-17.4%
Real estate income	16.4	15.4	1.0	6.5%
Increase (decrease) in fair value of real estate investments	7.6	25.7	(18.1)	-70.4%
Pension benefits trust interest and dividends income	5.0	4.4	0.6	13.6%
Increase (decrease) in fair value of pension benefits trust investments	(18.0)	20.5	(38.5)	-187.8%
Other income	6.5	6.3	0.2	3.2%
Total non-operating revenues	83.7	140.7	(57.0)	-40.5%
Total revenues	271.9	319.5	(47.6)	-14.9%
Operating expenses				
Water services expenses	106.4	101.7	4.7	4.6%
Sewer services expenses	64.9	71.0	(6.1)	-8.6%
Depreciation	79.0	68.0	11.0	16.2%
Total operating expenses	250.3	240.7	9.6	4.0%
Non-operating expenses				
Interest expense	20.7	20.8	(0.1)	-0.5%
Real estate expense	6.6	5.6	1.0	17.9%
Other expense	2.8	1.4	1.4	100.0%
Total non-operating expenses	30.1	27.8	2.3	8.3%
Total expenses	280.4	268.5	11.9	4.4%
Income/(loss) before capital contributions	(8.5)	51.0	(59.5)	-116.7%
Capital contributions	46.3	31.4	14.9	47.5%
Change in net position	37.8	82.4	(44.6)	-54.1%
Beginning net position	2,074.2	1,991.8	82.4	4.1%
Ending net position	$ 2,112.0	$ 2,074.2	$ 37.8	1.8%

Revenues

As shown in Table 2, the District's operating revenues total $188.2 million or 69.2 percent of total revenues. Water sales contributed $103.3 million or 54.9 percent to total operating revenues and sewer sales contributed $84.9 million or 45.1 percent to total operating revenues. Operating revenues increased by $9.4 million or 5.3 percent from the prior fiscal year. This is primarily due to a Board approved rate increase effective February 2022 as well as customer growth. In addition, the District recognized $3.9 million from the sale and exchange of the water banking program's banked water.

The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2022.

Revenues for Fiscal Year Ended June 30, 2022
(excluding changes in fair value of investments,
real estate investments, and pension benefits trust investments)



Non-operating revenues total $83.7 million and account for 30.8 percent of total revenue for the fiscal year ended June 30, 2022. This is a decrease of $57.0 million or 40.5 percent from the prior fiscal year. The decrease in the current fiscal year is due to:

- A decrease of $55.8 million in changes in the fair value of the Pension Benefits Trust investments, real estate investments, and the District's fixed income investments.
- A decrease of $6.1 million in the District's fixed income investment interest income.
- An increase of $3.1 million in one percent and ad valorem property tax revenue associated with higher assessed values in the District's service area.
- An increase of $1.0 million in income from the real estate investments.
- An increase of $0.6 million in the Pension Benefits Trust interest and dividends income.
- Other net increases of $0.2 million.

Expenses

As shown in Table 2, operating expenses total $250.3 million, of which $171.3 million relates to the cost of providing water and sewer services to the District's customers. Water service operating costs are 103.0 percent of revenues and sewer service operating costs are 76.4 percent of revenues. Water and sewer operating expenses, excluding depreciation, decreased by $1.4 million or 0.8 percent over the prior fiscal year.

Water expenses totaled $106.4 million, an increase of $4.7 million or 4.6 percent primarily due to:

- An increase of $3.7 million in water costs due primarily to higher imported water purchases.
- An increase of $2.5 million in electricity for potable and untreated water treatment and system maintenance.
- An increase of $1.9 million in expensed water projects related to the District's capital program.
- An increase of $1.5 million in operating supplies, equipment usages, and other professional fees.

Expenses (Continued)

- A decrease of $5.2 million in general and administration expenses due to a decrease in pension expense.
- Other net increases of $0.3 million.

Sewer service expenses totaled $64.9 million, a decrease of $6.1 million or 8.6 percent over the prior fiscal year. The decrease is due primarily to:

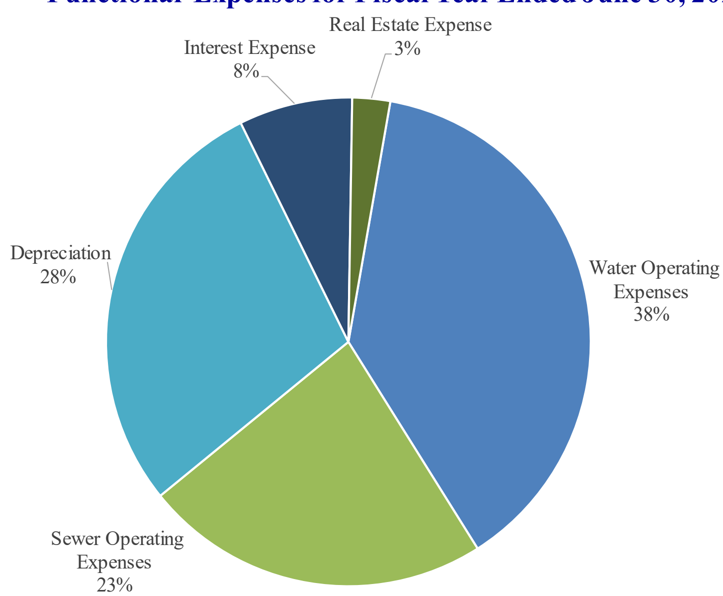
- A decrease of $7.7 million in the cost of handling, treatment, and disposal of sewage solids sent to the District's third-party provider OC San due to lower flows and a full year operation of the biosolids facilities.
- A decrease of $3.7 million in expensed sewer and recycled water projects relating to the District's capital program.
- A decrease of $3.0 million in general and administration expenses due to a decrease in pension expense.
- An increase of $6.4 million in electricity, chemicals, operating supplies, and repair costs for sewage treatment and recycled water system maintenance.
- An increase of $1.4 million in untreated water purchased for the recycled water system to meet customer demands.
- An increase of $0.6 million in labor costs.
- Other net decreases of $0.1 million.

Depreciation expense totaled $79.0 million, an increase of $11.0 million or 16.2 percent over the prior fiscal year. The increase is the result of the completion of several capital projects.

Non-operating expenses totaled $30.1 million, an increase of $2.3 million or 8.3 percent from the prior year primarily due to:

- An increase of $1.4 million in other non-operating expenses associated with the write-off of customer accounts receivable as a result of federal funding received from the California Water and Wastewater Arrearage Payment Program provided by the California State Water Resources Control Board.
- An increase of $1.0 million in real estate expense.
- A decrease of $0.1 million in interest expense associated with the District's debt.

Functional Expenses for Fiscal Year Ended June 30, 2022



Capital Contributions

Capital contributions totaled $46.3 million, an increase of $14.9 million or 47.5 percent from the prior fiscal year. Donated facilities from developers increased $20.4 million due to an increased number of projects that were completed and donated to the District. Connection fees paid by developers were $10.4 million, a decrease of $8.5 million from the prior year due to a lower number of new units resulting from a slowdown in residential construction. The District also received $3.0 million more from grants / contributions from federal, state, and local agencies compared to the prior year.

Capital Assets

The District's investment in capital assets consists of the following as of June 30:

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

			Increase/(Decrease)	
	2022	**2021**	**Amount**	**Percentage**
Water assets	$ 1,273.6	$ 1,228.1	$ 45.5	3.7%
Sewer assets	1,682.2	1,367.9	314.3	23.0%
Less: accumulated depreciation	(1,133.1)	(1,055.9)	(77.2)	7.3%
Land and water rights	126.6	126.6	-	0.0%
Construction in progress	80.5	357.1	(276.6)	-77.5%
Total	$ 2,029.8	$ 2,023.8	$ 6.0	0.3%

Capital assets, net of depreciation increased $6.0 million or 0.3 percent in the current fiscal year. Construction in Progress added $102.1 million during the current fiscal year. Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2022 were $378.7 million. The District's accumulated depreciation increased by $77.2 million for depreciation expense in the current fiscal year. The following is a list of the top 10 capital projects expenditures which accounted for 37.1 percent of total capital assets additions incurred in the current fiscal year (in millions):

Project Description	**Amount**
General System Modification and Replacement Water System	$ 7.6
Zone A to Rattlesnake Pump Station	7.1
Chlorine Gas Disinfection System Conversion	4.2
Rehabilitation of Collection System Siphons	4.1
Zone 1 Reservoir Replacement Interior Coating	3.3
Syphon Reservoir Improvements	3.0
Improvement of NTS Facility Plan Orchard Estates Retarding Basin	2.3
Zone C Pump Station Location	2.2
Woodbridge Recycled Water Pipeline Replacement	2.1
General System Modification and Replacement Recycled Water	2.0
Total	$ 37.9

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, 2022, the District had total debt outstanding of $669.3 million, a decrease of $19.6 million or 2.8 percent from the prior fiscal year.

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

			Increase/(Decrease)	
	2022	2021	Amount	Percentage
General Obligation bonds	$ 535.3	$ 550.4	$ (15.1)	-2.7%
Certificates of participation	133.2	138.2	(5.0)	-3.6%
Notes payable	0.3	0.3	-	0.0%
Leases payable	0.5	-	0.5	100.0%
Total	$ 669.3	$ 688.9	$ (19.6)	-2.8%

During the current fiscal year, the decreases in the District's total debt were primarily due to $17.9 million in debt payments and $2.2 million of premium amortization. The decrease was offset by a $0.5 million increase in leases payable due to the implementation of the GASB Statement Number 87: Leases. 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 10 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 and Administration at the Irvine Ranch Water District, 15600 Sand Canyon Avenue, Irvine, California 92618-7500.

Irvine Ranch Water District

Statement of Net Position

June 30, 2022

(with comparative data as of June 30, 2021)

(in thousands)

	2022	2021
ASSETS		
Current Assets:		
Cash and Investments (note 2)	$ 401,056	$ 421,911
Receivables:		
Customer accounts receivable	15,962	13,841
Interest receivable	378	850
Notes receivable, current portion	86	75
Due from other agencies (note 6)	53,855	27,822
Leases receivable, current portion (note 7)	139	-
Other receivables	9,801	5,819
Total receivables	80,221	48,407
Other Current Assets:		
Inventories (note 4)	16,120	17,306
Prepaid items and deposits	870	703
Total other current assets	16,990	18,009
Total current assets	498,267	488,327
Noncurrent Assets:		
Capital Assets (note 5):		
Water assets	1,273,579	1,228,105
Sewer assets	1,682,177	1,367,904
Subtotal	2,955,756	2,596,009
Less accumulated depreciation	(1,133,082)	(1,055,866)
Total capital assets being depreciated, net	1,822,674	1,540,143
Land and water rights	126,569	126,565
Construction in progress	80,535	357,075
Total capital assets, net	2,029,778	2,023,783
Other Noncurrent Assets:		
Notes receivable, net of current portion	366	468
Leases receivable, net of current portion (note 7)	2,386	-
Real estate investments (note 8)	280,342	271,490
Pension benefits trust investments (notes 2 & 13)	94,828	107,930
Investment in joint venture (note 9)	6,054	843
Total other noncurrent assets	383,976	380,731
Total noncurrent assets	2,413,754	2,404,514
TOTAL ASSETS	2,912,021	2,892,841
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding charges	1,799	1,955
Accumulated decrease in fair value of swap agreements (note 3)	10,330	20,374
Pension contributions (note 13)	10,467	9,569
Pension actuarial changes (note 13)	3,419	6,266
OPEB contributions (note 14)	818	804
OPEB actuarial changes (note 14)	5,308	5,918
TOTAL DEFERRED OUTFLOWS OF RESOURCES	32,141	44,886

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Net Position

June 30, 2022

(with comparative data as of June 30, 2021)

(in thousands)

(Continued)

	2022	2021
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	33,352	28,515
Customer deposits and advance payments	5,495	5,260
Accrued interest:		
General obligation bonds	3,675	3,614
Other accrued interest payable	2,749	2,917
Current portion of long-term liabilities:		
General obligation bonds (note 10)	15,289	15,079
Certificates of participation (note 10)	5,316	5,051
Notes payable (note 10)	76	74
Leases payable (note 10)	19	-
Other long term liabilities (note 10)	2,742	2,761
Unearned revenue (note 11)	565	565
Claims liability (note 16)	572	572
Total current liabilities	69,850	64,408
Long-Term Liabilities:		
General obligation bonds, net of current portion (note 10)	520,052	535,342
Certificates of participation, net of current portion (note 10)	127,866	133,182
Notes payable, net of current portion (note 10)	197	273
Leases payable, net of current portion (note 10)	475	-
Other long-term liabilities (note 10)	4,524	4,659
Unearned revenue, net of current portion (note 11)	3,698	4,263
Claims liability, net of current portion (note 16)	1,078	1,177
Net pension liability (note 13)	39,841	74,705
OPEB liability (note 14)	24,739	23,369
Swap liability (note 3)	10,331	20,374
Total long-term liabilities	732,801	797,344
TOTAL LIABILITIES	802,651	861,752
DEFERRED INFLOWS OF RESOURCES		
Lease related (note 7)	2,482	-
Pension actuarial changes (note 13)	26,408	855
OPEB actuarial changes (note 14)	636	868
TOTAL DEFERRED INFLOWS OF RESOURCES	29,526	1,723
NET POSITION (note 18)		
Net investment in capital assets	1,362,287	1,336,737
Restricted for water services	358,341	384,020
Restricted for sewer services	391,357	353,495
TOTAL NET POSITION	$ 2,111,985	$ 2,074,252

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, 2022
(with comparative data for the Fiscal Year Ended June 30, 2021)
(in thousands)

	2022	2021
OPERATING REVENUES		
Water sales and service charges	$ 103,286	$ 96,609
Sewer sales and service charges	84,955	82,234
Total operating revenues	188,241	178,843
OPERATING EXPENSES		
Water:		
Water services	89,186	79,221
General and administrative	17,262	22,433
Sewer:		
Sewer services	48,353	51,540
General and administrative	16,493	19,489
Depreciation	78,975	68,002
Total operating expenses	250,269	240,685
Operating income (loss)	(62,028)	(61,842)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	70,829	67,734
Interest income (loss)	(771)	5,285
Increase (decrease) in fair value of investments	(3,840)	(4,643)
Real estate income (note 8)	16,361	15,372
Increase (decrease) in fair value of real estate investments (note 8)	7,561	25,702
Pension benefits trust interest and dividends income	4,968	4,431
Increase (decrease) in fair value of pension benefits trust investments	(18,010)	20,457
Other income	6,529	6,336
Interest expense	(20,733)	(20,754)
Real estate expense (note 8)	(6,605)	(5,550)
Pension benefits trust expense	(61)	(61)
Other expenses	(2,791)	(1,432)
Total nonoperating revenues (expenses)	53,437	112,877
Income (loss) before capital contributions	(8,591)	51,035
CAPITAL CONTRIBUTIONS		
Donated facilities	32,524	12,146
Connection fees	10,449	18,913
Other	3,351	381
Total capital contributions	46,324	31,440
Increase (decrease) in net position	37,733	82,475
NET POSITION AT BEGINNING OF YEAR	2,074,252	1,991,777
NET POSITION AT END OF YEAR	$ 2,111,985	$ 2,074,252

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Cash Flows

For the Fiscal Year ended June 30, 2022

(with comparative data for the Fiscal Year Ended June 30, 2021)

(in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 181,765	$ 172,350
Cash paid to suppliers of goods and services	(102,951)	(82,600)
Cash paid for employees services	(68,649)	(66,915)
Net cash provided by (used for) operating activities	10,165	22,835
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax receipts	70,829	67,734
Operating grant	2,077	-
Net cash provided by noncapital financing	72,906	67,734
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(79,260)	(93,561)
Proceeds from disposition of capital assets	242	286
Principal payments on long-term liabilities	(18,064)	(14,851)
Interest and fiscal agent costs on long term liabilities	(22,984)	(22,886)
Developer connection fees and related receipts	11,723	19,294
Net cash provided by (used for) capital and related financing activities	(108,343)	(111,718)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	4,608	10,276
Investment earnings in real estate	8,999	18,932
Acquisition and construction of real estate investments	(534)	(1,007)
Proceeds from sale or maturity of investments	330,909	225,547
Purchases of investments	(373,589)	(266,283)
Collections on notes receivable	91	76,611
Net cash provided by (used for) investing activities	(29,516)	64,076
Net increase (decrease) in cash and cash equivalents	(54,788)	42,927
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	100,939	58,012
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 46,151	$ 100,939

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Cash Flows

For the Fiscal Year ended June 30, 2022

(with comparative data for the Fiscal Year Ended June 30, 2021)

(in thousands)

(Continued)

	2022	2021
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Position:		
Cash and investments	$ 401,056	$ 421,911
Pension benefits trust investments	94,828	107,930
Subtotal	495,884	529,841
Less long-term investments	(449,733)	(428,902)
Cash and cash equivalents at end of year	$ 46,151	$ 100,939
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$ (62,028)	$ (61,842)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	6,529	6,336
Other nonoperating expenses	(2,791)	(1,432)
(Gain) loss on disposition of capital assets	237	141
Depreciation and amortization	78,975	68,002
(Increase) decrease in customer receivables	(2,121)	(4,912)
(Increase) decrease in leases receivables	(2,525)	-
(Increase) decrease in other receivables	(3,982)	(1,679)
(Increase) decrease in inventories	1,186	77
(Increase) decrease due from other agencies	302	7,246
(Increase) decrease in prepaid expenses and other assets	(167)	904
(Increase) decrease in investment in joint venture	(5,211)	(843)
(Increase) decrease in deferred outflows	2,545	(4,093)
Increase (decrease) in accounts payable and accrued expenses	4,837	4,379
Increase (decrease) in customer deposits and advance payments	235	663
Increase (decrease) in leases payable	494	-
Increase (decrease) in compensated absences	5	1,260
Increase (decrease) in claims payable	(99)	11
Increase (decrease) in unearned revenue	(565)	(565)
Increase (decrease) in net OPEB liability	1,370	5,135
Increase (decrease) in net pension liability	(34,864)	6,238
Increase (decrease) in deferred inflows	27,803	(2,191)
Net cash provided by (used for) operating activities	$ 10,165	$ 22,835
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers	$ 32,524	$ 12,146

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Fiduciary Net Position
Fiduciary Fund - Custodial Fund
June 30, 2022
(with comparative data as of June 30, 2021)
(in thousands)

	2022	2021
ASSETS		
Cash and investments (note 2)	$ 933	$ 925
Interest receivable	1	-
TOTAL ASSETS	934	925
NET POSITION		
Restricted for:		
San Joaquin Wildlife Sanctuary	$ 934	$ 925

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Custodial Fund
For the Fiscal Year Ended June 30, 2022

(with comparative data for the Fiscal Year Ended June 30, 2021)
(in thousands)

	2022	2021
ADDITIONS		
Contributions	$ 5	$ 1
Interest income	5	8
Total additions	10	9
DEDUCTIONS		
Administrative expenses	1	1
Total deductions	1	1
Increase (decrease) in net position	9	8
NET POSITION AT BEGINNING OF YEAR	925	917
NET POSITION AT END OF YEAR	$ 934	$ 925

See accompanying notes to the basic financial statements.

(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 recycled water service as well as sewage collection, treatment, and disposal to users within its boundaries.

The District is divided geographically into eight water and ten 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 recycled 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.

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:

111/222	Area Excluded from IDs
112/212	Former El Toro Marine Base
113/213	Former Tustin Marine Base
125/225	Developed/Underlay
240	Newport Coast/Newport Ridge
252	Santiago Hills
153/253	Irvine Business District /Spectrum /Shady Canyon/Laguna Laurel/East Orange
154	Santiago Canyon(s)
256	Orange Park Acres
185/285	Los Alisos Area
188/288	Portola Hills Commercial
110/210	Overall District Boundary

(1) Summary of Significant Accounting Policies (Continued)

(a) Reporting Entity (Continued)

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 both financial accountability and operational responsibility for the blended component units. 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, 2010 Refunding Certificates of Participation, and 2016 Certificates of Participation. The Corporation's bylaws mandate that the members of the District's Board of Directors shall constitute the Corporation's five-member Board of Directors. The Irvine Ranch Water District Water Service Corporation does not issue separate financial statements.

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 District 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. Bardeen Partners does not issue separate financial statements.

(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, the Statement of Fiduciary Net Position - Fiduciary Fund – Custodial Fund, the Statement of Changes in Fiduciary Net Position - Fiduciary Fund – Custodial Fund, and the Notes to the Basic Financial Statements.

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

The District's financial activities are 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.

Fiduciary Fund is used to account for assets held by the District as a custodian for the activities of the San Joaquin Wildlife Sanctuary (SJWS) and are accounted as a custodial fund (fiduciary fund type).

Both the enterprise fund and fiduciary fund utilize 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.

(1) Summary of Significant Accounting Policies (Continued)

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

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

Capital contributions consist of contributed capital assets, connection fees, 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(s) 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 net investment in capital assets.

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, then other restricted resources, and 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. 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

(1) Summary of Significant Accounting Policies (Continued)

(d) Property Taxes (Continued)

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) District Investments

Investments are reported in the accompanying Statement of Net Position 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. Interest income includes interest earnings on the District's investments.

(g) Pension Benefits Trust Investments

Investments of the Pension Benefits Trust are reported in the accompanying Statement of Net Position at fair value.

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. Interest income is recorded on the accrual basis. Dividends are recorded on the payment date.

(h) Real Estate Investments

Real estate investments consist of a wholly-owned apartment complex and four commercial office properties. The District is also a party to a real estate limited partnership in which the District has more than a 50% ownership interest but does not exercise control. All real estate investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as increase (decrease) in fair value of real estate investments reported for that fiscal year.

(i) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

(1) Summary of Significant Accounting Policies (Continued)

(i) Fair Value Measurements (Continued)

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are inactive
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

(j) Inventory and Prepaid Items

Water inventory related to water stored in its banking facilities in Kern County is stated at its purchase cost or at a rate equivalent to what the District would charge for storage. The District's warehouse materials and supplies are valued using the average cost 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.

(k) 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 acquisition value on the date received. The District capitalizes all assets with a historical cost of at least $10,000 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

(l) Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits up to certain limits. Earned vacations pay to a maximum of 400 hours (or more with written approval of the General Manager). 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 80 hours accumulated. Fifty percent 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.

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

(m) **Pensions**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

(n) **Other Post-Employment Benefits (OPEB)**

The OPEB liability, deferred outflows and inflows of resources relating to OPEB and OPEB expense have been determined by an independent actuary. Benefit payments are recognized when currently due and payable in accordance with the benefit terms.

GASB requires that the reported results pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

(o) **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred amounts related to refunding charges, accumulated decreases in fair value of swap agreements, employer contributions subsequent to measurement date for pension and OPEB, and actuarial amounts related to pension and OPEB.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred amounts related to actuarial amounts related to pension and OPEB and leases.

(1) Summary of Significant Accounting Policies (Continued)

(p) Leases

Lessee: The District is a lessee for the noncancellable leases of production well sites. The District recognizes a lease liability and an intangible right-to-use the lease asset (lease asset) in the basic financial statements. The District recognizes lease liabilities with an initial, individual value of $10,000 or more and a useful life of at least three years.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain to be exercised. In those situations, the lease is amortized over the useful life of the underlying asset.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments at present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

Lessor: The District is a lessor for the noncancellable leases of land properties. The District recognizes a lease receivable and a deferred inflow of resources in the basic financial statements.

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

(1) Summary of Significant Accounting Policies (Continued)

(p) Leases (Continued)

Key estimates and judgements include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a re-measurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

(q) 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.

(r) Comparative Financial Statements and Reclassifications

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

(2) Cash and Investments

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows (in thousands):

Statement of Net Position:	
District Cash and Investments	$ 401,056
Pension Benefits Trust Investments	94,828
Total Cash and Investments	495,884
Fiduciary Fund - Custodial Fund:	
Cash and Investments	933
Total Cash and Investments	$ 496,817

(2) Cash and Investments (Continued)

Cash and investments as of June 30, 2022 consist of the following (in thousands):

District Cash and Investments:	
Cash on hand	$ 3
Deposits with financial institutions	2,713
Investments	398,340
Total District Cash and Investments	401,056
Pension Benefits Trust Cash and Investments:	
Equities - mutual funds	74,332
Fixed income bonds - mutual funds	20,459
Money market - mutual funds	37
Total Pension Benefits Trust Cash and Investments	94,828
Fiduciary Fund - Custodial Fund:	
Deposits with financial institutions	933
Total Cash and Investments	$ 496,817

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.

Authorized Investment Type	Maximum Maturity(1)	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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%(2)	None

(1) Maximum maturity unless express authority has been granted otherwise by the Board of Directors pursuant to the California Government Code Section 53601.
(2) 30% of Replacement Fund, as authorized by the California Water Code.

(2) Cash and Investments (Continued)

Pension Benefits Trust (The Trust) Authorized Investment Strategy
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 and in 2013, established a Pension Benefits Trust (The Trust) to substantially fund its CalPERS unfunded liability. The Trust's investment policy authorizes investment of Trust assets in financial instruments in three broad categories: equity, fixed income, and real estate. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Investments may include derivatives, options and futures as portfolio protection strategies. The following is a summary of the Trust's investment policy.

The Trust is governed by a Retirement Board (the Board) which consists of two IRWD Board members and the General Manager. The Board designates one or more investment advisors to manage the assets under their supervision subject to the laws of the State of California and Investment Guidelines established by the Board. The long-term asset allocation policy including the minimum-maximum asset allocation range for each asset class is as follows:

Asset Classes	Minimum	Maximum
Cash	0%	30%
Public Equity- Domestic & International	30%	80%
Private Equity	0%	5%
Fixed Income	10%	40%
Real Estate	0%	10%

The asset allocation policy will be pursued by the Trust on a long-term basis and may be revised if necessary due to market conditions. The Board will monitor the current asset allocation against the long-term allocation policy and rebalance as it deems necessary.

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher, as established by Moody's or Standard & Poor's. Bankers' acceptances, certificates of deposit and savings accounts must be made of United States banks or financial institutions or United States branches of foreign banks, which are federally insured with unrestricted capital of at least $50 million. Short-term corporate obligations must be rated A or better by Moody's or by Standard & Poor's.

(2) **Cash and Investments (Continued)**

Pension Benefits Trust Authorized Investment Strategy (Continued)
Equity investments are restricted to high quality, readily marketable securities of corporations that are actively traded on a major exchange. Not more than 5% of the total stock portfolio valued at fair value may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 2% of those outstanding. Not more than 25% of stock valued at fair value may be held in any one industry category. The overall non-U.S. equity allocation should include a diverse global mix of at least 10 countries. The emerging markets exposure as defined by Morgan Stanley Capital International Inc. should be limited to 35% of the non-U.S. portion of the portfolio.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio, at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets shall be at least "A", according to one of the three rating agencies (Fitch, Moody's or Standard & Poor's). In cases where the yield spread adequately compensates for additional risk, securities where two of the three rating agencies (Fitch, Moody's or Standard & Poor's) have assigned ratings of Baa3 or BBB- ratings, can be purchased up to a maximum of 20% of total fair value of fixed income securities.

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 fair 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.

(2) **Cash and Investments (Continued)**

Disclosures Relating to Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming near to maturity as necessary to provide the cash flow and liquidity needed for District operations.

Information about the sensitivity of the fair values of the District's and Pension Benefits Trust's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity (in thousands):

		Remaining Maturity			
Investment Type	**Amount**	**12 Months Or Less**	**13 to 36 Months**	**37 Months Or More**	**Not Applicable**
Federal Agency Securities	$ 39,661	$ 29,840	$ 9,821	$ -	$ -
US Treasury Note	315,245	227,560	87,685	-	-
Local Agency Investment Fund	43,434	43,434	-	-	-
Total District Investments	398,340	300,834	97,506	-	-
Mutual Funds - Equities	74,332	-	-	-	74,332
Mutual Funds - Fixed Income Bonds	20,459	229	6,542	13,688	-
Mutual Funds - Money Market	37	37	-	-	-
Total Pension Benefits Trust Investments	94,828	266	6,542	13,688	74,332
Total	$ 493,168	$ 301,100	$ 104,048	$ 13,688	$ 74,332

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type (in thousands):

District Cash and Investments:

Investment Type	Amount	AAA	Not Rated
Federal Agency Securities	$ 39,661	$ 29,683	$ 9,978
US Treasury Note	315,245	315,245	-
Local Agency Investment Fund	43,434	-	43,434
Total	$ 398,340	$ 344,928	$ 53,412

Pension Benefits Trust Investments:

Investment Type	Amount
Mutual Funds - Equities	$ 74,332 [1]
Mutual Funds - Fixed Income Bonds	20,459 [2]
Mutual Funds - Money Market	37 [3]
Total	$ 94,828

[1] Equity Mutual Funds as of 6/30/2022 include five "index funds" and are each comprised of diversified portfolios of equity securities. Credit ratings are not provided for Equity Mutual Funds.

[2] Fixed Income Mutual Funds are comprised of three diversified portfolios of fixed income securities. As of 6/30/2022, 62.59% of the holdings were rated A-AAA, 36.05% of the holdings were rated B-BBB, and 1.37% of the holdings were rated below B or Not Rated.

[3] The Money Market Mutual Fund is not rated.

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.

(2) Cash and Investments (Continued)

Concentration of Credit Risk

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

Issuer	Investment Type	Amount
FHLB	Federal Agency Security	$ 24,801
	Total	$ 24,801

Disclosures Relating to Fair Value Measurements

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following fair value measurements as of June 30, 2022 (in thousands):

District Cash and Investments:

			Fair Value Measurements	
Investment Type	**Amount**		**Level 1**	**Level 2**
Federal Agency Securities	$ 39,661		$ -	$ 39,661
US Treasury Note	315,245		315,245	-
Local Agency Investment Fund	43,434	(1)	-	-
Total	$ 398,340		$ 315,245	$ 39,661

Pension Benefits Trust Cash and Investments:

			Fair Value Measurements
Investment Type	**Amount**		**Level 1**
Mutual Funds - Equities	$ 74,332		$ 74,332
Mutual Funds - Fixed Income Bonds	20,459		20,459
Mutual Funds - Money Market	37	(1)	-
Total	$ 94,828		$ 94,791

(1) These are not subject to the fair value measurements classification.

(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 may authorize general parameters for interest rate swap transactions while the Finance and Personnel Committee would structure any 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 Dodd-Frank Protocol provisions regarding swap advisor representation and transparency.

The outstanding interest rate swaps are pay-fixed, receive variable swaps ("fixed payer swaps"). As of June 30, 2022, the notional amount and fair value balance of the District's interest rate swaps are \$60.0 million and \$(10.3) million, respectively. For the year ended June 30, 2022, the increase in fair value of the fixed payer interest rate swaps was \$10.0 million.

The fair value of the swap agreements at June 30, 2022 is calculated using a zero-coupon method (Level 2 inputs). 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 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, 2022, along with the credit rating of the associated counterparty.

(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	$30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	Aa2/A+/AA
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	Aa3/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 and outstanding swap accrual amounts in excess of $(15.0) million. As of June 30, 2022, the mark-to-market value of the total interest rate swaps with Citibank N.A. and Bank of America, N.A. as counterparties did not exceed the threshold amount.

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 Bank of America, N.A. and Citibank N.A. Their ratings are Aa2/A+/AA (50% of net exposure to credit risk) and Aa3/A+/A+ (50% of net exposure to credit risk), respectively, as of June 30, 2022.

Interest rate risk: The District is exposed to interest rate risk on its interest rate swaps. On its fixed payer swaps, as the 1-month LIBOR index decreases, the District's net payment on the swap increases. Alternatively, on its fixed payer swaps, as the 1-month LIBOR index increases, the District's net payment on the swap decreases.

(3) Interest Rate Swap Agreements (Continued)

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: 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 collateral has been posted at June 30, 2022.

(4) Inventories

Inventories consist of available water in storage and materials and supplies in the District's warehouse facilities. As of June 30, 2022, the District had 1,355.9 acre-feet of water stored in the Irvine Lake at a cost of $1.1 million. In addition, the District had 25,712.7 acre-feet of banked water in various water bank facilities at a cost of $5.3 million. Inventories at June 30, 2022 consisted of the following (in thousands):

Water in storage	$ 6,394
Materials and supplies	9,726
Total	$16,120

(5) Capital Assets

Capital asset activity for the year ended June 30, 2022 is as follows (in thousands):

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, depreciable:				
Land leasehold	$ 4,860	$ -	$ -	$ 4,860
Right-to-use leased asset	-	524	-	524
Buildings and structures	761,528	59,504	(26,814)	794,218
Transmissions and distributions	1,542,576	326,955	-	1,869,531
Machinery and equipment	287,045	1,337	(1,759)	286,623
Sub-total	2,596,009	388,320	(28,573)	2,955,756
Less: Accumulated depreciation:				
Land leasehold	(1,553)	(97)	-	(1,650)
Right-to-use leased asset	-	(24)	-	(24)
Buildings and structures	(337,729)	(19,801)	-	(357,530)
Transmissions and distributions	(535,289)	(48,621)	-	(583,910)
Machinery and equipment	(181,295)	(10,432)	1,759	(189,968)
Sub-total	(1,055,866)	(78,975)	1,759	(1,133,082)
Total depreciable capital assets, net	1,540,143	309,345	(26,814)	1,822,674
Capital assets, non-depreciable:				
Land and water rights	126,565	4	-	126,569
Construction in progress	357,075	102,145	(378,685)	80,535
Total capital assets, net	$ 2,023,783	$ 411,494	$ (405,499)	$ 2,029,778

Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2022 were $378.7 million. The District's proportionate share of the Orange County Sanitation District's jointly funded capital assets decreased $17.7 million during the fiscal year ended June 30, 2022.

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 capitalized to construction-in-progress for the fiscal year ended June 30, 2022 was $11.5 million.

(6) Orange County Sanitation District (OC San)

The District, with OC San, 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 OC San'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. During the fiscal year ended June 30, 2022, the District received a credit of $23.6 million of the equity integration adjustment of OC San's capital assets. In addition, the District's CORF payments to OC San for the fiscal year totaled $5.6 million.

(6) Orange County Sanitation District (OC San) (Continued)

The District's share of the jointly funded capital assets and CORF in the amount of $67.7 million is included in capital assets in the District's basic financial statements.

In May 2018, the District and OC San agreed to extend the agreement, providing for treatment and disposal by OC San of District solids and the temporary lease of capacity in OC San's solids treatment and disposal facilities through December 31, 2021. The capacity lease for the fiscal year ended June 30, 2022, estimated at $0.3 million, is included in Sewer Services as an operating expense.

The accompanying basic financial statements reflect management's best estimate of balances pertaining to this agreement based upon information provided by OC San. Periodically this information is subjected to further review based on 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. As of June 30, 2022, the District had a net receivable of $53.9 million from OC San which is reflected as a due from other agencies in the District's basic financial statements.

(7) Leases Receivable

During the current fiscal year, the District implemented GASB Statement No. 87, Leases. In prior years, the District entered into two agreements that leased the District's property to third parties. These leases are in effect through 2036 and 2041. Payments to the District are based on the terms in each agreement and include certain variable payments not included in the measurement of the lease receivable. During the fiscal year, the District received monthly payments ranging from $1,500 to $89,309 and recognized $0.1 million in lease revenue and $54,261 in interest revenue related to these leases. As of June 30, 2022, the District's receivable for lease payments was $2.5 million. Also, the District has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2022, the balance of the deferred inflow of resources was $2.5 million. The following schedule is the expected future minimum payments under these agreements (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 139	$ 57	$ 196
2024	115	54	169
2025	119	51	170
2026	123	49	172
2027	128	46	174
2028-2032	708	181	889
2033-2037	774	93	867
2038-2041	419	17	436
Total	$ 2,525	$ 548	$ 3,073

(8) Real Estate Investments

Real estate investments as of June 30, 2022 consist of the following (in thousands):

Real estate investments at fair value	$ 278,570
Other assets	1,772
Total	$ 280,342

The District has the following fair value measurements for the real estate investments (Level 3 inputs) (in thousands):

	Balance June 30, 2021	Increase / (decrease) in Fair Value	Balance June 30, 2022
Wood Canyon Villas, L.P.	$ 32,259	$ 1,935	$ 34,194
Sycamore Canyon Apartments	170,000	4,250	174,250
230 Commerce Office Property	12,000	240	12,240
Waterworks Way Business Park	11,600	232	11,832
Sand Canyon Professional Center	11,900	238	12,138
Sand Canyon General Office	33,250	666	33,916
Total	$ 271,009	$ 7,561	$ 278,570

Net real estate income as of June 30, 2022 is as follows (in thousands):

Real estate income	$ 16,361
Increase (decrease) in fair value of real estate investments	7,561
Real estate expense	(6,605)
Net real estate income	$ 17,317

(8) Real Estate Investments (Continued)

Included in real estate investments are two apartment properties and four 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 three other commercial office buildings (Waterworks Way Business Park, Sand Canyon Professional Center, and Sand Canyon General Office).

The construction of Wood Canyon Villas, a 230-unit apartment property, was completed in 1993. The property is located in Orange County, California, and was 99% occupied at June 30, 2022. The Wood Canyon partnership agreement provides the District with a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement ($6.0 million contribution). The property's fair value and the District's partnership interest were based on a fixed growth factor included in the limited partnership agreement.

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 96% occupied at June 30, 2022. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2022.

In 2003, the District completed construction of the 41,000 square foot for-lease 230 Commerce professional office building located in Irvine, California. Land and construction costs for the project totaled $5.6 million and the building was 93% occupied as of June 30, 2022. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2022.

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. The building was constructed land owned by IRWD adjacent to a District water treatment facility. Land and construction costs for the office project totaled $9.0 million. As of June 30, 2022, the building was 100% occupied. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2022.

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 costs for the project totaled $8.4 million and the building was 100% occupied as of June 30, 2022. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2022.

In August 2020, the District completed construction of a new for-lease 70,000 square foot office building located in Irvine, California known as the Sand Canyon General Office. Land and construction costs for the project totaled $25.4 million and the building was 100% occupied as of June 30, 2022. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2022.

(9) Investment in Joint Venture

The District is a participant with the Rosedale-Rio Bravo Water Storage District (RRB) in a joint venture to design, build and operate a Kern Fan Groundwater Storage Project. Groundwater Banking Joint Powers Authority (GBJPA), a legally separate public agency, was created for that purpose effective July 1, 2020. GBJPA is governed by a four-member board composed of two appointees from the District and two appointees from the RRB. The District and the RRB are each obligated by contract to provide equal funding (50-50) of the costs and are each entitled to one-half of GBJPA's annual operating income or loss, if any. The District's net investment in the joint venture represents its proportionate share of capital and operating expenses of GBJPA. The District's investment in GBJPA was $6.1 million at June 30, 2022. Complete financial statements for GBJPA can be obtained from GBJPA's office at 849 Allen Road, Bakersfield, CA 93314.

(10) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2022 is as follows (in thousands):

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due within One Year	Due in more than one Year
General Obligation Bonds:						
1993 C Consolidated	$ 24,800	$ -	$ (1,800)	$ 23,000	$ 1,800	$ 21,200
2008A Refunding	45,000	-	(2,000)	43,000	2,000	41,000
2009A Consolidated	52,500	-	(2,500)	50,000	2,500	47,500
2009B Consolidated	52,500	-	(2,500)	50,000	2,500	47,500
2010B BABS	175,000	-	-	175,000	-	175,000
2011A-1 Refunding	44,700	-	(1,920)	42,780	1,980	40,800
2011A-2 Refunding	29,800	-	(1,280)	28,520	1,320	27,200
2016 Consolidated	103,400	-	(2,155)	101,245	2,265	98,980
Unamortized Premium	22,721	-	(925)	21,796	924	20,872
Sub-total	550,421	-	(15,080)	535,341	15,289	520,052
Certificates of Participation:						
2016 Certificates	113,325	-	(3,675)	109,650	3,940	105,710
Unamortized Premium	24,908	-	(1,376)	23,532	1,376	22,156
Sub-total	138,233	-	(5,051)	133,182	5,316	127,866
Notes Payable	347	-	(74)	273	76	197
Leases Payable	-	524	(30)	494	19	475
Other Long-Term Liabilities:						
Compensated Absences	6,625	5,755	(5,749)	6,631	2,653	3,978
Other Long-Term Liabilities	795	3,298	(3,458)	635	89	546
Sub-total	7,420	9,053	(9,207)	7,266	2,742	4,524
Total Long-Term Liabilities	**$ 696,421**	**$ 9,577**	**$ (29,442)**	**$ 676,556**	**$ 23,442**	**$ 653,114**

(10) Long-Term Liabilities (Continued)

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

	Date of Issue	Original Issue	Revenue Sources	Final Maturity Date	Interest Rates
General Obligation Bonds:					
1993 Consolidated	5/1/1993	$ 38,300	(1)(3)	4/1/2033	Variable
2008A Refunding	4/1/2008	60,215	(1)(3)	7/1/2035	Variable
2009A Consolidated	6/4/2009	75,000	(1)(3)	10/1/2041	Variable
2009B Consolidated	6/4/2009	75,000	(1)(3)	10/1/2041	Variable
2010B BABS	12/16/2010	175,000	(1)(2)(3)	5/1/2040	6.60%
2011A-1 Refunding	4/15/2011	60,545	(1)(2)(3)	10/1/2037	Variable
2011A-2 Refunding	4/15/2011	40,370	(1)(2)(3)	10/1/2037	Variable
2016 Consolidated	10/12/2016	103,400	(1)(2)(3)	2/1/2046	5.00%-5.25%
Certificates of Participation:					
2016 Certificates	9/1/2016	116,745	(2)	3/1/2046	5.00%

(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.

General Obligation Bonds

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on variable interest rates at June 30, 2022 ranging from 0.45% to 0.88% and the fixed rate for the 2010B BABs issue and 2016 Consolidated issue) are as follows (in thousands):

Fiscal Year	Principal	Interest	Hedging Instruments Net	BAB Federal Subsidy	Total
2023	$ 14,365	$ 18,315	$ 3,201	$ (3,825)	$ 32,056
2024	14,775	18,110	3,201	(3,825)	32,261
2025	18,015	17,912	3,201	(3,825)	35,303
2026	18,710	17,501	3,201	(3,757)	35,655
2027	19,265	17,100	3,201	(3,696)	35,870
2028-2032	106,640	74,974	6,399	(17,746)	170,267
2033-2037	157,225	58,766	-	(14,422)	201,569
2038-2042	138,265	22,286	-	(3,825)	156,726
2043-2047	26,285	3,538	-	-	29,823
Sub-total	513,545	248,502	22,404	(54,921)	729,530
Plus: Unamortized premium	21,796	-	-	-	21,796
Total	$ 535,341	$ 248,502	$ 22,404	$ (54,921)	$ 751,326

(10) Long-Term Liabilities (Continued)

General Obligation Bonds (Continued)

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 5.7% 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.

Certificates of Participation

In September 2016, the Irvine Ranch Water District Service Corporation issued $116.7 million of Certificates of Participation Series 2016 (the Series 2016 Certificates) to finance the cost of certain capital improvements and to refund a portion of the outstanding Certificates of Participation Refunding Series 2010 (the Series 2010 Certificates).

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
2023	$ 3,940	$ 5,483	$ 9,423
2024	4,220	5,286	9,506
2025	4,555	5,074	9,629
2026	4,905	4,847	9,752
2027	5,225	4,602	9,827
2028-2032	32,145	18,701	50,846
2033-2037	15,415	12,198	27,613
2038-2042	19,665	7,940	27,605
2043-2046	19,580	2,507	22,087
Sub-total	109,650	66,638	176,288
Plus: Unamortized premium	23,532	-	23,532
Total	$ 133,182	$ 66,638	$ 199,820

(10) Long-Term Liabilities (Continued)

Notes Payable

The District 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. Amounts required to amortize notes payable at June 30, 2022 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 76	$ 6	$ 82
2024	77	4	81
2025	79	2	81
2026	41	1	42
Total	$ 273	$ 13	$ 286

Leases Payable

During the current fiscal year, the District implemented GASB Statement No. 87, Leases. In prior years, the District entered into two agreements as the lessee for the right to use certain property for production wells. An initial lease liability of $524,259 was recorded at the beginning of the current fiscal year for one of the leases. As of June 30, 2022, the lease liability was $494,259. The District makes annual principal and interest payments of $30,000, adjusted periodically based on the terms identified in the lease agreement. The lease term ends on June 30, 2043 and the lease used an implicit interest rate of 2.32%. For the second lease, the annual lease payment for the year ended June 30, 2022 was approximately $224,000 and the lease term ends on June 30, 2039. No lease liability was recorded for the second lease since the annual lease payments are variable based on a formula. The annual lease payment requirements for the first lease, including principal and interest payments, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 19	$ 11	$ 30
2024	19	11	30
2025	19	11	30
2026	20	10	30
2027	20	10	30
2028-2032	109	41	150
2033-2037	122	28	150
2038-2042	137	13	150
2043	29	1	30
Total	$ 494	$ 136	$ 630

(11) Unearned Revenue

Unearned revenue at June 30, 2022 consisted of the following (in thousands):

Unearned revenue, current portion	$ 565
Unearned revenue, net of current portion	3,698
Total	$ 4,263

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 reserve capacity in the District system and reimburse the District for various new intertie facilities which provide that up to 25 cfs of water supply per month may be made available during a water supply disruption. The total cost of the agreement was paid in full by each party in the fiscal year ended June 30, 2009. The amount of unearned 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, 2022 was $0.5 million.

(12) Letters of Credit

The District has letters of credit securing the payment of principal and interest on certain 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, 2022 are summarized as follows (in thousands):

Letter of Credit	Trustee	Amount	Expiration Date
Bank of America:			
2009 Series B Consolidated	U.S. Bank	$ 50,559	April 21, 2025
Sumitomo Mitsui:			
2008 Series A Refunding	Bank of New York Mellon	43,636	May 28, 2025
U.S. Bank:			
1993 Consolidated	Bank of New York Mellon	23,310	May 1, 2025
2009 Series A Consolidated	U.S. Bank	50,559	May 1, 2025

(13) Defined Benefit Pension Plan

Plan Descriptions
All qualified employees are eligible to participate in the District's agent multiple-employer public employee defined benefit pension plan which is administrated by the California Public Employees' Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and the District's Board of Directors. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Hire Date		
	Prior to October 1, 2012	**On or after October 1, 2012 to December 31, 2012**	**On or after January 1, 2013**
Benefit Formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Minimum Retirement Age	50	50	52
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rate	8.00%	7.00%	6.50%
Required Employer Normal Cost Rate	9.270%	9.270%	9.270%

In addition, the District made a $6.8 million unfunded liability contribution during the current fiscal year.

Employees Covered
As of June 30, 2020 (valuation date), the following employees were covered by the benefit terms for the Plan:

Active Employees	396
Inactive Employees or Beneficiaries Currently Receiving Benefits	313
Inactive Employees Entitled to But not Yet Receiving Benefits	212
Total	921

(13) Defined Benefit Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

As of June 30, 2022, the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table [1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The Lesser of Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows.

Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1 – 10 (2)	Real Return Years 11+ (3)
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estates	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	**100%**		

(1) In the CalPERS' ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

(13) Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For example, for the accounting reports, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation.

Changes in the Net Pension Liability

The changes in the net pension liability for the Plan were as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021	$ 306,889	$ 232,184	$ 74,705
Changes Recognized for the Period:			
Service Cost	6,161	-	6,161
Interest	21,815	-	21,815
Difference between Expected and Actual Experience	1,990	-	1,990
Contributions – Employer	-	9,569	(9,569)
Contributions – Employees	-	2,855	(2,855)
Net Investment Income	-	52,638	(52,638)
Benefit Payments, Including Refunds of Employee Contributions	(13,708)	(13,708)	-
Administrative Expense	-	(232)	232
Net Change	16,258	51,122	(34,864)
Balance at June 30, 2022	$ 323,147	$ 283,306	$ 39,841

(13) Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability of the Plan, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate (in thousands):

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability	$ 82,868	$ 39,841	$ 4,195

Funding of CalPERS Plan and Pension Benefits Trust
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 and in 2013, established a Pension Benefits Trust to substantially fund its CalPERS unfunded liability. The Pension Benefits Trust provides the District with an alternative to CalPERS that allows for investment by a professional fund management team selected and monitored by the District. The Pension Benefits Trust holds the funding contributions for the District pending future remittance to the CalPERS pension trust fund which will pay all retiree benefit payments to employees associated with the plan. Future contributions will be transferred from the Pension Benefits Trust to CalPERS at the District's discretion.

As of June 30, 2022, the total value of the assets in the Pension Benefits Trust was approximately $94.8 million.

The following schedule shows the District's total pension liability, CalPERS assets, Pension Benefits Trust assets, and the relationship of the total pension liability (in thousands):

Fiscal Year [1]	Total Pension Liability	CalPERS Assets	Net Pension Liability/ (Asset)	Pension Benefits Trust Assets	CalPERS Assets as a Percentage of the Total Pension Liability	Pension Benefits Trust Assets as of Percentage of the Total Pension Liability	Total Pension Assets as a Percentage of the Total Pension Liability
06/30/20	$ 291,334	$ 222,867	$ 68,467	$ 78,389	76.5%	26.9%	103.4%
06/30/21	306,889	232,184	74,705	83,103	75.7%	27.0%	102.7%
06/30/22	323,147	283,306	39,841	107,930	87.7%	33.4%	121.1%

(1) As of the measurement date June 30, 2019, 2020, and 2021 respectively.

(13) Defined Benefit Pension Plan (Continued)

Subsequent Events
On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the CalPERS board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Amortization of Deferred Outflows and Deferred Inflows of Resources
Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net Difference between Projected and Actual Earnings on Pension Plan Investments	5 year straight-line amortization
All Other Amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The EARSL for the Plan for the fiscal year ended June 30, 2022 was 4.8 years, which was obtained by dividing the total service years of 4,397 (the sum of remaining service lifetimes of the active employees) by 921(the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members’ probability of decrementing (leaving employment) due to an event other than receiving a cash refund.

(13) Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2022, the District recognized pension expense of $3.14 million. At June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions made Subsequent to the Measurement Date	$ 10,467	$ -
Differences between Expected and Actual Experiences	3,419	35
Changes in Assumptions	-	239
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	26,134
Total	$ 13,886	$ 26,408

$10.5 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. ($23.0) million net of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
2023	$ (5,612)
2024	(4,897)
2025	(5,587)
2026	(6,893)
Total	$ (22,989)

(14) Other Post-Employment Benefits

Plan Descriptions

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 CalPERS Health. Employees are eligible for this lifetime benefit if they retire from the District and are eligible to begin drawing a CalPERS pension. Participation in PEMHCA is financed in part by the District through a contribution of $149 per month per participating retiree.

- **RHCAP**: The District also administers a single-employer defined benefit Retiree Health Costs Assistance Program (RHCAP), which provides medical benefits to covered employees and their eligible dependents. The duration of the benefit is based on employees' years of service as follows: 12 months of benefits for employees with 3-7 years of service; 24 months of benefits for employees with 8-9 years of services; 36 months of benefits for employees with 10-14 years of service; 48 months of benefits for employees with 15-19 years of service; and 60 months of benefits for employees with at least 20 years of service. Employees are eligible for this benefit if they retire from the District on or after age 55 with at least three years of service. The District reimburses retirees for eligible healthcare costs of up to $160 per month (for retirees with at least three years of service at the District), to a maximum of $600 per month after 25 years of service.

- **Death Benefit**: The District administers a single-employer defined benefit Retiree Death Only plan (Death Benefit). Employees hired on or before December 31, 2008 and who retire from the District on or after age 55 with at least 10 years of service at the District 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.

(14) Other Post-Employment Benefits (Continued)

Employees Covered
As of the June 30, 2021 measurement date, the following employees were covered by the benefit terms under each Plan:

	PEMHCA	RHCAP	Death Benefit	Total
Inactive Employees or Beneficiaries Currently Receiving Benefits	114	46	-	160
Inactive Employees Entitled to But not Yet Receiving Benefits	89	-	135	224
Active Employees	408	408	123	939
Total	611	454	258	1,323

Contributions
The contributions for the District's various other post-employment benefits are based on pay-as-you-go financing requirements.

For the fiscal year ended June 30, 2022, the District's cash contributions were $0.5 million and estimated implied subsidy was $0.3 million resulting in total payments of $0.8 million. The following shows contributions by each OPEB plan (in thousands):

	PEMHCA	RHCAP	Death Benefit	Total
Cash Contributions	$ 203	$ 263	$ 20	$ 486
Estimated Implied Subsidy	332	-	-	332
Total	$ 535	$ 263	$ 20	$ 818

(14) **Other Post-Employment Benefits (Continued)**

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability
The June 30, 2021 measurement date was used to determine the June 30, 2022 total OPEB liability, based on the following actuarial methods and assumptions:

	PEMHCA	RHCAP	Death Benefit
Actuarial Method	Entry Age Normal		
Actuarial Assumptions:			
Contribution Policy	Pay-as-you-go		
Discount Rate	2.16% at June 30, 2021 and 2.21% at June 30, 2020 (Bond Buyer 20-Bond Index)		
Inflation	2.75% Annually		
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study		
Mortality Improvement	Mortality Projected Fully Generational with Scale MP-2020		
Salary Increases	3% Annually and CalPERS 1997-2015 Experience Study		
Medical Trend	Non-Medicare –7.0% for 2022, decreasing to 4.0% in 2076 Medicare (Non-Kaiser) – 6.1% for 2022, decreasing to 4.0% in 2076 Medicare (Kaiser) – 5.0% for 2022, decreasing to 4.0% in 2076	Not Applicable	
Minimum Increase	4.25% Annually	Not Applicable	
Participation at Retirement	Medical Coverage: 70% if eligible for RHCAP. Otherwise, 50% if currently in District's medical plan, 0% if not.	3 years of District Service: 100% Participate	100% Participate

Change in Assumptions
For the fiscal year ended June 30, 2021 measurement period, the discount rate was decreased from 2.21 percent to 2.16 percent based on the municipal bond rate.

(14) Other Post-Employment Benefits (Continued)

Discount Rate
The discount rate used to measure the total OPEB liability was 2.16 percent which was based on the Bond Buyer 20-Bond G.O. Index.

Changes in the OPEB Liability
The changes in the OPEB liability were as follows (in thousands):

	PEMHCA	RHCAP	Death Benefit	Total
Balance at June 30, 2021	$ 18,054	$ 3,584	$ 1,731	$ 23,369
Changes Recognized for the Period:				
Service Cost	1,194	225	38	1,457
Interest	420	81	39	540
Changes in Assumptions	157	11	6	174
Benefit Payments	(493)	(288)	(20)	(801)
Net Change	1,278	29	63	1,370
Balance at June 30, 2022	$ 19,332	$ 3,613	$ 1,794	$ 24,739

Sensitivity of the OPEB Liability to Changes in the Discount Rate
The following presents the OPEB liability, calculated using a discount rate that is one percentage point lower or one percentage higher than the current rate for the measurement period ended June 30, 2021 (in thousands).

OPEB Liability	Discount Rate - 1% (1.16%)	Current Discount Rate (2.16%)	Discount Rate + 1% (3.16%)
PEMHCA	$ 22,930	$ 19,332	$ 16,501
RHCAP	3,836	3,613	3,402
Death Benefit	1,926	1,794	1,675
Total	$ 28,692	$ 24,739	$ 21,578

(14) Other Post-Employment Benefits (Continued)

Sensitivity of OPEB Liability to Changes in the Healthcare Trend Rates (Continued)
The following presents the OPEB liability, calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate for the measurement period ended June 30, 2021(in thousands).

OPEB Liability	Healthcare Trend Rates -1%	Curent Healthcare Trend Rates	Healthcare Trend Rates +1%
PEMHCA	$ 15,864	$ 19,332	$ 23,940
RHCAP	3,613	3,613	3,613
Death Benefit	1,794	1,794	1,794
Total	$ 21,271	$ 24,739	$ 29,347

Subsequent Events
There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources
Gains and losses related to changes in total OPEB liability is recognized in OPEB expense systematically over time.

The first amortized amounts are recognized in OPEB expense for the fiscal year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The amortization period differs depending on the source of the gain or loss. Straight line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active and retired) as of the beginning of the measurement period is used for each Plan.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB
For the fiscal year ended June 30, 2022, the District recognized OPEB expense of $2.6 million which consisted of $2.2 million for PEMHCA, $0.4 million for RHCAP and $0.03 million for Death Benefit.

(14) Other Post-Employment Benefits (Continued)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources				Deferred Inflows of Resources			
	PEMHCA	RHCAP	Death Benefit	Total	PEMHCA	RHCAP	Death Benefit	Total
OPEB Contributions made Subsequent to the Measurement Date	$ 535	$ 263	$ 20	$ 818	$ -	$ -	$ -	$ -
Changes in Assumptions	3,360	275	122	3,757	475	61	2	538
Difference between Expected and Actual Experience	1,341	210	-	1,551	-	-	98	98
Total	$ 5,236	$ 748	$ 142	$ 6,126	$ 475	$ 61	$ 100	$ 636

The District has $0.8 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability in the fiscal year ending June 30, 2023. The District has $4.7 million deferred outflows and deferred inflows of resources related to OPEB which will be recognized as OPEB expense as follows (in thousands):

Fiscal Year	PEMHCA	RHCAP	Death Benefit	Total
2023	$ 548	$ 45	$ (9)	$ 584
2024	548	45	17	610
2025	548	45	9	602
2026	631	45	4	680
2027	687	58	1	746
Thereafter	1,264	186	-	1,450
Total	$ 4,226	$ 424	$ 22	$ 4,672

(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. For the year ended June 30, 2022, the District's payroll covered by the plan was $107,009. The District made no employer contributions. Employees contributed $8,111 for the fiscal year ended June 30, 2022.

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 2022 is $20,500.

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. All full-time employees who have completed two years of regular, full-time service with the District, are eligible for an additional District contribution. Beginning with the first month following an employee's second anniversary date, the District will deposit to the employee's 401 (a) Plan account on a per-pay period basis an amount equal to 1% of the employee's base salary. During the fiscal year ended June 30, 2022, the District contributed $1.4 million 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 basic financial statements of the District.

(16) 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.

(16) Risk Management (Continued)

Property, Boiler and Machinery insurance is provided by the Public Risk Innovation, Solutions, and Management (PRISM) formerly the California State Association of Counties Excess Insurance Authority (CSAC-EIA). Property insurance includes flood insurance for all properties, and earthquake insurance for the District's real estate investment properties. General and excess liability coverage and workers compensation insurance are provided through participation in the PRISM program. Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Ironshore Holdings, a Liberty Mutual Company.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Excess coverage insurance policies cover individual general liability claims in excess of $100,000, property claims in excess of $25,000 and workers compensation claims in excess of $125,000.

Changes in the reported liability resulted from the following (in thousands):

Fiscal Year	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year	Due within One Year	Due in more than One Year
2021	$ 1,738	$ 184	$ (173)	$ 1,749	$ 572	$ 1,177
2022	1,749	138	(237)	1,650	572	1,078

(17) Commitments and Contingencies

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.

(18) Net Position

Net position at June 30, 2022 consisted of the following (in thousands):

Net investment in capital assets:	
Property, plant and equipment, net	$ 2,029,778
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(535,341)
Certificates of participation	(133,182)
Notes payable	(273)
Leases payable	(494)
Deferred refunding charges	1,799
Total net investment in capital assets	1,362,287
Restricted net position:	
Restricted for water services	358,341
Restricted for sewer services	391,357
Total restricted net position	749,698
Total net position	$ 2,111,985

(1) Defined Benefit Pension Plan – California Public Employees' Retirement System

(a) Schedule of Changes in the Net Pension Liability and Related Ratio (in thousands)

	Measurement Date: June 30			
	2021	2020	2019	2018
Total Pension Liability				
Service Cost	$ 6,161	$ 6,001	$ 5,498	$ 5,098
Interest	21,815	20,700	19,651	18,570
Changes of Assumptions	-	-	-	(1,605)
Difference between Expected and Actual Experience	1,990	1,509	2,535	(235)
Benefit Payments, Including Refunds of Employee Contributions	(13,708)	(12,655)	(11,807)	(10,770)
Net Change in Total Pension Liability	16,258	15,555	15,877	11,058
Total Pension Liability – Beginning	306,889	291,334	275,457	264,399
Total Pension Liability – Ending (a)	$ 323,147	$ 306,889	$ 291,334	$ 275,457
Plan Fiduciary Net Position				
Contributions – Employer	$ 9,569	$ 8,430	$ 7,185	$ 6,157
Contributions – Employees	2,855	2,741	2,511	2,401
Net Investment Income	52,638	11,115	13,809	16,707
Benefit Payments, Including Refunds of Employee Contributions	(13,708)	(12,655)	(11,807)	(10,770)
Administrative Expense	(232)	(314)	(151)	(308)
Other Miscellaneous Income / (Expense) (1)	-	-	-	(585)
Net Change in Fiduciary Net Position	51,122	9,317	11,547	13,602
Plan Fiduciary Net Position – Beginning (2)	232,184	222,867	211,320	197,718
Plan Fiduciary Net Position – Ending (b)	$ 283,306	$ 232,184	$ 222,867	$ 211,320
Plan Net Pension Liability – Ending (a) - (b)	$ 39,841	$ 74,705	$ 68,467	$ 64,137
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.67%	75.66%	76.50%	76.72%
Covered Payroll	$ 38,702	$ 37,389	$ 33,758	$ 32,213
Plan Net Pension Liability as a Percentage of Covered Payroll	102.94%	199.80%	202.82%	199.10%

(1) Defined Benefit Pension Plan – California Public Employees' Retirement System (Continued)

(a) Schedule of Changes in the Net Pension Liability and Related Ratio (in thousands) (Continued)

	Measurement Date: June 30			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 4,825	$ 4,066	$ 4,005	$ 3,942
Interest	17,806	17,092	16,343	15,436
Changes of Assumptions	15,182	-	(4,127)	-
Difference between Expected and Actual Experience	(1,702)	(1,856)	530	-
Benefit Payments, Including Refunds of Employee Contributions	(9,721)	(9,089)	(8,365)	(7,631)
Net Change in Total Pension Liability	26,390	10,213	8,386	11,747
Total Pension Liability – Beginning	238,009	227,796	219,410	207,663
Total Pension Liability – Ending (a)	$ 264,399	$ 238,009	$ 227,796	$ 219,410
Plan Fiduciary Net Position				
Contributions – Employer	$ 5,450	$ 4,926	$ 4,524	$ 4,330
Contributions – Employees	2,280	2,519	2,170	2,712
Net Investment Income	20,205	946	4,049	26,787
Benefit Payments, Including Refunds of Employee Contributions	(9,721)	(9,089)	(8,365)	(7,632)
Administrative Expense	(265)	(110)	(208)	-
Other Miscellaneous Income / (Expense) [1]	-	-	-	-
Net Change in Fiduciary Net Position	17,949	(808)	2,170	26,197
Plan Fiduciary Net Position – Beginning [2]	179,769	180,577	178,407	152,210
Plan Fiduciary Net Position – Ending (b)	$ 197,718	$ 179,769	$ 180,577	$ 178,407
Plan Net Pension Liability – Ending (a) - (b)	$ 66,681	$ 58,240	$ 47,219	$ 41,003
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.78%	75.53%	79.27%	81.31%
Covered Payroll	$ 30,823	$ 28,802	$ 27,596	$ 26,264
Plan Net Pension Liability as a Percentage of Covered Payroll	216.33%	202.21%	171.11%	156.12%

(1) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Post-employment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

(2) Includes any beginning of year adjustment.

(1) Defined Benefit Pension Plan – California Public Employees' Retirement System (Continued)

(a) Schedule of Changes in the Net Pension Liability and Related Ratio (in thousands) (Continued)

Notes to Schedule of Changes in the Net Pension Liability and Related Ratio
Benefit Changes: The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: None in 2019 to 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

(b) Schedule of Contributions (in thousands)

	Fiscal Year Ended June 30 [(1)]							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution [(2)]	$ 10,467	$ 9,569	$ 8,430	$ 7,185	$ 6,157	$ 5,450	$ 4,926	$ 4,524
Contributions in Relation to the Actuarially Determined Contribution [(2)]	(10,467)	(9,569)	(8,430)	(7,185)	(6,157)	(5,450)	(4,926)	(4,524)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 39,655	$ 38,702	$ 37,389	$ 33,758	$ 32,213	$ 30,823	$ 28,802	$ 27,596
Contributions as a Percentage of Covered Payroll	26.40%	24.72%	22.55%	21.28%	19.11%	17.68%	17.10%	16.39%

(1) Historical information is required only for measurement periods from which GASB 68 is applicable. Fiscal Year 2015 was the first year of GASB 68 implementation.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

(1) Defined Benefit Pension Plan – California Public Employees' Retirement System (Continued)

(b) Schedule of Contributions (in thousands) (Continued)

Notes to Schedule of Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2022 were from the June 30, 2019 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Fair Value of Assets
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries.

Changes in Assumptions: On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2021-22 were calculated using a discount rate of 7.00 percent.

Subsequent Event: The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on Unfunded Accrued Liability (UAL) bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

(2) Other Post-Employment Benefits

Schedule of Changes in the OPEB Liability and Related Ratio (in thousands)[1]

PEMHCA					
Measurement Date: June 30	2021	2020	2019	2018	2017
Service Cost	$ 1,194	$ 671	$ 594	$ 472	$ 549
Interest	420	484	479	364	310
Changes of Assumptions	157	2,957	727	682	(1,173)
Difference between Expected and Actual Experience	-	1,005	-	951	-
Benefit Payments	(493)	(467)	(377)	(343)	(304)
Net Change in Total OPEB Liability	1,278	4,650	1,423	2,126	(618)
Total OPEB Liability – Beginning	18,054	13,404	11,981	9,855	10,473
Total OPEB Liability – Ending	$ 19,332	$ 18,054	$ 13,404	$ 11,981	$ 9,855
Covered Employee Payroll	$ 42,831	$ 42,190	$ 37,226	$ 35,629	$ 30,823
OPEB Liability as a Percentage of Covered Employee Payroll	45.14%	42.79%	36.01%	33.63%	31.97%

RHCAP					
Measurement Date: June 30	2021	2020	2019	2018	2017
Service Cost	$ 225	$ 176	$ 161	$ 148	$ 161
Interest	81	113	125	112	94
Changes of Assumptions	11	263	69	1	(136)
Difference between Expected and Actual Experience	-	164	-	125	-
Benefit Payments	(288)	(361)	(332)	(306)	(286)
Net Change in Total OPEB Liability	29	355	23	80	(167)
Total OPEB Liability – Beginning	3,584	3,229	3,206	3,126	3,293
Total OPEB Liability – Ending	$ 3,613	$ 3,584	$ 3,229	$ 3,206	$ 3,126
Covered Employee Payroll	$ 42,795	$ 41,634	$ 36,529	$ 35,629	$ 30,823
OPEB Liability as a Percentage of Covered Employee Payroll	8.44%	8.61%	8.84%	9.00%	10.14%

(2) Other Post-Employment Benefits (Continued)

Schedule of Changes in the OPEB Liability and Related Ratio (in thousands)[1] (Continued)

Death Benefit					
Measurement Date: June 30	2021	2020	2019	2018	2017
Service Cost	$ 38	$ 29	$ 27	$ 28	$ 32
Interest	39	57	58	58	47
Changes of Assumptions	6	160	41	(10)	(92)
Difference between Expected and Actual Experience	-	(116)	-	(168)	-
Benefit Payments	(20)	-	(10)	(20)	(10)
Net Change in Total OPEB Liability	63	130	116	(112)	(23)
Total OPEB Liability – Beginning	1,731	1,601	1,485	1,597	1,620
Total OPEB Liability – Ending	$ 1,794	$ 1,731	$ 1,601	$ 1,485	$ 1,597
Covered Employee Payroll	$ 16,053	$ 18,712	$ 18,455	$ 19,775	$ 16,028
OPEB Liability as a Percentage of Covered Employee Payroll	11.18%	9.25%	8.68%	7.51%	9.96%

(1) Historical information is required only for measurement periods from which GASB 75 is applicable. Fiscal Year 2018 was the first year of GASB 75 implementation.

Notes to Schedule of Changes in the OPEB Liability and Related Ratio

Changes of Assumptions: For the fiscal year ended June 30, 2021 measurement period, the discount rate was decreased from 2.21 percent to 2.16 percent based on municipal bond rate.

For the fiscal year ended June 30, 2020 measurement period, the discount rate was decreased from 3.50 percent to 2.21 percent based on municipal bond rate. Mortality improvement scale was updated to Scale MP-2020. ACA Excise Tax was removed due to repeal of the law in December 2019.

For the fiscal year ended June 30, 2019 measurement period, the discount rate was decreased from 3.87 percent to 3.50 percent based on municipal bond rate.

(2) Other Post-Employment Benefits (Continued)

Schedule of Changes in the OPEB Liability and Related Ratio (in thousands)[1] (Continued)

Notes to Schedule of Changes in the OPEB Liability and Related Ratio (Continued)

For the fiscal year ended June 30, 2018 measurement period, the changes of assumptions were as follows:

<table>
<tr><th>PEMHCA</th><th>RHCAP</th><th>Death Benefit</th></tr>
<tr><td colspan="3">Discount rate was increased from 3.58% to 3.87% based on municipal bond rate as of the measurement date.</td></tr>
<tr><td colspan="3">Demographic assumptions were updated to CalPERS 1997-2015 Experience Study.</td></tr>
<tr><td colspan="3">Mortality improvement scale was updated to Scale MP-2018.</td></tr>
<tr><td>Medical claims costs were developed by Axene Health Partners based on demographic data for the CalPERS health plans provided by CalPERS and Axene's proprietary AHP Cost Model.</td><td colspan="2">Not Applicable</td></tr>
<tr><td>Short term medical trend was developed in consultation with Axene Health Partners' healthcare actuaries. Long-term medical trend developed using the Society of Actuaries Getzen Model of Long-Run Medical Cost Trends.</td><td colspan="2">Not Applicable</td></tr>
<tr><td>Participation at retirement for medical coverage was updated to 70% if eligible for RHCAP.</td><td colspan="2">Not Applicable</td></tr>
<tr><td>A 2% load on the cash liability was added to estimate the ACA Excise Tax.</td><td colspan="2">Not Applicable</td></tr>
</table>

For the fiscal year ended June 30, 2017 measurement period, the discount rate increased from 2.85 percent to 3.58 percent.

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Statistical Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2022

This section of the Irvine Ranch Water District's Annual Comprehensive 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
Changes in Net Position

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 schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

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
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
Source of Supply and Demand in Acre Feet
Capital Asset Statistics
Full-Time Employees

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)

	Fiscal Year				
	2013 (1)	2014 (1)	2015 (2)	2016 (3)	2017 (4)
Assets					
Current and other assets	$ 1,128.2	$ 462.7	$ 332.9	$ 456.6	$ 735.1
Capital assets	1,506.1	1,567.5	1,647.4	1,731.6	1,848.3
Total assets	2,634.3	2,030.2	1,980.3	2,188.2	2,583.4
Deferred Outflows of Resources	47.3	37.7	43.3	49.7	61.6
Liabilities					
Current and other liabilities	672.7	54.9	51.5	65.4	78.5
Long-term liabilities	647.7	623.4	602.8	589.8	790.9
Total liabilities	1,320.4	678.3	654.3	655.2	869.4
Deferred Inflows of Resources	-	-	14.6	4.4	3.6
Net Position					
Net investment in capital assets	918.1	981.3	1,074.6	1,178.5	1,087.9
Restricted for water services	185.4	165.1	148.6	221.5	264.3
Restricted for sewer services	257.7	243.2	131.5	178.3	419.8
Total net position	$ 1,361.2	$ 1,389.6	$ 1,354.7	$ 1,578.3	$ 1,772.0

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)
(Continued)

	Fiscal Year				
	2018 [5]	2019	2020	2021	2022
Assets					
Current and other assets	$ 797.4	$ 803.8	$ 828.7	$ 869.0	$ 882.3
Capital assets	1,890.8	1,958.7	1,987.8	2,023.8	2,029.8
Total assets	2,688.2	2,762.5	2,816.5	2,892.8	2,912.1
Deferred Outflows of Resources	41.7	41.2	47.6	44.9	32.1
Liabilities					
Current and other liabilities	52.5	53.8	56.0	64.4	69.9
Long-term liabilities	831.7	817.4	812.4	797.4	732.8
Total liabilities	884.2	871.2	868.4	861.8	802.7
Deferred Inflows of Resources	4.8	4.5	3.9	1.7	29.5
Net Position					
Net investment in capital assets	1,155.5	1,238.8	1,283.8	1,336.7	1,362.3
Restricted for water services	289.5	313.0	350.0	384.0	358.3
Restricted for sewer services	395.9	376.2	358.0	353.5	391.4
Total net position	$ 1,840.9	$ 1,928.0	$ 1,991.8	$ 2,074.2	$ 2,112.0

Source: Irvine Ranch Water District Basic Financial Statements

Notes:

(1) The District implemented GASB Statement No. 65 for the fiscal year ended June 30, 2014 and restated the financial statements for the fiscal year ended June 30, 2013.

(2) The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

(3) The District implemented GASB Statement No. 72 for the fiscal year ended June 30, 2016. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

(4) The prior period adjustment for the fiscal year ended June 30, 2017 was related to the reclassification of certain assets from capital assets to real estate investments. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

(5) The District implemented GASB Implmentation Guide No. 2017-1 and GASB Statement No. 75 for the fiscal year ended June 30, 2018. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

Irvine Ranch Water District

Changes in Net Position
For the Past Ten Fiscal Years

(in millions)

	Fiscal Year				
	2013	2014	2015 (1)	2016 (2)	2017 (3)
Operating Revenues					
Water sales and service charges	$ 62.6	$ 66.3	$ 70.1	$ 76.7	$ 77.2
Sewer sales and service charges	53.1	58.1	62.8	67.7	72.1
Total operating revenues	115.7	124.4	132.9	144.4	149.3
Operating Expenses					
Water services expenses	65.8	71.3	67.3	69.3	71.2
Sewer services expenses	46.2	46.3	60.4	48.1	51.8
Depreciation	47.5	46.8	51.0	58.3	61.8
Total operating expenses	159.5	164.4	178.7	175.7	184.8
Operating income (loss)	(43.8)	(40.0)	(45.8)	(31.3)	(35.5)
Nonoperating Revenues (Expenses)					
Property taxes	41.1	42.8	40.2	46.3	51.3
Investment income	0.2	1.0	1.2	1.2	2.8
Increase (decrease) in fair value of investments	(29.1)	(16.2)	-	-	(1.6)
JPA investment income	49.1	29.5	-	-	-
Real estate income	10.8	11.9	12.5	13.1	13.4
Increase (decrease) in fair value of real estate investments	-	-	-	5.6	10.1
Pension benefits trust interest and dividends income	-	-	-	-	-
Increase (decrease) in fair value of pension benefits trust investments	-	-	-	-	-
Other income	8.3	11.0	10.1	7.8	7.1
Interest expense	(16.8)	(15.8)	(13.9)	(15.4)	(18.8)
JPA interest expense	(28.9)	(17.2)	-	-	-
Real estate expense	(6.0)	(6.1)	(6.3)	(4.4)	(4.4)
Pension benefits trust expense	-	-	-	-	-
Other expenses	(6.1)	(7.2)	(9.7)	(2.8)	(1.9)
Total nonoperating revenue (expenses)	22.6	33.7	34.1	51.4	58.0
Income (loss) before capital contributions	(21.2)	(6.3)	(11.7)	20.1	22.5
Contributed capital assets	34.4	34.7	42.6	53.3	41.9
Increase (decrease) in net position	13.2	28.4	30.9	73.4	64.4
Net position at beginning of year	1,348.0	1,361.2	1,389.6	1,354.7	1,578.3
Prior period adjustments	-	-	(65.8)	150.2	129.3
Net position at end of year	$ 1,361.2	$ 1,389.6	$ 1,354.7	$ 1,578.3	$ 1,772.0

Irvine Ranch Water District

Changes in Net Position
For the Past Ten Fiscal Years

(in millions)
(Continued)

	Fiscal Year				
	2018 (4)	2019	2020	2021	2022
Operating Revenues					
Water sales and service charges	$ 84.6	$ 94.1	$ 90.2	$ 96.6	$ 103.3
Sewer sales and service charges	76.8	76.8	77.2	82.2	84.9
Total operating revenues	161.4	170.9	167.4	178.8	188.2
Operating Expenses					
Water services expenses	82.5	83.9	89.4	101.6	106.4
Sewer services expenses	52.1	59.5	66.6	71.0	64.9
Depreciation	63.9	64.8	67.6	68.0	79.0
Total operating expenses	198.5	208.2	223.6	240.6	250.3
Operating income (loss)	(37.1)	(37.3)	(56.2)	(61.8)	(62.1)
Nonoperating Revenues (Expenses)					
Property taxes	57.2	63.1	66.4	67.7	70.8
Investment income	4.1	6.2	7.8	5.3	(0.8)
Increase (decrease) in fair value of investments	(1.6)	5.2	2.3	(4.6)	(3.8)
JPA investment income	-	-	-	-	-
Real estate income	16.7	17.8	18.2	15.4	16.4
Increase (decrease) in fair value of real estate investments	4.1	6.1	0.6	25.7	7.6
Pension benefits trust interest and dividends income	3.0	2.1	3.3	4.4	5.0
Increase (decrease) in fair value of pension benefits trust investments	2.2	3.2	1.5	20.5	(18.0)
Other income	7.4	8.9	6.6	6.3	6.5
Interest expense	(26.0)	(25.5)	(22.2)	(20.8)	(20.7)
JPA interest expense	-	-	-	-	-
Real estate expense	(13.3)	(9.4)	(5.6)	(5.6)	(6.6)
Pension benefits trust expense	-	(0.1)	(0.1)	(0.1)	-
Other expenses	(0.2)	(2.6)	(5.2)	(1.4)	(2.8)
Total nonoperating revenue (expenses)	53.6	75.0	73.6	112.8	53.6
Income (loss) before capital contributions	16.5	37.7	17.4	51.0	(8.5)
Contributed capital assets	60.6	49.4	46.4	31.4	46.3
Increase (decrease) in net position	77.1	87.1	63.8	82.4	37.8
Net position at beginning of year	1,772.0	1,840.9	1,928.0	1,991.8	2,074.2
Prior period adjustments	(8.2)	-	-	-	-
Net position at end of year	$ 1,840.9	$ 1,928.0	$ 1,991.8	$ 2,074.2	$ 2,112.0

Source: IRWD Basic Financial Statements

Notes:

(1) The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

(2) The District implemented GASB Statement No 72 for the fiscal years ended June 30, 2016 and 2017. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

(3) The prior period adjustment for the fiscal year ended June 30, 2017 was related to the reclassification of certain assets from capital assets to real estate investments. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

(4) The District implemented GASB Implmentation Guide No. 2017-1 and GASB Statement No. 75 for the fiscal year ended June 30, 2018. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

Irvine Ranch Water District

Water Sold By Type of Customer (in Acre Feet)

For the Past Ten Fiscal Years

	Fiscal Year				
	2013	2014	2015	2016	2017
Residential	33,166	34,068	32,375	28,573	30,384
Commercial	8,353	8,803	8,391	8,377	8,179
Industrial	4,783	4,891	6,233	5,118	5,084
Public Authority	2,458	2,458	2,583	2,234	2,282
Construction & Temporary	378	739	863	1,230	874
Landscape	5,316	5,671	5,327	3,843	4,126
Agricultural	2,749	3,277	2,547	2,216	1,856
Landscape/Agricultural	28,259	30,021	32,139	26,386	26,374
Total	85,462	89,928	90,458	77,977	79,159

	Fiscal Year				
	2018	2019	2020	2021	2022
Residential	32,848	31,642	33,073	35,851	34,787
Commercial	8,769	8,624	7,818	7,744	7,871
Industrial	4,923	4,831	4,636	4,819	4,931
Public Authority	2,633	2,369	1,972	1,617	1,857
Construction & Temporary	1,292	542	480	543	688
Landscape	4,740	4,065	4,229	5,014	4,949
Agricultural	1,839	1,114	1,013	471	399
Landscape/Agricultural	29,736	26,153	29,659	31,042	30,298
Total	86,780	79,340	82,880	87,101	85,780

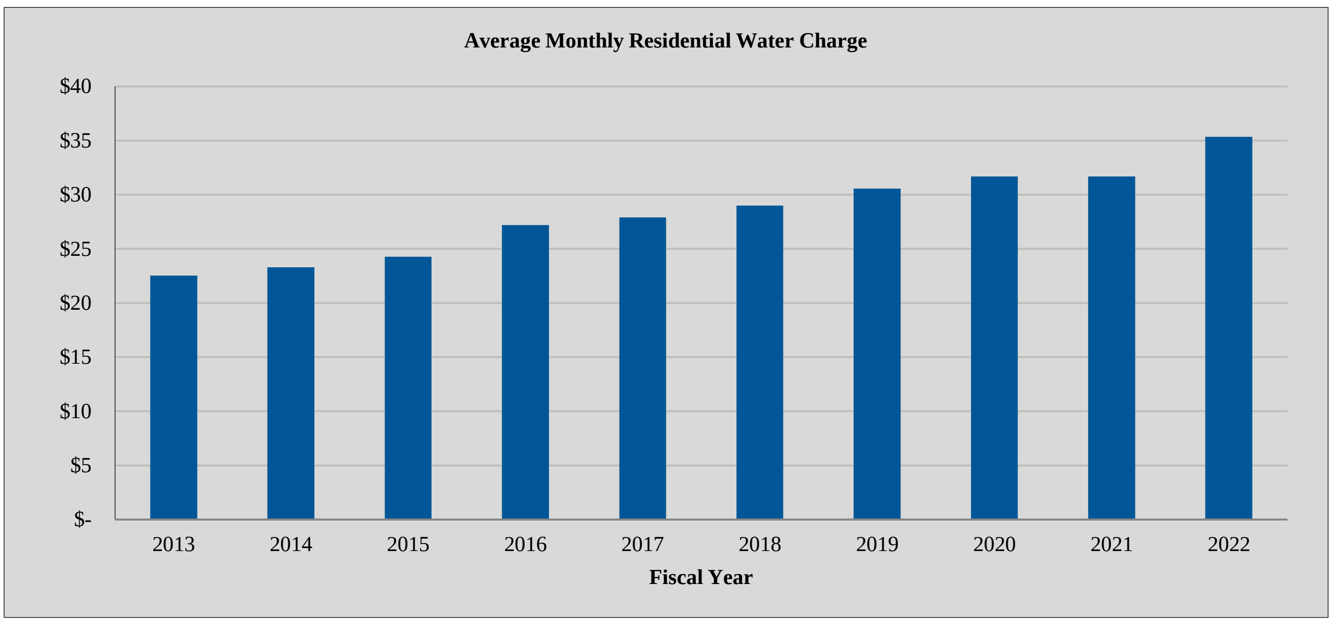
Source: Irvine Ranch Water District

Irvine Ranch Water District

Water Rates [1]

For the Past Ten Fiscal Years

Fiscal Year	Fixed Service Charge	Base Commodity Rate (per ccf)	Average Monthly Residential Charge
2013	$ 9.30	$ 1.24	$ 22.53
2014	9.85	1.27	23.29
2015	10.50	1.34	24.28
2016	10.30	1.62	27.19
2017	10.30	1.65	27.90
2018	10.30	1.70	29.00
2019	10.35	1.89	30.58
2020	10.35	2.00	31.70
2021	10.35	2.00	31.70
2022 [2]	10.75	2.42	35.34



Source: Irvine Ranch Water District

Note:

[1] The water charge to the typical residential customer is based upon an average of 12 ccf per month. The first 5 ccf are at the District's low volume rate, which is $0.53 less than the commodity base rate in FY 2021. The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.

[2] Rates increased effective February 1, 2022.

Irvine Ranch Water District

Largest Water Customers

Current Year and Nine Years Ago

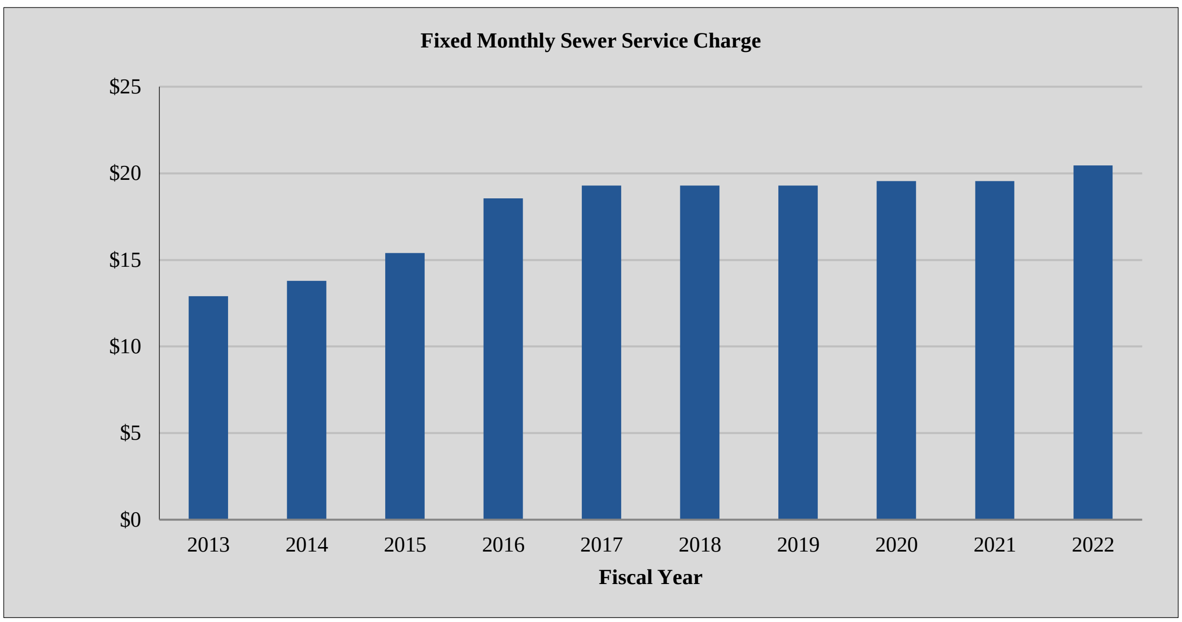
Customer Name	2022 Total Sales	2022 Rank	2022 Percentage of Water Sales Revenues	2013 Total Sales	2013 Rank	2013 Percentage of Water Sales Revenues
The Irvine Company	$ 8,756,868	1	8.48%	$ 2,484,698	1	3.97%
University of California - Irvine	1,521,168	2	1.47%	1,171,157	2	1.87%
Jazz Semiconductor	1,517,105	3	1.47%	737,679	3	1.18%
B Braun Medical, Inc	1,315,457	4	1.27%	557,710	4	0.89%
Woodbridge Village Association	578,997	5	0.56%	332,257	5	0.53%
City of Irvine	516,681	6	0.50%	277,852	6	0.44%
Allergan Sales, LLC	361,968	7	0.35%	228,426	8	0.37%
City of Lake Forest	330,362	8	0.32%			
Irvine Unified School District	316,326	9	0.31%	212,041	10	0.34%
ERP Operating LP	314,934	10	0.30%	231,458	7	0.37%
County of Orange				216,615	9	0.35%
Total	$ 15,529,866		15.03%	$ 6,449,893		10.31%

Source: Irvine Ranch Water District

Irvine Ranch Water District

Sewer Rates[1]
For the Past Ten Fiscal Years

Fiscal Year	Fixed Monthly Service Charge
2013	$ 12.90
2014	13.80
2015	15.40
2016	18.55
2017	19.30
2018	19.30
2019	19.30
2020	19.55
2021	19.55
2022 [2]	20.45



Source: Irvine Ranch Water District

Note:

(1) The fixed monthly sewer service charge is based on a typical residential customer's water usage for the lowest three months in the prior calendar year. The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.

(2) Rate increase effective February 1, 2022.

Irvine Ranch Water District

Largest Sewer Customers

Current Year and Nine Years Ago

Customer Name	2022 Total Sales	2022 Rank	2022 Percentage of Sewer Sales Revenues	2013 Total Sales	2013 Rank	2013 Percentage of Sewer Sales Revenues
The Irvine Company	$ 13,597,039	1	16.01%	$ 3,143,384	1	5.92%
City of Irvine	3,167,115	2	3.73%	1,707,500	2	3.22%
University of California - Irvine	2,721,255	3	3.20%	1,676,987	3	3.16%
B Braun Medical, Inc	828,294	4	0.97%	505,642	5	0.95%
Irvine Unified School District	747,467	5	0.88%	469,651	6	0.88%
City of Tustin	432,974	6	0.51%			
ERP Operating, LP	366,499	7	0.43%			
Crystal Cove Community Assn	356,475	8	0.42%	277,456	9	0.52%
Baker Ranch Community Assn	355,436	9	0.42%			
Great Park Neighborhoods Community Assn	351,769	10	0.41%			
Caltrans District 12				1,078,792	4	2.03%
Allergan Sales, LLC				288,928	7	0.54%
Royalty Carpet Mills				278,100	8	0.52%
The Park at Spectrum Apartments				266,468	10	0.50%
Total	$ 22,924,323		26.98%	$ 9,692,908		18.24%

Source: Irvine Ranch Water District

Irvine Ranch Water District

Ad Valorem Property Tax Rates[1]
For the Past Ten Fiscal Years

Improvement District	Fiscal Year 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
112	$0.03168	$0.03168	$0.03000	$0.03000	$0.03000	$0.03000	$0.03000	$0.03000	$0.01560	$0.01100
113	0.05940	0.05940	0.03000	0.03000	0.04000	0.04000	0.04000	0.04000	0.04000	0.04000
121	0.01311	0.01311	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
125	N/A	N/A	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300
130	0.00680	0.00680	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
135	0.00421	0.00421	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
140	0.01000	0.01000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
150	0.01980	0.01980	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
153	N/A	N/A	0.00001	0.00001	0.00001	0.02000	0.02000	0.02000	0.00900	0.00900
161	0.01758	0.01758	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
182	0.02700	0.02700	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
184	0.01350	0.01350	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
185	N/A	N/A	0.00001	0.00001	0.00001	0.02300	0.02300	0.02300	0.00810	0.00810
186	0.04787	0.04787	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
188	0.21540	0.21540	0.21540	0.21540	0.21540	0.07350	0.07350	0.07350	0.03090	0.03090
212	0.07452	0.07452	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04860	0.03650
213	0.08720	0.08720	0 .03800	0 .03800	0.05900	0.05900	0.05900	0.05900	0.05900	0.05900
221	0.01700	0.01700	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
225	N/A	N/A	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
230	0.02200	0.02200	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
235	0.00266	0.00266	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
240	0.02140	0.02140	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
250	0.03600	0.03600	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
252	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001
253	N/A	N/A	0.00001	0.00001	0.00001	0.02100	0.02100	0.02100	0.01300	0.01300
261	0.02830	0.02830	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
282	0.01890	0.01890	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
284	0.03239	0.03239	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
285	N/A	N/A	0.00001	0.00001	0.00001	0.03050	0.03050	0.03050	0.01370	0.01370
286	0.00201	0.00201	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
288	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.00850	0.00850

Source: Irvine Ranch Water District

Note:

(1) The ad valorem property tax rates for the consolidated improvement district are effective July 1, 2014.

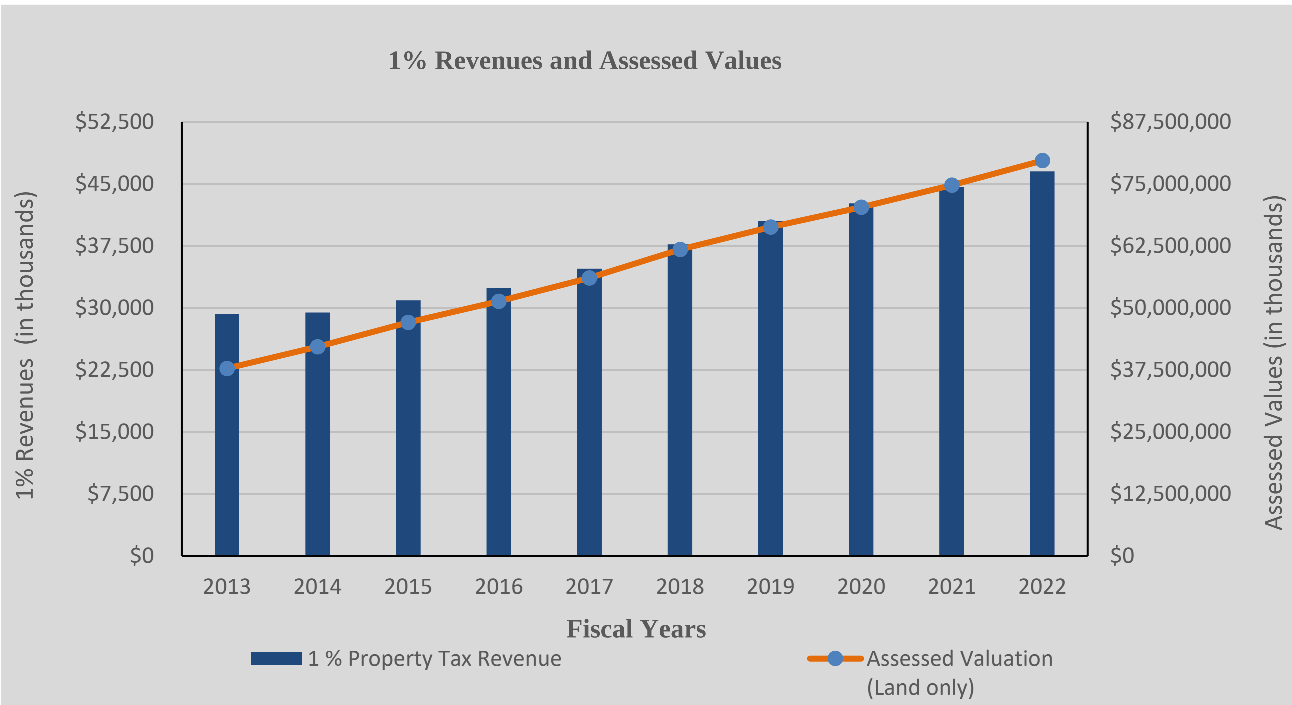
Irvine Ranch Water District

Assessed Valuation and Estimated Actual Value of Taxable Property and 1% Property Tax Revenue

For the Past Ten Fiscal Years

(in thousands)

Fiscal Year	Assessed Valuation (Land only)	1 % Property Tax Revenue
2013	$ 37,809,660	$ 29,265
2014	42,205,844	29,445
2015	47,059,437	30,924
2016	51,340,888	32,427
2017	56,028,731	34,761
2018	61,803,980	37,693
2019	66,341,210	40,543
2020	70,305,737	42,669
2021	74,770,230	44,621
2022	79,714,452	46,530



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

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.

Irvine Ranch Water District

Direct and Overlapping Property Tax Rates
Fiscal Year Ended June 30, 2022

Direct Rate:	
Irvine Ranch Water District I.D. No. 112	$0.01100
Irvine Ranch Water District I.D. No. 113	0.04000
Irvine Ranch Water District I.D. No. 125	0.01300
Irvine Ranch Water District I.D. No. 153	0.00900
Irvine Ranch Water District I.D. No. 185	0.00810
Irvine Ranch Water District I.D. No. 188	0.03090
Irvine Ranch Water District I.D. No. 212	0.03650
Irvine Ranch Water District I.D. No. 213	0.05900
Irvine Ranch Water District I.D. No. 225	0.01500
Irvine Ranch Water District I.D. No. 240	0.01500
Irvine Ranch Water District I.D. No. 252	0.00001
Irvine Ranch Water District I.D. No. 253	0.01300
Irvine Ranch Water District I.D. No. 285	0.01370
Irvine Ranch Water District I.D. No. 288	0.00850
Overlapping Rates:	
School Districts:	
Coast Community College District	0.03119
Rancho Santiago Community College District	0.02652
Rancho Santiago Community College District SFID 1	0.01637
Irvine Unified School District SFID No. 1	0.02310
Laguna Beach Unified School District	0.01018
Newport Mesa Unified School District	0.01744
Orange Unified School District	0.01656
Saddleback Valley Unified School District	0.02200
Santa Ana Unified School District	0.06858
Tustin Unified School District SFID 2002-1	0.02232
Tustin Unified School District SFID 2008-1	0.02738
Tustin Unified School District SFID 2012-1	0.01553

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District

Principal Property Taxpayers

Fiscal Year Ended June 30, 2022

Property Owner's Name	Assessed Valuation of Property, including Land & Improvements	Percentage of Total City Taxable Assessed Value
The Irvine Company	$ 2,419,660,965	2.69%
Allergan USA Inc	550,580,306	0.61%
B Braun Medical Inc	501,255,286	0.56%
Irvine Apartment Communities LP	456,189,502	0.51%
Edwards Lifesciences LLC	445,757,434	0.50%
Jamboree Center LLC	429,074,492	0.48%
Irvine Office Towers 1 LLC	411,378,358	0.46%
Park Place Michelson LLC	379,526,915	0.42%
Park I/II Spectrum LLC	369,674,876	0.41%
LBA IV-PPI LLC	364,338,446	0.41%
	$ 6,327,436,580	**7.03%**

Source: City of Irvine Annual Comprehensive Financial Report
(Fiscal Year Ended June 30, 2021).
Data was not yet available for FY 2021/22 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	Levied During Fiscal Year: 1 Percent [1]	Levied During Fiscal Year: General Obligation [2]	Collected During Fiscal Year: 1 Percent	Collected During Fiscal Year: General Obligation [3]
2013	$ 26,749,900	$ 10,733,998	$ 29,265,283	$ 11,802,915
2014	26,749,900	11,374,556	27,606,048	12,463,175
2015	29,000,000	9,203,641	28,668,756	9,585,904
2016	31,900,000	11,133,538	31,115,506	10,879,713
2017	33,500,000	11,679,081	33,318,168	12,822,313
2018	35,000,000	13,964,731	35,977,694	15,482,916
2019	39,000,000	16,142,433	38,717,848	17,906,438
2020	45,000,000	18,480,090	40,739,166	19,603,125
2021	46,000,000	18,367,833	42,670,804	18,868,884
2022	50,000,000	18,933,891	47,107,934	16,600,820
Total	$ 362,899,800	$ 140,013,792	$ 355,187,207	$ 146,016,203

Fiscal Year	Percentage Collected: 1 Percent	Percentage Collected: General Obligation	Amount of Levy Collected in Subsequent Periods: 1 Percent	Amount of Levy Collected in Subsequent Periods: General Obligation
2013	109.40%	109.96%	$ 989,396	$ 438,947
2014	103.20%	109.57%	1,148,873	988,796
2015	98.86%	104.15%	2,275,461	4,888
2016	97.54%	97.72%	1,192,700	884,301
2017	99.46%	109.79%	1,230,854	1,443,272
2018	102.79%	110.87%	1,542,713	1,635,416
2019	99.28%	110.93%	1,510,697	1,911,630
2020	90.53%	106.08%	1,749,765	1,515,136
2021	92.76%	102.73%	2,072,539	1,183,562
2022	94.22%	87.68%	2,254,923	989,922
Total			$ 15,967,921	$ 10,995,870

Source: County of Orange Tax Ledger

Notes:

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

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

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

Irvine Ranch Water District

Outstanding Debt by Type [1]

For the Past Ten Fiscal Years

Fiscal Year	Total Service Connections [2]	General Obligation Bonds [3]	GO Debt per Connection	Certificates of Participation	COPS Debt per Connection
2013	196,596	$ 534,343,000	$ 2,718	$ 78,698,000	$ 400
2014	200,559	515,900,000	2,572	73,565,000	367
2015	203,762	503,800,000	2,472	67,293,000	330
2016	209,267	491,200,000	2,347	60,387,000	289
2017	215,573	608,118,000	2,821	153,626,000	713
2018	222,918	586,493,000	2,631	150,275,000	674
2019	227,749	574,669,000	2,523	146,744,000	644
2020	231,439	562,645,000	2,431	143,028,000	618
2021	235,819	550,421,000	2,334	138,233,000	586
2022	239,735	535,341,000	2,233	133,182,000	556

Irvine Ranch Water District

Outstanding Debt by Type [1]

For the Past Ten Fiscal Years

(Continued)

Fiscal Year	JPA Revenue Bonds	JPA Debt per Connection	Notes Payable	Notes Payable per Connection	Total Debt	Total Debt per Connection
2013	$ 610,568,000	$ 3,106	$ 2,240,000	$ 11	$ 1,225,849,000	$ 6,235
2014	-	-	1,984,000	10	591,449,000	2,949
2015	-	-	1,728,000	8	572,821,000	2,811
2016	-	-	1,469,000	7	553,056,000	2,643
2017	-	-	1,209,000	6	762,953,000	3,539
2018	-	-	947,000	4	737,715,000	3,309
2019	-	-	684,000	3	722,097,000	3,171
2020	-	-	419,000	2	706,092,000	3,051
2021	-	-	347,000	1	689,001,000	2,922
2022	-	-	273,000	1	668,796,000	2,790

Source: Irvine Ranch Water District

Notes:

(1) More detail about the District's long-term liabilities can be found in Note 10 to the Basic Financial Statements.

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

(3) Includes unamortized discount/deferred loss on refunding for the fiscal year 2013.

Irvine Ranch Water District

Outstanding General Obligation Bonds by Improvement District
As of June 30, 2022

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2022
112	$ 28,512,300	$ 8,111,000	$ 20,401,300	$ 7,152,000
113	25,769,500	16,300,000	9,469,500	13,409,000
125	735,246,000	429,729,000	305,517,000	169,762,000
153	237,300,000	7,601,000	229,699,000	7,443,000
154	4,839,000	-	4,839,000	-
185	13,500,000	1,493,000	12,007,000	1,462,000
188	8,174,000	4,590,000	3,584,000	1,569,000
Total	$ 1,053,340,800	$ 467,824,000	$ 585,516,800	$ 200,797,000
210	$ 2,000,000	$ 2,000,000	$ -	$ -
212	108,711,800	26,013,000	82,698,800	23,368,000
213	87,647,500	28,565,000	59,082,500	21,383,000
225	856,643,000	493,304,000	363,339,000	239,979,000
240	117,273,000	49,722,000	67,551,000	14,277,000
253	122,283,000	11,877,000	110,406,000	11,630,000
285	21,300,000	1,809,000	19,491,000	1,771,000
288	8,977,000	443,000	8,534,000	340,000
Total	$ 1,324,835,300	$ 613,733,000	$ 711,102,300	$ 312,748,000
Total	$ 2,378,176,100	$ 1,081,557,000	$ 1,296,619,100	$ 513,545,000

Source: Irvine Ranch Water District

Irvine Ranch Water District

Ratio of General Obligation Debt to Assessed Values (1)
for the Past Ten Fiscal Years

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 112				**Improvement District 212**			
2013	$ 511,871,892	$ 5,653,500	0.01104476	**2013**	$ 511,871,892	$ 15,461,500	0.03020580
2014	780,606,904	5,562,000	0.00712523	**2014**	780,606,904	15,218,000	0.01949509
2015	1,333,029,836	5,470,000	0.00410343	**2015**	1,333,029,836	14,974,000	0.01123306
2016	1,850,638,433	5,378,000	0.00290602	**2016**	1,850,638,433	14,731,000	0.00795996
2017	2,077,681,111	7,658,000	0.00368584	**2017**	2,077,681,111	24,801,000	0.01193687
2018	2,795,881,726	7,567,000	0.00270648	**2018**	2,795,881,726	24,558,000	0.00878363
2019	3,230,805,159	7,476,000	0.00231397	**2019**	3,230,805,159	24,314,000	0.00752568
2020	3,706,557,300	7,384,000	0.00199227	**2020**	3,706,557,300	24,070,000	0.00649398
2021	3,874,872,238	7,293,000	0.00188213	**2021**	3,874,872,238	23,827,000	0.00614911
2022	4,552,071,395	7,152,000	0.00157115	**2022**	4,552,071,395	23,368,000	0.00513349
Improvement District 113				**Improvement District 213**			
2013	$ 562,239,093	$ 15,541,750	0.02764260	**2013**	$ 562,239,093	$ 22,828,480	0.04060280
2014	674,596,339	14,150,000	0.02097551	**2014**	674,596,339	22,074,000	0.03272179
2015	827,524,085	13,900,000	0.01679709	**2015**	827,524,085	21,488,000	0.02596662
2016	885,391,548	13,638,000	0.01540335	**2016**	885,391,548	20,839,000	0.02353648
2017	1,031,821,023	14,870,000	0.01441141	**2017**	1,031,821,023	24,950,000	0.02418055
2018	1,143,798,184	14,597,000	0.01276187	**2018**	1,143,798,184	24,288,000	0.02123452
2019	1,186,452,170	14,320,000	0.01206960	**2019**	1,186,452,170	23,621,000	0.01990894
2020	1,283,110,993	14,037,000	0.01094015	**2020**	1,283,110,993	22,947,000	0.01788419
2021	1,334,069,673	13,750,000	0.01030681	**2021**	1,334,069,673	22,267,000	0.01669103
2022	1,408,807,895	13,409,000	0.00951798	**2022**	1,408,807,895	21,383,000	0.01517808
Improvement District 125				**Improvement District 225**			
2013	n/a	n/a	n/a	**2013**	n/a	n/a	n/a
2014	$ 29,578,638,615	$ 192,075,000	0.00649371	**2014**	$ 24,757,488,949	$ 240,995,000	0.00973423
2015	32,752,414,757	187,604,000	0.00572794	**2015**	27,557,606,802	235,865,000	0.00855898
2016	35,506,392,050	182,932,000	0.00515209	**2016**	29,945,134,379	230,535,000	0.00769858
2017	38,802,873,378	194,719,000	0.00501816	**2017**	32,838,922,602	268,655,000	0.00818099
2018	42,983,731,609	187,049,000	0.00435162	**2018**	36,549,538,031	260,260,000	0.00712075
2019	45,924,240,097	184,083,000	0.00400841	**2019**	39,234,190,651	256,320,000	0.00653308
2020	48,290,836,261	178,837,000	0.00370333	**2020**	41,383,837,339	250,818,000	0.00606078
2021	50,618,755,410	174,616,000	0.00344963	**2021**	43,435,406,719	245,995,000	0.00566347
2022	54,374,081,019	169,762,000	0.00312211	**2022**	46,663,295,492	239,979,000	0.00514278

Irvine Ranch Water District

Ratio of General Obligation Debt to Assessed Values [1]

for the Past Ten Fiscal Years

(continued)

Improvement District 240

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2013	$ 5,343,804,951	$ 26,441,526	0.00494807
2014	5,609,174,229	24,078,000	0.00429261
2015	6,031,968,996	22,767,000	0.00377439
2016	6,449,202,772	21,431,000	0.00332305
2017	7,000,292,817	21,271,000	0.00303859
2018	7,667,626,922	17,921,000	0.00233723
2019	8,000,510,347	17,202,000	0.00215011
2020	8,281,189,054	16,177,000	0.00195352
2021	8,600,764,183	15,240,000	0.00177194
2022	9,219,006,303	14,277,000	0.00154865

Improvement District 153

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2013	$ 8,475,848	n/a	n/a
2014	8,687,744	n/a	n/a
2015	666,622,225	n/a	n/a
2016	1,287,363,937	n/a	n/a
2017	2,893,148,966	$ 7,601,000	0.00262724
2018	4,097,566,306	7,601,000	0.00185500
2019	5,118,350,587	7,601,000	0.00148505
2020	5,812,018,792	7,601,000	0.00130785
2021	6,577,643,858	7,601,000	0.00115558
2022	7,561,167,645	7,443,000	0.00098437

Improvement District 253

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2013	$ 8,475,848	n/a	n/a
2014	228,692,347	n/a	n/a
2015	666,622,225	n/a	n/a
2016	1,287,363,937	n/a	n/a
2017	2,893,148,966	$ 11,877,000	0.00410522
2018	4,097,566,306	11,877,000	0.00289855
2019	5,118,350,587	11,877,000	0.00232047
2020	5,812,018,792	11,877,000	0.00204357
2021	6,577,643,858	11,877,000	0.00180566
2022	7,561,167,645	11,630,000	0.00153812

Improvement District 154

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2013	$ 9,334,512	n/a	n/a
2014	9,111,103	n/a	n/a
2015	9,289,351	n/a	n/a
2016	9,266,433	n/a	n/a
2017	9,376,883	n/a	n/a
2018	9,529,712	n/a	n/a
2019	9,720,296	n/a	n/a
2020	9,914,693	n/a	n/a
2021	10,017,398	n/a	n/a
2022	10,217,738	n/a	n/a

Irvine Ranch Water District

Ratio of General Obligation Debt to Assessed Values [1]

for the Past Ten Fiscal Years

(continued)

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 185				**Improvement District 285**			
2013	n/a	n/a	n/a	**2013**	n/a	n/a	n/a
2014	$ 85,119,097	n/a	n/a	**2014**	$ 85,119,097	n/a	n/a
2015	209,634,682	n/a	n/a	**2015**	209,634,682	n/a	n/a
2016	586,316,903	n/a	n/a	**2016**	586,316,903	n/a	n/a
2017	836,640,799	$ 1,493,000	0.00178452	**2017**	836,640,799	$ 1,809,000	0.00216222
2018	1,209,166,559	1,493,000	0.00123473	**2018**	1,209,166,559	1,809,000	0.00149607
2019	1,465,394,626	1,493,000	0.00101884	**2019**	1,465,394,626	1,809,000	0.00123448
2020	1,262,000,047	1,493,000	0.00118295	**2020**	1,262,000,047	1,809,000	0.00143326
2021	1,299,866,233	1,493,000	0.00114858	**2021**	1,299,866,233	1,809,000	0.00139168
2022	1,424,002,022	1,462,000	0.00102668	**2022**	1,424,002,022	1,771,000	0.00124368
Improvement District 188				**Improvement District 288**			
2013	$ 14,448,912	$ 1,714,661	0.11867060	**2013**	$ 14,448,912	$ 290,000	0.02007072
2014	14,446,476	1,468,000	0.10161648	**2014**	14,446,476	280,000	0.01938189
2015	14,735,113	1,462,000	0.09921879	**2015**	14,735,113	270,000	0.01832358
2016	185,851,827	1,456,000	0.00783420	**2016**	185,851,827	260,000	0.00139896
2017	196,953,990	1,603,000	0.00813896	**2017**	196,953,990	393,000	0.00199539
2018	212,742,385	1,597,000	0.00750673	**2018**	212,742,385	383,000	0.00180030
2019	246,753,329	1,591,000	0.00644773	**2019**	246,753,329	373,000	0.00151163
2020	255,088,204	1,585,000	0.00621204	**2020**	255,088,204	363,000	0.00142345
2021	284,644,152	1,579,000	0.00554728	**2021**	284,644,152	353,000	0.00124014
2022	329,117,953	1,569,000	0.00476729	**2022**	329,117,953	340,000	0.00103306

Source: Irvine Ranch Water District

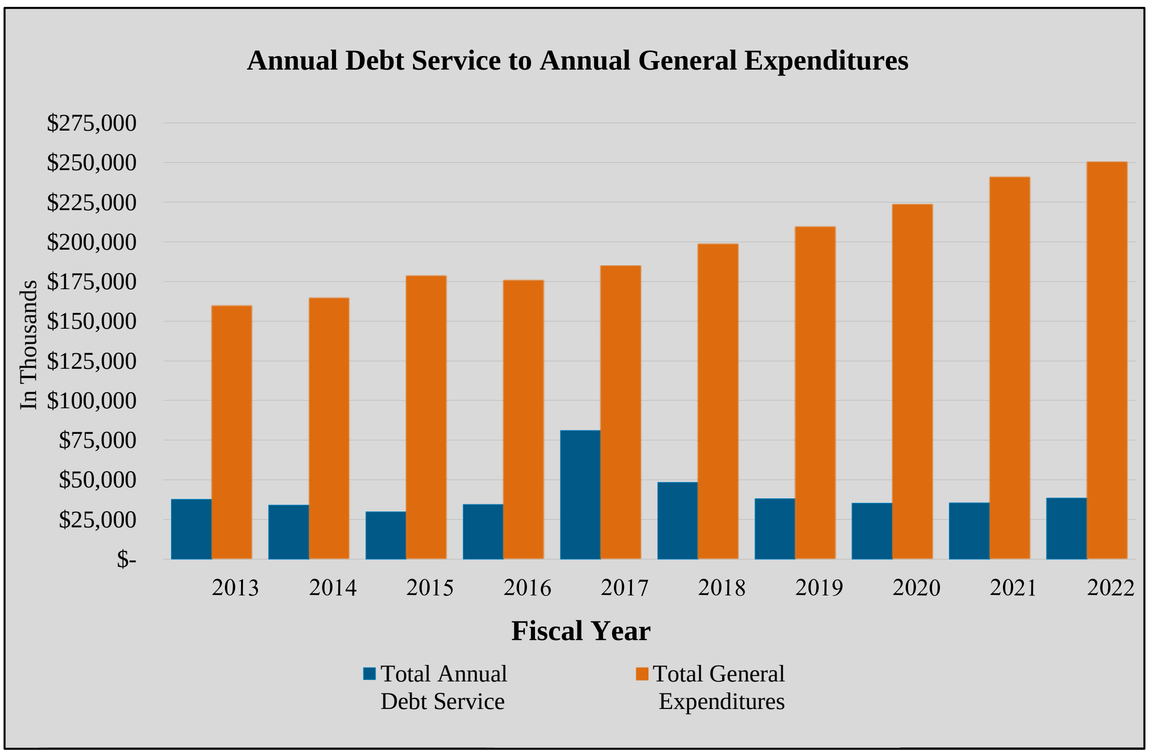
Note:

[1] In December 2013, the District consolidated water ID's 120, 121, 130, 140, 150, 160, 161, 182, 184, and 186 into ID 125 and sewer ID's 220, 221, 230, 250, 260, 261, 282, 284, and 286 into ID 225.

Irvine Ranch Water District

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

Fiscal Year	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2013	$ 37,734	$ 159,558	23.6%
2014	34,009	164,420	20.7%
2015	29,921	178,713	16.7%
2016	34,560	175,694	19.7%
2017	81,029	184,854	43.8%
2018	48,349	198,549	24.4%
2019	38,176	209,413	18.2%
2020	35,247	223,549	15.8%
2021	35,474	240,685	14.7%
2022	38,563	250,269	15.4%



Source: Irvine Ranch Water District

Irvine Ranch Water District

Debt Service Coverage (in thousands)
For the Past Ten Fiscal Years

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues					
Water sales and service charges	$ 62,565	$ 66,321	$ 70,110	$ 76,692	$ 77,252
Sewer sales and service charges	53,085	58,109	62,808	67,682	72,054
Developer Connection fees	17,314	22,429	29,183	32,109	25,563
Net real estate income	6,566	7,760	8,191	8,693	9,076
Interest income	1,549	1,671	1,515	1,585	3,210
Net earnings on JPA	20,294	12,356	-	-	-
Available 1% property tax revenue	25,796	28,532	29,770	31,645	34,247
Other	8,323	10,974	7,899	7,836	7,117
Total Revenues	195,492	208,152	209,476	226,242	228,519
Expenses					
Water supply services	51,163	57,624	57,978	57,499	55,296
Sewer services	38,189	37,715	54,575	40,413	42,752
Administrative and general	22,667	17,487	16,012	19,909	22,664
Pension and OPEB Expense	-	4,785	2,237	2,831	5,146
Other	6,110	7,163	9,752	2,800	1,997
Total Expenses	118,129	124,774	140,554	123,452	127,855
Net Revenues	$ 77,363	$ 83,378	$ 68,922	$ 102,790	$ 100,664
Applicable *Ad Valorem* Assessments Available for GO Double-Barrel Bonds	$ 5,838	$ 6,409	$ 4,839	$ 6,036	$ 8,605
Parity Obligations					
Certificates of Participation	$ 8,388	$ 8,753	$ 9,098	$ 9,487	$ 11,675
1997 State Loan #3	226	227	227	227	194
Series 2010B Bonds	7,519	7,825	7,829	7,823	7,813
Series 2011-A Index Tender Notes	2,306	2,360	2,455	2,927	2,967
2016 General Obligation	-	-	-	-	1,605
Total Parity Obligations Debt Service	18,439	19,165	19,609	20,464	24,254
Remaining Revenues	$ 64,762	$ 70,622	$ 54,152	$ 88,362	$ 85,015
Parity Obligation Coverage	4.5 x	4.7 x	3.8 x	5.3 x	4.5 x
Subordinate Obligations					
Fixed Payer Swap Payments	$ 7,452	$ 7,475	$ 7,734	$ 7,712	$ 6,798
State Loans and SCWD Debt	308	308	308	308	133
Total Subordinate Obligations	7,760	7,783	8,042	8,020	6,931
Remaining Revenues	$ 57,002	$ 62,839	$ 46,110	$ 80,342	$ 78,084
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	$ 3,470	$ 3,013	$ 3,358	$ 3,226	$ 3,128
Pro-rata Share *Ad valorem* Assessments for Non-Double-Barrel GO Bonds	5,965	4,797	4,463	5,396	5,341
Sub-total Pledged Revenues	66,437	70,649	53,931	88,964	86,553
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	25,796	28,532	29,770	31,645	34,247
Additional Net Revenues	25,248	34,307	16,340	48,697	43,837
Total with Additional Pledged Revenues	$ 66,437	$ 70,649	$ 53,931	$ 88,964	$ 86,553
Debt Service					
Non-Double-Barrel GO Bond Debt Service	$ 17,129	$ 10,968	$ 12,840	$ 11,173	$ 12,385
GO Bond Coverage	3.9 x	6.4 x	4.2 x	8.0 x	7.0 x
Remaining Revenues	$ 49,308	$ 59,681	$ 41,091	$ 77,791	$ 74,168
Total Debt Coverage	2.1 x	2.6 x	2.0 x	3.0 x	2.7 x

Irvine Ranch Water District

Debt Service Coverage (in thousands)
For the Past Ten Fiscal Years
(Continued)

	Fiscal Year				
	2018	2019	2020	2021	2022
Revenues					
Water sales and service charges	$ 84,575	$ 94,107	$ 90,213	$ 96,609	$ 103,286
Sewer sales and service charges	76,789	76,841	77,187	82,234	84,955
Developer Connection fees	32,674	18,205	10,943	18,913	10,449
Net real estate income	3,405	8,372	12,549	9,822	9,756
Interest income	4,489	6,992	7,640	3,694	1,860
Net earnings on JPA	-	-	-	-	-
Available 1% property tax revenue	29,649	42,389	44,463	47,172	49,781
Other	7,504	8,876	6,606	6,336	6,529
Total Revenues	239,085	255,782	249,601	264,780	266,616
Expenses					
Water supply services	63,671	64,004	67,792	79,221	89,186
Sewer services	38,115	43,734	49,497	51,540	48,353
Administrative and general	25,748	28,220	28,336	30,170	29,399
Pension and OPEB Expense	6,173	7,906	9,260	10,373	11,286
Other	174	2,615	5,240	1,432	2,791
Total Expenses	133,881	146,479	160,125	172,736	181,015
Net Revenues	$ 105,204	$ 109,303	$ 89,476	$ 92,044	$ 85,601
Applicable *Ad Valorem* Assessments Available for GO Double-Barrel Bonds	$ 10,499	$ 12,554	$ 13,548	$ 13,009	$ 13,329
Parity Obligations					
Certificates of Participation	$ 7,722	$ 7,821	$ 7,916	$ 9,304	$ 9,341
1997 State Loan #3	194	194	194	-	-
Series 2010B Bonds	7,807	7,792	7,778	7,756	7,764
Series 2011-A Index Tender Notes	3,675	4,045	3,887	3,236	3,487
2016 General Obligation	5,301	5,301	5,301	5,301	7,456
Total Parity Obligations Debt Service	24,699	25,153	25,076	25,597	28,048
Remaining Revenues	$ 91,004	$ 96,704	$ 77,948	$ 79,456	$ 70,882
Parity Obligation Coverage	4.7 x	4.8 x	4.1 x	4.1 x	3.5 x
Subordinate Obligations					
Fixed Payer Swap Payments	$ 5,739	$ 4,513	$ 2,496	$ 3,331	$ 3,247
State Loans and SCWD Debt	122	122	100	108	100
Total Subordinate Obligations	5,861	4,635	2,596	3,439	3,347
Remaining Revenues	$ 85,143	$ 92,069	$ 75,352	$ 76,017	$ 67,535
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	$ 10,834	$ 1,192	$ 1,141	$ 860	$ 1,117
Pro-rata Share *Ad valorem* Assessments for Non-Double-Barrel GO Bonds	6,265	6,922	7,223	6,693	6,602
Sub-total Pledged Revenues	102,242	100,183	83,716	83,570	75,254
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	29,649	42,389	44,463	47,172	49,781
Additional Net Revenues	55,494	49,680	30,889	28,845	17,754
Total with Additional Pledged Revenues	$ 102,242	$ 100,183	$ 83,716	$ 83,570	$ 75,254
Debt Service					
Non-Double-Barrel GO Bond Debt Service	$ 20,843	$ 11,436	$ 10,781	$ 9,222	$ 9,689
GO Bond Coverage	4.9 x	8.8 x	7.8 x	9.1 x	7.8 x
Remaining Revenues	$ 81,399	$ 88,747	$ 72,935	$ 74,348	$ 65,565
Total Debt Coverage	2.6 x	3.2 x	2.9 x	2.9 x	2.6 x

Source: Irvine Ranch Water District

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2022

Name of Company	Number of Employees	Percentage of Employment
University of California Irvine	18,373	6.63%
Blizzard Entertainment Inc	4,022	1.45%
Irvine Unified School District	3,897	1.41%
Edwards Lifesciences LLC	3,152	1.14%
B Braun Medical	1,910	0.69%
Center for Autism	1,892	0.68%
The Haskell Company	1,453	0.52%
Western Digital	1,350	0.49%
Capital Group Companies Global	1,198	0.43%
Thales Avionics Inc.	1,084	0.39%
		13.83%

Source: City of Irvine Annual Comprehensive Financial Report
(Fiscal Year Ended June 30, 2021).
Data was not yet available for FY 2021/22 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

Fiscal Year	IRWD Population [1]	City of Irvine Population	City of Irvine Median Family Income	Total Personal Income (in thousands)	County of Orange Unemployment Rate [3]
2013	358,580	231,117	$ 92,599	$ 8,174,011	6.1%
2014	369,335	242,651	92,663	9,595,168	5.0%
2015	384,349	250,384	90,585	10,593,508	4.2%
2016	397,966	258,386	91,999	10,946,242	3.6%
2017	410,584	267,086	92,278	12,840,224	3.2%
2018	423,779	276,176	93,823	12,272,130	2.6%
2019	439,526	280,202	104,185	12,272,130	2.4%
2020	447,678	281,707	100,969	12,788,062	13.7%
2021	456,019	307,670	105,126	13,662,292	6.4%
2022	464,556	N/A [2]	N/A [2]	N/A [2]	2.9%

Source: City of Irvine Annual Comprehensive Financial Report (Fiscal Year Ended June 30, 2021) 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) Irvine Ranch Water District

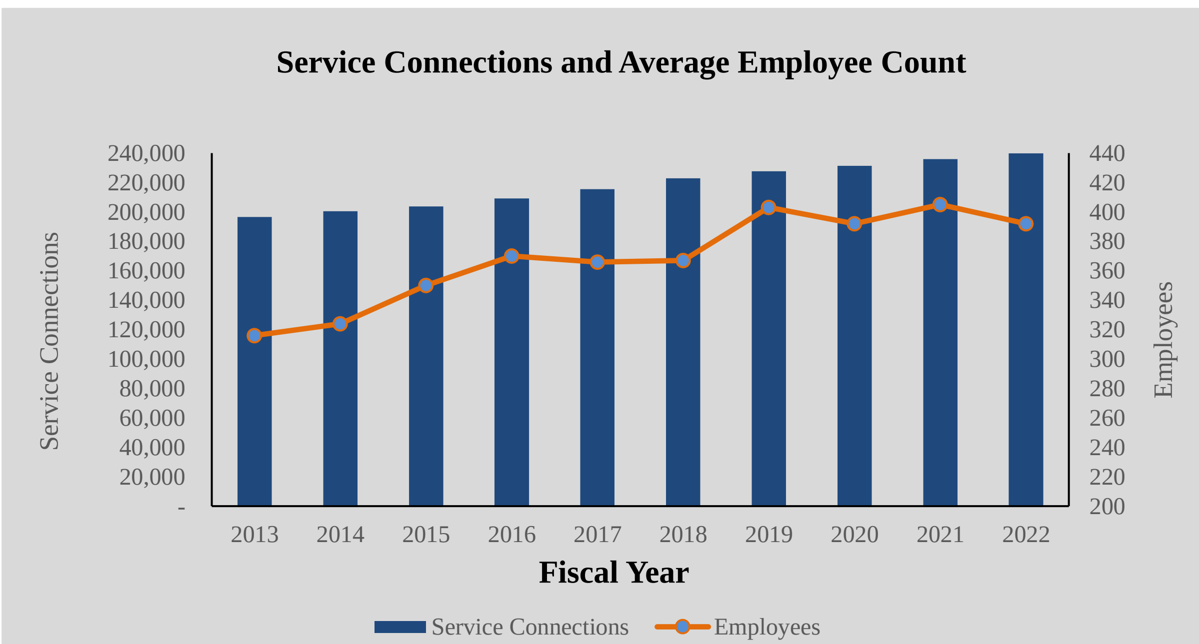
(2) City of Irvine Population, Median Family Income, and Total Personal Income for FY 2022 have not yet been published by the City of Irvine.

(3) Employment Development Department

Irvine Ranch Water District

Operating Indicators by Function
Water and Sewer Service Connections
For the Past Ten Fiscal Years

Fiscal Year	Water	Sewer & Recycled Water	Total Service Connections	Average Employee Population [1]	Service Connections per Employee
2013	101,108	95,488	196,596	316	622
2014	103,077	97,482	200,559	324	619
2015	104,678	99,084	203,762	350	582
2016	107,402	101,865	209,267	370	566
2017	110,520	105,053	215,573	366	589
2018	114,164	108,754	222,918	367	607
2019	116,539	111,210	227,749	403	565
2020	118,263	113,176	231,439	392	590
2021	120,437	115,382	235,819	405	582
2022	122,401	117,334	239,735	392	612



Source: Irvine Ranch Water District

Note:

[1] Includes permanent, temporary and interns.

Irvine Ranch Water District

Operating Indicators by Function
New Service Connections
For the Past Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016 (1)	2017	2018	2019	2020	2021	2022
Water										
Residential	1,520	1,848	1,727	2,513	2,928	3,355	2,314	1,783	2,077	1,895
Commercial/Industrial/ Public Authority	27	40	(126)	82	88	133	27	16	27	2
Fire Protection	55	50	29	107	83	99	68	21	57	38
Construction & Temporary	31	36	4	3	14	43	(23)	(28)	(5)	28
Landscape Irrigation	8	(4)	(30)	19	5	13	(11)	(65)	21	1
Agricultural	2	(1)	(3)	0	0	1	0	(3)	(3)	0
Total Water	1,643	1,969	1,601	2,724	3,118	3,644	2,375	1,724	2,174	1,964
Sewer										
Residential	1,521	1,829	1,727	2,501	2,894	3,340	2,314	1,781	2,059	1,899
Commercial/Industrial/ Public Authority	29	41	(232)	88	84	137	45	21	46	4
Construction & Temporary	0	0	0	0	0	0	0	1	0	0
Landscape Irrigation	112	127	113	0	0	0	0	0	0	0
Agricultural	(2)	(3)	(6)	0	0	0	0	0	0	1
Total Sewer	1,660	1,994	1,602	2,589	2,978	3,477	2,359	1,803	2,105	1,904
Recycled Water										
Residential	0	0	0	6	33	14	1	9	15	9
Commercial/Industrial/ Public Authority	0	0	0	8	9	14	12	6	11	2
Construction & Temporary	0	0	0	13	8	(5)	(1)	(9)	(7)	6
Landscape Irrigation	0	0	0	162	161	199	85	155	86	34
Agricultural	0	0	0	3	(1)	2	0	2	(4)	(3)
Total Recycled Water	0	0	0	192	210	224	97	163	101	48
Total	3,303	3,963	3,203	5,505	6,306	7,345	4,831	3,690	4,380	3,916

Source: Irvine Ranch Water District

Note:
(1) New connection data for Recycled Water connections was not available prior to the fiscal year 2016.

Irvine Ranch Water District

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

	Fiscal Year									
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Water										
Residential	9	9	12	11	11	12	11	11	12	11
Commercial	63	66	57	60	57	61	59	51	53	53
Industrial	204	192	267	222	232	213	212	201	211	216
Public Authority	306	305	378	287	260	260	242	164	134	160
Construction & Temporary	181	241	398	285	148	172	75	70	97	111
Treated - Landscape Irrigation	105	182	110	74	82	95	82	76	100	98
Treated - Agricultural	733	575	646	327	402	403	255	283	387	166
Untreated - Agricultural	5,799	6,314	8,504	8,047	6,315	6,274	4,700	2,953	445	652
Total	**7,400**	**7,884**	**10,372**	**9,313**	**7,507**	**7,490**	**5,636**	**3,809**	**1,439**	**1,467**
Recycled water										
Landscape Irrigation	169	182	192	186	170	195	145	128	168	166
Agricultural	4,145	3,882	4,992	3,891	3,197	3,292	2,438	2,797	4,414	3,716
Total	4,314	4,064	5,184	4,077	3,367	3,487	2,583	2,925	4,582	3,882

Source: Irvine Ranch Water District

Irvine Ranch Water District

Source of Supply and Water Deliveries / Sales in Acre Feet

For the Past Ten Fiscal Years

Source of Supply

(in Acre Feet)

Fiscal Year	Groudwater	Runoff Capture (Irvine Lake)	Imported Water	Recycled Water	Total Supply
2013	47,211	2,756	20,151	22,983	93,101
2014	55,015	0	22,508	21,038	98,561
2015	47,905	6,152	18,628	22,866	95,551
2016	46,901	25	11,853	23,206	81,985
2017	49,208	1,937	19,397	22,006	92,549
2018	48,109	6,109	15,436	25,255	94,909
2019	47,258	4,151	13,937	22,381	87,727
2020	47,810	6,524	13,002	24,627	91,963
2021	47,170	4,508	17,132	26,413	95,223
2022	45,088	75	24,654	26,444	96,261

Water Deliveries / Sales

(in Acre Feet)

Fiscal Year	Potable and Untreated	Recycled Water (1)	Total Demand
2013	57,203	28,259	85,462 (2)
2014	59,907	30,021	89,928 (2)
2015	58,319	32,139	90,458 (2)
2016	51,098	26,879	77,977 (3)
2017	51,299	27,860	79,159
2018	55,138	31,642	86,780
2019	51,651	27,689	79,340 (4)
2020	51,761	31,119	82,880
2021	54,506	32,595	87,101
2022	53,378	32,402	85,780

Source: Irvine Ranch Water District

Notes:

(1) The additional demands are met with runoff capture and imported water.
(2) Extremely dry conditions led to a considerable increase in demands.
(3) State mandated reduction in usage resulted in a significant decrease in overall demand.
(4) Significant rainfall resulted in a decrease in overall demand.

Irvine Ranch Water District

Capital Asset Statistics
For the Past Ten Fiscal Years

		Fiscal Year									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Potable System											
Miles of Water Line	(1)	1,516	1,597	1,622	1,760	1,810	1,905	1,919	1,955	1,976	1,979
Number of Storage Tanks	(2)	36	36	36	36	36	36	36	37	37	37
Maximum Storage Capacity (Acre Feet)		456	456	456	456	456	456	456	467	467	467
Number of Pumping Stations		37	38	39	39	39	39	39	39	39	39
Number of Wells		26	26	27	27	27	27	27	27	27	27
Well Production Capacity (cfs)		124	124	128	128	118	118	118	118	118	118
Water Banking Storage (Acre Feet)		109,600	109,600	109,600	126,000	126,000	126,000	126,000	126,000	126,000	126,000
Potable Treatment Plants		4	4	4	4	5	5	5	5	5	5
Non-Potable and Recycled Systems											
Miles of Recycled Line	(1)	488	503	509	525	540	555	565	570	572	576
Number of Storage Tanks		12	12	12	12	11	12	12	12	12	12
Number of Open Reservoirs		5	5	5	5	5	5	5	5	5	5
Maximum Storage Capacity (Acre Feet)	(3)	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,155
Number of Pumping Stations		20	19	20	20	20	19	19	19	19	19
Number of Wells	(4)	5	5	5	5	5	5	5	5	5	5
Well Production Capacity (cfs)		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Sewer System											
Miles of Sewer Line		971	1,009	1,019	1,070	1,081	1,123	1,134	1,143	1,153	1,374
Number of Lift Stations	(5)	13	13	13	13	13	13	13	13	13	13
Treatment Plants		2	2	2	2	2	2	2	2	2	2
Treatment Capacity (mgd) (Tertiary)		23.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5

Source: Irvine Ranch Water District

Notes:

(1) Miles of Line include laterals.

(2) 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 (467 AF). This number also includes the two 16-MG tanks at the Baker location and the newly constructed 4.3 MG Zone 1 Tank at the existing Zone 1 tank location.

(3) Excludes Serrano Water District's capacity in Irvine Lake, which equals 25% of total capacity.

(4) Accounts for active production wells only (Excludes SGU Injection Well).

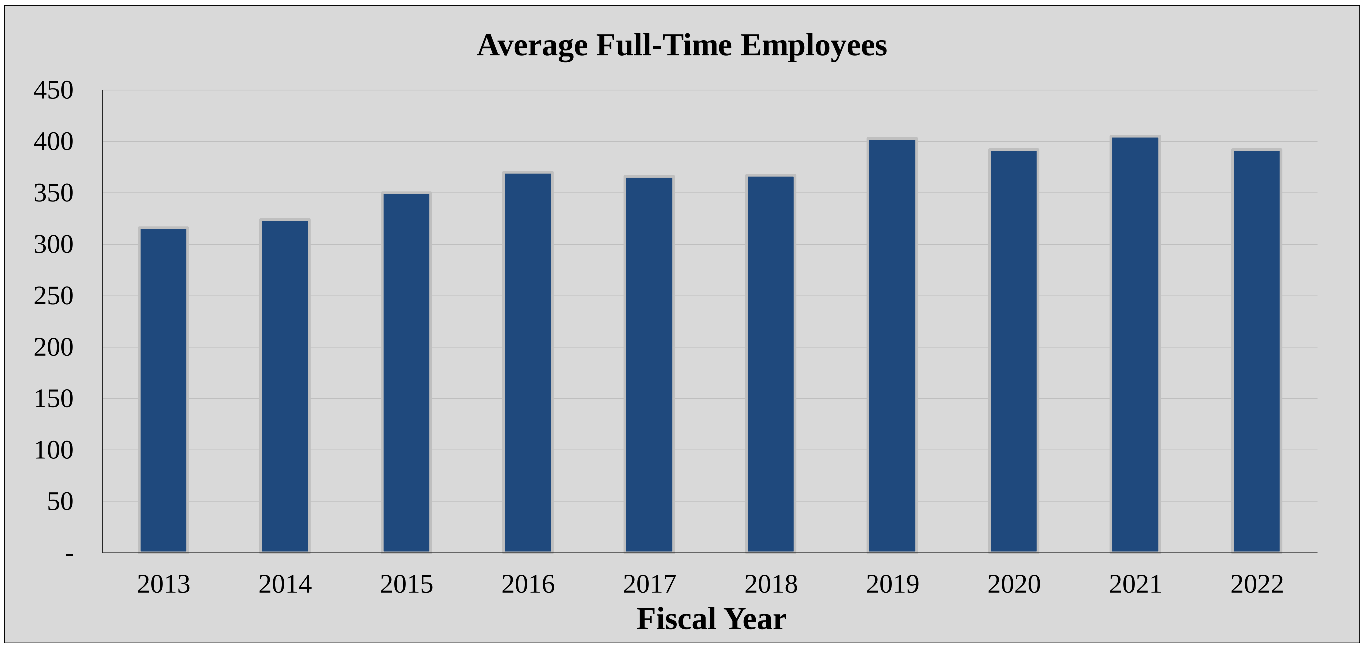
(5) Excludes lift stations serving individual IRWD facilities.

Irvine Ranch Water District

Full-Time Employees

For the Past Ten Fiscal Years

	Fiscal Year									
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Average Full-Time Employees [1]	316	324	350	370	366	367	403	392	405	392



Source: Irvine Ranch Water District

Note:

[1] Includes permanent, temporary and interns.